Cumbria County Council

Audited Statement of Accounts for the year 2019/20

Contents

Narrative Statement

1. Introduction and Overview

1.1 The Statement of Accounts for 2019/20 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These accounts comply with International Financial Reporting Standards (IFRS) as interpreted by the Code.

1.2 The purpose of the Narrative Statement is to provide information on the Council, its main objectives and strategies and the principal risks it faces. It sets out information to help readers understand the Council's financial position and performance during 2019/20. It also provides assurance as to how well Cumbria County Council is equipped to deal with challenges ahead and how it will continue to deliver services and support to the local community in future years.

1.3 Cumbria County Council provides services to residents, businesses and communities across the whole county. The Council has an operating model that determines an annual revenue budget for each Directorate within which they must operate and deliver on the Council's priorities, as set out in the Council Plan and the annual Council Plan Delivery Plan. These priorities are presented as performance indicators for each Directorate and monitored alongside the revenue budget monitoring. Strategic and operational risks are identified and managed as appropriate. Overall the performance is achieved by ensuring that all resources (financial, staff and assets) are directed to support the achievement of the stated outcomes.

1.4 During 2019/20 the Council's financial and non-financial performance was regularly reported to Elected Members. This included updates on staff development and training, governance updates and improvements, internal and external audit commentary, the delivery of the Council Plan and the usual Performance Indicators and financial monitoring.

1.5 This is a challenging time for the public sector; constrained funding, pressures in demand for in particular, care for the elderly and care for vulnerable adults and children and going forward, further economic uncertainty as the country responds to and recovers from the COVID-19 pandemic. Ensuring that the Council can achieve its outcomes within its financial envelope is critical. This is increasingly challenging but also increasingly the focus

1.6 The Council works in partnership to support the provision of universal and targeted services, with an increasing focus on collaborative working, integration of services and looking at alternative delivery mechanisms to deliver economic growth, environmental benefits, safer communities and improved health and wellbeing for all Cumbrian residents.

2. Vision for Cumbria

2.1. The County of Cumbria was established in 1974 and is one of the most sparsely populated counties in the United Kingdom. It is the most north westerly County in England and is the second largest county in England. It covers 6,767 km^2 and its population is estimated to be 498,000.

2.2. Cumbria has a super-ageing population; by 2030 the population aged over 65 is expected to increase by 23,000 to 145,000 and this will represent 30% of the total population (compared to 24% nationally). In contrast the working age population is expected to decline by 24,000, the third biggest fall in the country, unless migration trends change.

2.3. In respect of the Cumbrian economy, there are over 28,000 businesses and 247,000 people in employment, generating Gross Value Added of £11.6bn with opportunities to capitalise on our productivity, innovation and enterprise potential, to develop a better balanced economy and to increase our talent pool.

2.4. Within Cumbria there is the County Council, six District Councils, two National Parks and seven NHS organisations. In addition there are six Members of Parliament and over 250 Parish and Town Councils and Parish meetings.

2.5. Cumbria County Council is responsible for many key local services:

People

- *Children and Families* - including the safeguarding of children, looked after children, services to vulnerable children and young people and their families and adoption and fostering services;

- *Health and Adult Social Care* - including services for older people, people with physical or learning disabilities, public health, mental health services, child health related matters and drug and alcohol matters;

- *Education and Skills* - including early years and pre-school, mainstream schools and education, special educational needs provision, school improvement, raising the participation age, youth services and career advice, and Traded Services;

Economy and Infrastructure

- *Highways and Transportation* - including highways maintenance, street lighting, traffic regulation and road safety, parking, public rights of way and schools and community transport;

- *Economy & Environment* - including enterprise and inward investment, strategic spatial planning, minerals and waste planning, development and investment, waste disposal and recycling and flood management;

Fire and Rescue Services

- including resilience*;*

Corporate, Customer and Community Services

- including libraries, archives, registration services, legal and democratic services, digital and IT services, human resource management, coroner and customer services;

Finance

- including accountancy, treasury management, pension administration and insurance.

2.6. These services are either provided directly by the Council or are commissioned from and delivered by other organisations. Most of these services are mandatory, meaning the Council must provide them because it is a statutory duty to do so.

2.7. The vision for the Council is:

A Council that works with residents, businesses, communities and other organisations to deliver the best services possible within the available resources.

2.8. The Council will work to ensure that the Corporate Priority outcomes are achieved:

- People in Cumbria are Healthy and Safe
- Places in Cumbria are Well-Connected and Thriving
- The Economy in Cumbria is Growing and Benefitting Everyone

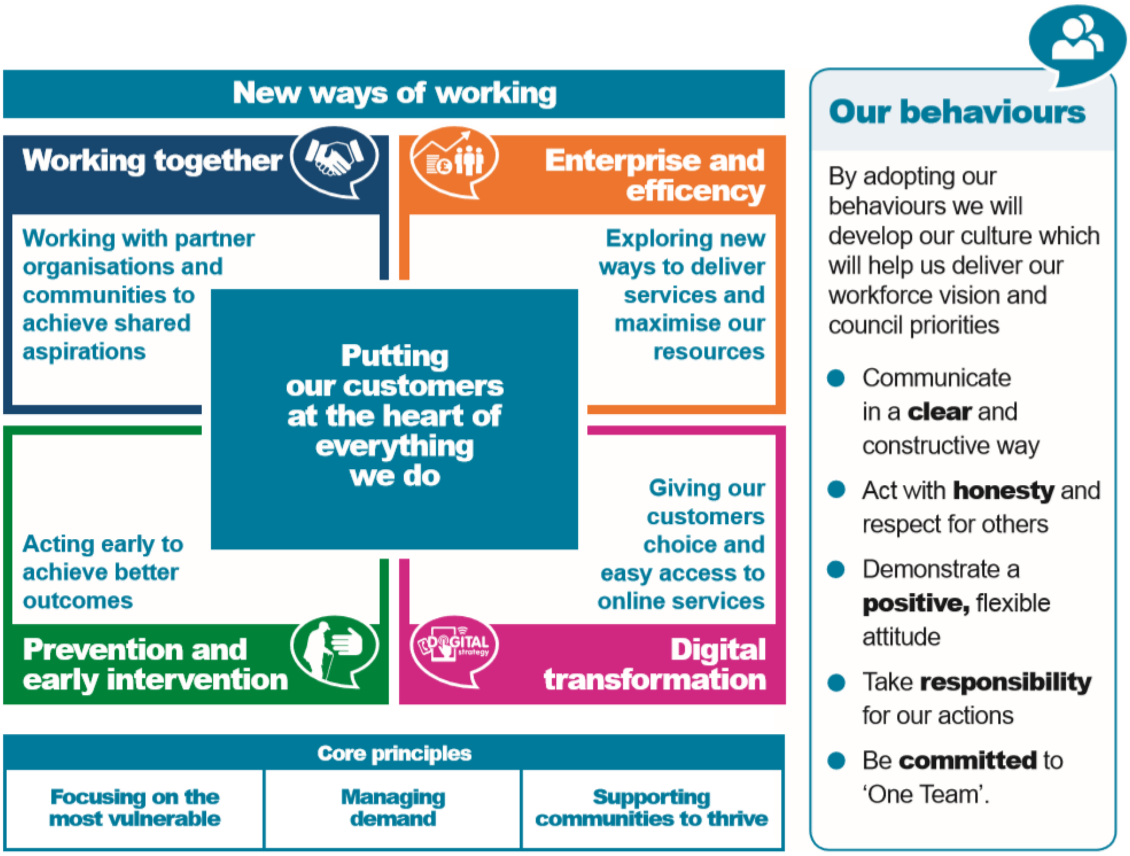
2.9. To ensure that the Council is financially sustainable for the future and able to deliver its priority outcomes it will use new approaches to maximise its contribution to improving the everyday experiences of people in Cumbria. This will mean:

- Putting Customers at the heart of everything we do
- Supporting communities to thrive
- Focusing on the most vulnerable
- Managing Demand

This will be delivered through embedding our new ways of working

- Working Together
- Enterprise and Efficiency
- Digital Transformation
- Prevention and Early Intervention

2.10. The Council Plan 2018 - 2022 makes a commitment to introduce the following new ways of working which are underpinned by the principle of putting customers at the heart of everything we do. These core principles underpin the Council's actions and decision making processes.



3. Leadership and workforce

3.1. The Council's Constitution sets out the rules and procedures by which the Council operates and is available on the Council's website. The Council has 84 members (or 'councillors'), elected by the public to represent a particular local area, or 'Division'. Collectively they are responsible for the democratic structure of the council, overseeing key policies and services and setting the Council's annual budget and capital programme. More information can be found on the website.

3.2. The Leader of the Council is Cllr Stewart Young. Cllr Young appoints a Cabinet, responsible for key decisions to manage the Council's business. Overview and scrutiny committees hold the Cabinet to account for the decisions made on behalf of the Council.

3.3. Employees ('officers') support Cabinet and Council in their work and manage the Council's services and operations. The Chief Executive (Katherine Fairclough) is the Head of Paid Service and leads the most senior group of officers who advise councillors on policy, implement councillors' decisions and are also responsible for Council performance.

3.4. During 2018/19 the Council's internal management structure was re-designed to support a new "cluster" operating model and links to the Council's vision and priorities contained within the Council Plan and Medium Term Financial Plan.

This was the first phase of a wider organisational change programme aimed at ensuring resources are properly aligned to the vision and priorities. It is aimed at introducing more flexibility in service delivery so that the organisation can adapt readily to the challenges which will inevitably occur over the next few years.

3.5. The “cluster” operating model focusses on the following areas:

People – and the response to service users with assessed needs. This will include the existing services of the children and young people’s directorate, adult social care, public health, Cumbria Care, health and care integration and partnerships.
Strategic core – and the response to meeting the council’s internal governance, democratic, strategic commissioning, communications, planning responsibilities and enterprise.
Customer – and the response to the universal customer’s needs this will include customer transformation, customer service centre and community services
Locality – and the response to place based issues of infrastructure and growth and transportation.

3.6. As at 31st March 2020 the Council’s staff complement stood at 4,580 FTE (full-time equivalent) posts, representing 6,047 employees.

4. Performance

4.1. The Council's performance against the Council Plan Delivery Plan is reported on a quarterly basis to Cabinet, reports can be found on the Council’s website.

4.2. The quarterly performance reports show the latest assessment of the Council’s performance indicators using a Red, Amber or Green (RAG) rating, signifying whether or not progress is on track. In deciding RAG ratings consideration is given to data on current performance and an assessment of progress.

4.3. The Council’s performance outturn for 2019/20 has been published in detail in the Corporate Performance Monitoring Report – Quarter 4 2019/20 reported to Cabinet on 23rd July 2020.

4.4. The following paragraphs (4.5 to 4.11) is an extract of the position reported to Cabinet at its meeting of 23rd July 2020.

4.5. On the 11th March 2020, the outbreak of coronavirus (COVID-19) spread across Cumbria and a major incident was declared. As a major incident was declared part way through Quarter 4 reporting period, some plans have been affected. Due to the impact of Covid-19 both on organisation working, services and Cumbria residents and communities, some actions were re-prioritised.

4.6. Cabinet had opportunity to view the immediate response in the report provided to Cabinet in June 2020.

4.7. The Council Plan Delivery Plan 2019/20 includes both a description of 54 actions that the Council undertook with delivery or milestones during 2019/20, and 38 performance measures which provide an indication of how well the Council is performing. A summary of the position of these actions and measures as at end of Quarter 4 2019/20 is provided in Figures 1 and 2.

Figure 1 - CPDP 2019/20 Summary Position of Actions at end of Quarter 4

4.8. The overall position at the end of Quarter 4 2019/20 was that 35 of the 54 (65%) Council Plan Delivery Plan actions had been delivered, met or were on track to meet the planned milestone and rated green, 16 (30%) were in progress and at risk of missing the milestone and rated amber, and three (6%) actions are rated red and expected to miss a key milestone or not fully deliver as intended.

Figure 2 - CPDP 2019/20 Summary Position of Measures at end of Quarter 4

4.9. In terms of the measures used to track performance, the overall position at the end of the year was that 18 of 38 measures (47%) demonstrated positive, exceeding the target or within 5% of the target which results in a green rating. Eight measures (21%) were within 10% of the target and rated amber. 12 measures (32%) were more than 10% off the target and therefore rated red.

4.10. A summary infographic of the key achievements against the 2019/20 Council Plan Delivery Plan, as reported to Cabinet on 23rd July 2020, is included on the next page.

Cumbria County Council

Council Plan Delivery Plan

Achievements 2019/20

Cumbria County Council

Outcome 1

People in Cumbria are healthy and safe

A multi-agency Transition event to raise awareness and engagement for those children and young people likely to transition to Adult services was held in July 2019 where over 150 families attended, and more than 50 separate service providers.

The pathfinder project 'Think Family' (West Cumbria) multi-agency delivery model has helped to ensure better outcomes for children and families in need.

4,166 pieces of Assistive Technology have helped and supported vulnerable adults to stay in their homes.

Provided Youth Mental Health First (YMHFA) training to all schools across the county; and supported schools to access mental health and emotional wellbeing services.

There were **fewer accidental primary dwelling fires** with 238 in 2019/20 compared to 249 the previous year.

9,915 safe and well visits and **1,246 Fire Protection audits in commercial premises were conducted** by Cumbria Fire and Rescue service as part of their prevention activity.

A new Child and Family Support Service was launched in January 2020, Young People and Families health and wellbeing service.

Cumbria County Council have **191 foster care households in place across the county.** There have been **19 carers approved this year,** a net gain of 8 households since last year.

A carbon baseline for Cumbria has been developed as an evidence base for climate change adaptation.

Outcome 2

Places in Cumbria are well connected and thriving

The Autism Champions Group has co-produced with the Council's People Management service a **Neuro-diversity policy** to support Autism, dyslexia and other neurological conditions.

Across the county the proportion of **'outstanding or good schools' increased with 287 out of 322 schools (89.1%).**

Outcomes for children with Special Educational Needs improved with 26.7% achieving the expected standard in Reading Writing and Mathematics at Key Stage 2, above national levels of 25.3%.

In 2019, **97.1% of 16 and 17 year old young people** had received a suitable offer of training/education in Cumbria compared to 95.0% nationally.

71% of children in Early Years achieved a 'Good Level of Development' (GLD) in 2019.

Superfast broadband services have been made available to an additional 10, 239 harder to reach properties across Cumbria.

A new approach to highway safety inspections has been fully implemented across all Cumbria's Local Committee areas.

Work has advanced in relation to the community hub in Barrow-in-Furness and refurbishment of the library is well underway with engagement of partners.

Outcome 3

The economy in Cumbria is growing and benefits everyone

61% of the Council's spend at the end of Quarter 4 was **with Small and Medium Enterprises; 36% of those were Cumbrian based; overall, 50% was with Cumbrian based organisations** of any size.

371 vulnerable adults with Special Educational Needs and Disabilities enrolled onto study programmes to help improve their routes into work.

Continue to encourage Council providers delivering services to **pay Living Wage rates and adopt the principles of the Great Jobs Agenda.**

The **'grow your own'** approach to address market issues has been developed with the Social Care Academy and a cohort for Cumbria Care.

In 2019/20, **181 Apprenticeships began** at Cumbria County Council, with a further 93 across Cumbrian schools.

Outcome 4

New ways of working and achieving financial sustainability

Delivery of digital projects has progressed for service areas including **customer complaints, registrars, parking services and waste.**

A system wide **Workforce Strategy with North Cumbria and South Cumbria Health and Care systems** has had action plans implemented.

Five enterprise projects generated a combined financial benefit of **£0.461m** in 2019/20.

Achieved "Continuing Excellence" Award from... Better Health at Work

The Council has achieved a **breakeven budget position** at the end of the financial year, including £17m of new savings.

Serving the people of Cumbria

cumbria.gov.uk

4.11. The actions which were not achieved in 2019/20 were as follows:

- All-Age Carers' charter to support all carers to achieve their aspirations was developed by 31st March 2020, but was not published and formally agreed by partners by the deadline.
- All services did not deliver in line with the 2019/20 revenue budget as set by Council in February 2019. (See Section 8)
- The £22.730m of new savings were not fully delivered in 2019/20. The provisional outturn includes delivery of £17.056m (75.0%) against the planned 2019/20 savings target of £22.730m, a shortfall of £5.674m against target.

5. Risk Management

5.1. In June 2018, the refreshed performance and Risk Management Framework was agreed by Cabinet following a significant refresh of all Corporate Risks. This helped to ensure that the Council continued to identify and address any uncertainties relating to the achievement of priorities.

5.2. On a quarterly basis all Strategic risks are considered by Risk Owners, Risk Owners Group, Directorate Management Teams, the Council's Corporate Management Team and reported to the Audit and Assurance Committee.

5.3. At the end of Quarter 4 2019/20, there are 12 risks on the corporate risk register, 7 high risks and 5 medium risks. A summary of the high rated risks are listed in the table below.

Q4 Council High Rated Risks

1.The impact of COVID-19 on the delivery of Council Services (new at Q4)
2. Prevention of & Placement Sufficiency for Children Looked After
3. Deliver a Financially Sustainable Authority
4. Workforce Capacity
5. Care needs & continuity of care
6. Learning Disability Partnership arrangements
7. Information Security arrangements

5.4. A new risk relating to the COVID-19 Pandemic was included in the corporate risk register in light of the significant and long-term impact COVID-19 is expected to have on the delivery of Council services across all areas of Council activity.

5.5. There are 2 emerging risks included in the Quarter 4 risk report relating to Brexit and climate change.

5.6. The Quarter 4 report containing more detailed information on the aforementioned items can be found on the 29th July 2020 Audit and Assurance Committee Agenda on the Council's website.

6. Financial Operating Model

6.1. The Council sets a revenue budget, medium-term financial plan (MTFP) and capital programme in the February preceding the start of the financial year.

6.2. These are underpinned by a Capital Strategy, Treasury Management Strategy, Pay Policy Statement and a risk assessment of the level of balances required.

6.3. Construction of the budget and budget proposals are subject to challenge by the Council's Leadership Team and the Director of Finance. Councillors have the opportunity to question and challenge the proposals through engagement sessions and member presentations. Members of Scrutiny Management Board scrutinise budget proposals at a meeting in November before Cabinet propose the budget, MTFP and capital programme in January. Throughout the year, regular financial monitoring reports are presented to Cabinet.

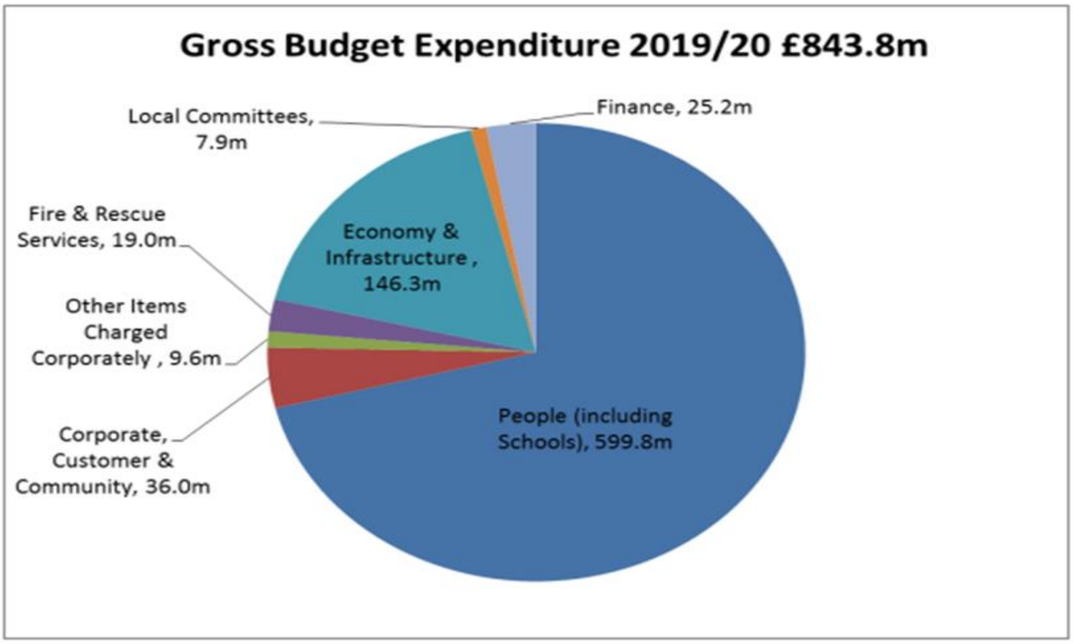
7. Revenue Spending Plans for 2019/20

7.1. The Council's budget for the provision of services in 2019/20 and Medium Term Financial Plan (MTFP) to 2021/22 was agreed by Council in February 2019. The budget included funding to address demand pressures for statutory services, particularly Children Looked After and Younger Adults which were expected to continue to rise.

7.2. The most significant risk to the 2019/20 budget was in relation to the demand led budgets and in particular children's social care and a range of pressures and uncertainties in adult social care, particularly in relation to growing demand and the potential consequences of pressures on the health system.

7.3. To help mitigate these risks funding was provided as stated above and savings plans were developed to manage demand. Savings being an important element in setting a balanced budget and the MTFP to 2021/22 included new savings of £22.730m having taken account of the impact of one-off savings from previous years which required replacement.

7.4. In total, the Council planned to spend £843.833m on delivering services in 2019/20:



7.5. The Council intended to finance £465.078m of spending from specific government grants, contributions from other bodies, charging and interest income and a contribution from reserves and balances. Therefore, the net budget totalled £378.755m.

7.6. The net budget was financed from: Business Rates (£87.367m); General Grants (£55.015m); deficit on the collection fund of £0.124m and Council Tax (£236.497m). Council tax for a Band D property was set at £1,385.28. This was a 3.99% increase from 2018/19.

8. Revenue Financial outturn position

8.1. The Council's 2019/20 draft outturn position was reported to Cabinet on 11th June 2020 and a copy of this report can be found on the Council's website.

8.2. As set out in the table that follows the 2019/20 outturn was to budget. However there were variances in Directorate outturns at year end. The most significant overspends were due to demand for services within the People Directorate; £5.703m related to Younger Adults with complex needs; £4.060m related to Children Looked After and £6.076m was due to delays in the Promoting Independence Programme.

8.3. The Council budget set in February 2019 included £22.730m of new savings. Overall 75.0% of the savings were delivered in year giving a shortfall of £5.674m.

8.4. Offsetting the Directorate overspends are underspends within Other Corporate items of (£13.187m) largely as the result of the one off release of unallocated inflation and contingency budget (£8.762m), additional Business Rates (£3.000m), and (£3.075m) release of reserves.

8.5. The year end position included £1.044m related to costs arising from measures to address the COVID-19 pandemic at the end of March funded by £1.044m of additional government grant. This funding was part of the £16.085m COVID-19 grant received from government at the end of March 2020. The remaining balance of £15.041m was transferred to Earmarked Reserves to fund expenditure in 2020/21.

Table 1 – Summary of Final Outturn Position 2019/20 as at 31st March 2020

	Original Budget £m	Final Budget £m	Actual £m	Variance Overspend / (Underspend) £m
People	179.802	188.616	207.016	18.400
Economy & Infrastructure	126.145	130.406	131.919	1.513
Fire and Rescue Service	18.646	19.055	18.767	(0.288)
Local Committees	7.938	8.069	8.069	0.000
Corporate, Customer & Community Services	31.199	35.344	33.622	(1.722)
Finance	24.154	24.550	19.833	(4.717)
Other Corporate Items	(11.556)	(11.587)	(24.774)	(13.187)
	376.328	**394.453**	**394.453**	**0.000**

	Original Budget £m	Final Budget £m	Actual £m	Variance Overspend / (Underspend) £m
Financed by:				
Government Grants	123.709	143.533	143.533	0.000
Retained Business Rates	18.673	21.324	21.324	0.000
Council Tax	236.373	236.373	236.373	0.000
Transfer (to)/from Reserves – Earmarked Reserves	(2.427)	(6.777)	(6.777)	0.000
Transfer (to)/from General Reserves	0.000	0.000	0.000	0.000
Total Financing	**376.328**	**394.453**	**394.453**	**0.000**

8.6. The budget position has been closely monitored as part of the integrated approach to managing resources to deliver the Council Plan, provide for statutory responsibilities and secure the financial sustainability of the Council going forward. Although the provisional outturn position is a balanced budget position, this has been challenging, given the service demand pressures particularly in People Services. Addressing this demand, as with many other upper tier Councils is a key priority of the Council. The secondary consequences of COVID-19 will add to the overall resource challenge in 2020/21 reflecting its inclusion in the Corporate Risk Register.

8.7. The Expenditure and Funding Analysis (in Note 4) reports the Net Expenditure chargeable to General Reserves which is the outturn position referred to above. These figures are then updated for adjustments between the funding and accounting bases (technical accounting requirements) and the Net Expenditure in the Comprehensive Income and Expenditure Statement (CIES) is reported. The net cost of continuing operations on an accounting basis is £424.003m compared to £394.453m on an outturn position.

8.8. The CIES shows the impact of adjustments to the accounts because of capital accounting requirements, pension adjustments and other technical adjustments. This includes charges to the CIES for impairment and revaluation gains and losses alongside the statutory charges for capital financing. Under the International Accounting Standard (IAS) 19, the Council is also required to recognise the cost of retirement benefits in the cost of services in the Comprehensive Income and Expenditure Statement when they are earned by employees rather than when the benefits are eventually paid as pensions.

8.9. Overall the CIES is reporting a higher net cost of continuing operations than the outturn position. After taking into account other Income and Expenditure which includes all the Council Tax income received and non-specific grants a deficit position of £22.059m is reported as the Deficit on Provision of Services. This compares to a balanced position reported as the outturn position.

8.10. After other adjustments including the re-measurement of the net defined benefit (pension) liability which is £78.159m in 2019/20, the final position on the CIES is a total surplus of (£72.036m). This is compared to a deficit for 2018/19 of £52.117m. The main reason for the change is the pension liability change of £144.760m.

8.11. In respect of liabilities on the Balance Sheet the largest impact is the Council's net Pensions Liability. Pension liability figures are volatile and dependent upon market conditions at the Balance Sheet date as well as specific pension member information for the employer body. The current economic climate has a significant impact on the calculation of this liability. This can result in significant shifts in value from one year to the next with the consequent impact on the net Balance Sheet position.

9. Reserves

9.1. The Movement in Reserves Statement identifies the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. cash backed reserves which can be used to fund expenditure or reduce local taxation) and "unusable" reserves (i.e. not cash backed).

9.2. Usable Reserves are separated into General Reserves (General Fund Balance and Earmarked Reserves), Capital Receipts Reserve and Capital Grants Unapplied. Usable Reserves are those 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.

9.3. Unusable reserves are not available to fund services and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts may only become available when the assets are sold and others that reflect the timing difference of when certain transactions are accounted within the Statement of Accounts and act as a holding account for changes from one year to the next.

9.4. Overall Earmarked Reserves for the Council have increased by (£6.778m) during 2019/20. This is largely as a result of the receipt of the COVID-19 grant (£16.085m) at the end of March and £15.041m has been earmarked for use in 2020/21, offset by a number of Earmarked Reserves decreasing e.g. the release of the Highways Fleet replacement reserve £1.750m, partial release of the Innovation Fund reserve £1.043m and the Insurance Reserve £1.429m. The most significant movements in earmarked revenue reserves are explained in Note 31.

9.5. In respect of Unusable Reserves the largest change relates to the Pension Reserve. There is a decrease in the shortfall on the Pensions Reserve of £34.094m from £877.176m in 2018/19 to £843.082m in 2019/20. Note 32 explains how the Pensions Reserve works. In summary, 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.

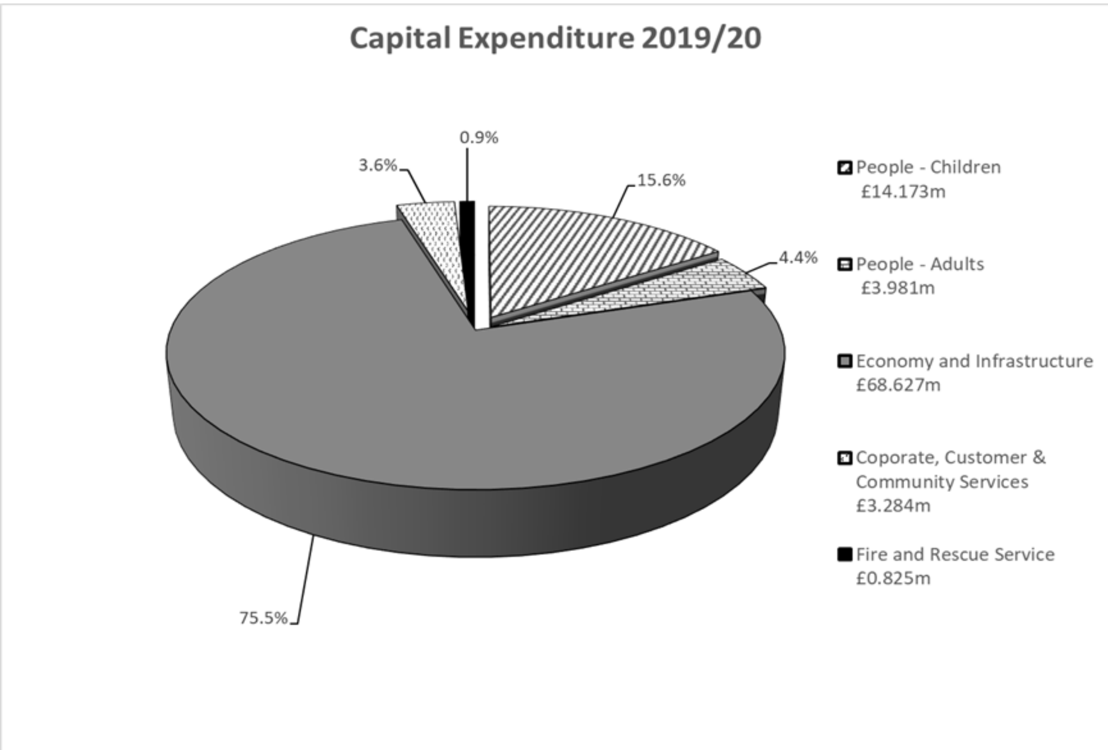
9.6. Statutory provisions will ensure that funding will have been set aside by the time the benefits come to be paid. The Council currently has an agreed 12 year deficit recovery period (following 2019 Triennial Valuation) in respect of the Cumbria Local Government Pension Fund consistent with actuarial advice. This supports the Council's going concern principle (see para 12.1 – 12.5).

10. Capital

10.1. The Council approved a capital programme for 2019/20 in February 2019 of £105.822m for Council delivered schemes and £3.584m for schemes where the Council is Accountable Body. Following changes approved by Council in June 2019, September 2019, and February 2020 and by Cabinet in September 2019, December 2019 and March 2020 the Council Capital Budget increased to £107.126m. Quarter 4 shows a net increase of £1.103m in the required Capital Budget 2019/20.

10.2. This reflects a number of changes to the capital programme as outlined below, giving a revised Council Capital Programme of £108.229m, this excludes the Accountable Bodies programme. Overall there is a variance against the Council capital budget of (£17.338m); the £90.891m spend compares to the £108.229m capital budget. The variance is made up of (£18.329m) slippage, £1.206m accelerated spend and an underspend position of (£0.215m).

10.3. The following chart shows the split of the £90.891m spend across the Council's Directorates with additional information available on the website.



10.4. The capital spend represents investment across Directorates to support the delivery of Council services. As well as maintaining the Council's assets there has been significant investment in new scheme developments to support the Council's priorities and continue to deliver the outcomes effectively. This includes:

- £8.325m of capital investment in respect of priority maintenance schemes and individual school expansion schemes, focusing on those in greatest need.
- Completion of Sandside Lodge, a 60 place special school.
- Children's Residential Provision, Kendal and commencement of provision at Penrith.
- Integrated Care Community Beds in a care home working with NHS.
- 2 Modular Classrooms at St Mary's Catholic Primary School, Workington.
- Lonsdale Building Car Park, Carlisle.
- BAE Car Park and Junction, Barrow.
- Maryport Station Hub.
- Pooley Bridge Bus Stop Infrastructure Scheme.
- Troutbeck Bridge Flood Alleviation Scheme.
- Town Cass, Keswick Gas Monitoring Landfill Legacy Management.
- Across the highway network significant investment has been completed in various locations with £5.2m spent on the principal road networks and £17.7m spent on the non-principal road networks, £3.4m on Bridges and Structures and £1.6m on fixing potholes.
- The highways flood recovery scheme following Storm Desmond (December 2015) has invested £15m across various locations. The flood recovery work will continue into 2020/21 including Ford, Burneside and Middleton Bridges.

10.5. A summary of the capital expenditure and how it was financed is shown in Note 18 to the Statement of Accounts. The Council considers carefully capital financing to ensure it is prudent, affordable and sustainable in the medium and long term. The 2019/20 capital investment of £90.891m was financed as shown in the table below.

Table 3 – Capital Financing 2019/20

	£m
Capital Receipts	2.484
Government Grants and contributions	66.741
Revenue Contributions	4.101
Prudential Borrowing	17.565
Total Capital Financing	**90.891**

10.6. The Prudential Code for Capital Finance in Local Authorities regulates Local Authority borrowing and gives freedom to Councils to borrow, providing they are capable of meeting the revenue costs of borrowing and the borrowing strategy is in keeping with Prudential Indicators and guidelines. The Council's borrowing strategy and limit is agreed annually, at the February Council meeting when the budget is set, and the strategy is part of the Treasury Management Strategy.

11. Basis of Preparation and Presentation

11.1. The Council produces a Statement of Accounts to provide transparency about the Council's finances, to give assurance to stakeholders that public money has been properly accounted for and that the financial standing of the council is on a secure basis.

11.2. The accounts (including notes to the accounts) for 2019/20 are set out on pages 26 to 30 and bring together all the Council's financial statements for the year 2019/20 showing the financial position as at 31 March 2020. The statements reflect both revenue and capital elements for the General Fund, including transactions relating to joint operations with other local authorities and health bodies.

11.3. The County Council is the administering authority for the Cumbria Local Government Pension Fund. As such, the Fund accounts are included as a disclosure within the Council's accounts.

11.4. The Statement of Accounts must provide a 'true and fair' view of the Council's financial position at 31st March 2020 and of its income and expenditure for the 2019/20 financial year. When preparing the accounts consideration is given to the materiality of information. Disclosure of information is made where omitting it could be misleading or inhibit the true and fair view.

11.5. The level of usable cash reserves (£83.551m) are sufficient to ensure that the County Council is able to continue to meet the cost of the provision of services over the medium term. Therefore, the accounts are prepared on a 'going-concern' basis.

11.6. As part of the development of the Statement of Accounts each year the content is reviewed for applicability and materiality. The aim being to 'declutter' the Accounts by only including relevant and material accounting policies and disclosure notes. The Council's materiality level is in the region of £15m and hence any notes to the accounts below this value that are not statutorily required and where the Council's feels it is not required to aid understanding, have been excluded.

Prior Period Adjustment

11.7. An arithmetic error in the valuation of Plant, Property and Equipment in relation to the 2018/19 Balance Sheet has been corrected. The arithmetic error resulted in an understatement of Property, Plant and Equipment as at 31st March 2019. The understatement related to buildings valued on a depreciated replacement cost basis, predominantly specialised assets such as schools, fire stations and care homes. At 31st March 2019 the carrying value of the land and buildings category of Property, Plant and Equipment totalled £484.265m. As a result of the arithmetic error this was restated upwards by £49.476m, giving a restated value of £533.740m.

11.8. The above values are indicative of a Prior Period Adjustment (PPA) being required. The CIPFA Code of Practice on Local Authority Accounting requires that where a mathematical mistake such as has occurred in the 2018/19 valuations then the error should be corrected by retrospective restatement, in the first financial statements issued following the discovery of the error correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

11.9. As a result the Balance Sheet has been restated for 2018/19 and is included in the 2019/20 unaudited Accounts by adjusting the 2018/19 comparative figures and associated notes and disclosures. Further details are included in Note 43.

11.10. Prior Period Adjustments are commonplace and are used to reflect changes in accounting policies and accounting estimates as well as correcting errors. In four out of the last five years the Council's Accounts have contained a restatement of some description. In the 2018/19 Accounts, the prior year 2017/18, was restated to reflect the change in the Council's management structure.

12. Financial Outlook and the COVID-19 pandemic

12.1. Local Authorities have been required to submit data on anticipated costs and lost income relating to Covid-19 to the Ministry of Housing, Communities and Local Government (MHCLG) since 15th April 2020 with the latest return being submitted on 6th November. The information required by MHCLG is to estimate the impact for the 2020/21 financial year. The forecast financial impact of COVID was reported to Cabinet at its meetings of 11th June, 23rd July and 24th September. The September report being the Quarter 1 Budget Monitoring which set out an estimated potential impact for 2020/21 of c£52m. Based on the grant allocations announced to date this leaves a potential funding shortfall of c£12m for the 2020/21 financial year. There is also an expected impact into 2021/22, although at this stage it is not possible to accurately forecast the impact.

12.2. Unlike other wide scale emergencies experienced by Cumbria County Council in the past, COVID-19 is expected to have a very prolonged response phase until an effective COVID-19 vaccine or treatment has been implemented across the UK (and globally) to eliminate future waves of infection. So although we have experienced some impact in Quarter 4 2019/20, the more significant impact has been felt during the first 2 Quarters of 2020/21 with the possibility of the full impact of this incident continuing for many years to come, providing an additional layer of uncertainty and challenge to both the funding and provision of local public services.

12.3. The ongoing impact into 2021/22 is expected due to reduced income from council tax and business rates as well as a potential on-going increase in demand in adults and children's social care and the ongoing impact of savings planned for 2020/21 which are not delivered. Scenarios have been modelled which have been included in Development of the MTFP 2021-2026 report which was presented to Cabinet on 12th November 2020. These scenarios will continue to be refined, used to shape the early assumptions used for Service and Resource planning and included in the Draft Revenue Budget 2021/22 and Medium Term Financial Plan 2021-2026 to be considered by Council in February 2021.

12.4. The Government has also confirmed that the Review of Relative Needs and Resource and 75% business rates retention will no longer be implemented in 2021/22. The announcement on 28th April said that “the Government will continue to work with councils on the best approach to the next financial year, including how to treat accumulated business rates growth and the approach to the 2021/22 local government finance settlement”. On 21 October 2020, the Chancellor announced that there will be a one-year Spending Review for 2021/22 only which will conclude with an announcement on the 25 November 2020. In addition regulations were laid before Parliament on 5th November implementing the announcement made by the Secretary of State on 2nd July 2020 that the repayment of collection fund deficits arising in 2020-21 will be spread over the next three years rather than the usual period of a year.

12.5. An update on the estimated financial impact of COVID-19 will be included with the Quarter 2 budget monitoring report due to be presented to Cabinet on 17th December 2020.

13. Financial Statements

Comprehensive Income and Expenditure Statement	Shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. 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 and the Movement in Reserves Statement.
Movement in Reserves Statement	Shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘useable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’ (for example the Revaluation Reserve which holds unrealised gains and losses or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations). This statement shows how the movements 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 to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance in the year following those adjustments.

Balance Sheet	The balance sheet shows the values as at 31st March 2020 of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority, analysed between ‘useable’ and ‘unusable’ reserves.
Cash Flow Statement	This summarises the changes in cash and cash equivalents during 2019/20. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority’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 authority.

14. Expenditure and Funding Analysis

14.1. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

14.2. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between council’s directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

15. Annual Governance Statement

15.1. The Audit & Assurance Committee approved the Council’s Annual Governance Statement (AGS) at its meeting on 29th July 2020. The AGS summarises the governance framework that has been in place in the Council during 2019/20. The Statement demonstrates that the Council has effective arrangements for the governance of the Council and is satisfied that there is a robust system of internal control. There are no significant governance matters reported for 2019/20.

16. Pension Fund

16.1. The Council is the administering body for the Cumbria Local Government Pension Scheme (LGPS) which is managed by the Council on behalf of 126 employers, across the county, and the Firefighters' Pension Scheme, hence the Council's Statement of Accounts includes supplementary financial statements for these pension funds. Section 10 sets out these financial statements and relevant notes for the LGPS and Section 8 for the Firefighters' Pension Scheme.

Cumbria LGPS

16.2. During the year to 31st March 2020 the Cumbria LGPS value decreased by £129m from £2,703m (31/03/2019) to £2,574m (31/03/2020). The Fund returned -2.8% (net of fees) for the year compared to the Fund's bespoke index performance benchmark for the year of -1.2%. This performance is set against the last quarter of the year, which was dominated by the emergence of the COVID-19 pandemic. This had a significant impact on investment markets, for example, Global and UK listed equities delivered negative returns of -16.0% and -25.1% respectively over the quarter and negative returns of -6.7% and -18.5% respectively over the full year to 31st March 2020.

16.3. As a long term investor, the Fund is primarily focussed on longer-term performance. Whilst the Fund underperformed against its 3 year benchmark delivering a return of 2.6% per year (net of fees) against a benchmark of 3.2%, it outperformed both its 5 and 10 year benchmarks (5 year: 5.6% per year (net of fees) against a benchmark of 5.2% and 10 year: 7.7% per year (net of fees) against a benchmark of 7.1%).

16.4. During the year the Fund continued with transitioning assets to Border to Coast in accordance with the government's policy for the pooling of LGPS assets. This included the transition of the Global Equity portfolio (equating to 20% of the Fund's total portfolio) to Border to Coast.

17. Group Accounts

17.1. The Group Accounting Statements are set out in section 7 and shows a reduction of £59.544m in the total value of the Group Net Liabilities from a Net Liabilities position of (£81.482m) at 31st March 2019 to a Net Liabilities position of (£21.938m) at 31st March 2020. The improvement relates mainly to three areas; a £39.008m increase in Property, Plant and Equipment, the decrease in current liabilities of £14.223m and the decrease in the pension liability of £12.305m (which reflects the Council's decreased net pension liability of £12.590m and the increased net pension liability of Cumbria County Holdings Ltd of £0.285m).

18. Events After The Reporting Period

18.1. The Code requires the disclosure of the date the financial statements are authorised for issue and therefore, the date after which events will not have been recognised in the Statement of Accounts. This date has been set at the

27th November 2020 in respect of the audited Statement of Accounts for 2019/20. This complies with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which revised the statutory date for issue to 30th November 2020.

18.2. Where events taking place before 27th November 2020 provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The impact of the on-going COVID-19 pandemic will continue to be assessed up until the publication of the audited accounts.

The Council's Responsibilities

The Council is required to:

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

Chief Executive and Executive Directors' Responsibilities

- The Chief Executive and other Executive Directors are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy, including effective ongoing budgetary control, with appropriate support and advice from the Director of Finance.

- Each Executive Director is responsible for ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities.

The Chief Finance Officer's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Director of Finance has also:

1. Kept proper accounting records which were up to date.
2. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the 31st March 2020 and its expenditure and income for the year ended the 31st March 2020.

Signed:

Julie Crellin, Director of Finance (S151 Officer), BA (Hons), CPFA, MBA
27th November 2020

Certificate of Approval of the Council's Statement of Accounts

I certify that the accounts set out in this document have been considered by the Council's Audit and Assurance Committee at its meetings held on 23rd November 2020 and 27th November 2020 and have been approved by a resolution of this Committee.

Signed on behalf of Cumbria County Council

Cllr Hilary Carrick
Chair of Audit and Assurance Committee

27th November 2020

Audit Report

Independent auditor’s report to the members of Cumbria County Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cumbria County Council (the ‘Authority’) and its subsidiaries and joint venture (the ‘group’) for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the accounting statements, including accounting policies, and include the Firefighters' Pension Scheme Financial Statements comprising the Fund Account, the Net Assets Statement and Notes to the Firefighters’ Pension Scheme Financial Statements. The notes to the accounting statements include the Accounting Policies, Introduction to Group Accounts and the Notes to the Group Accounting Statements. 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 2019/20.

In our opinion, the financial statements:

give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;

have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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 group and 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance (s151 Officer) and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group’s and Authority’s future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group’s and Authority’s future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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 Director of Finance’s (s151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Director of Finance (s151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or 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.

In our evaluation of the Director of Finance's (s151 Officer) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings and the Authority's share of the pension scheme's property investments as at 31 March 2020. As, disclosed in Note 3 to the financial statements, the outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid. This impacts the valuation of the Authority's land and buildings and the Authority's share of Cumbria Local Government Pension Scheme's holdings in UK properties and Property Funds. Our opinion is not modified in respect of this matter.

Other information

The Director of Finance (s151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement other than the Authority and group financial statements, our auditor's report thereon and our auditor's report on the pension scheme financial statements. 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 group and 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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other 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 and the Annual Governance Statement 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 Director of Finance (s151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statements of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance (s151 Officer). The Director of Finance (s151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance (s151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance (s151 Officer) is responsible for assessing the group's and 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 and Assurance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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 April 2020, 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 2020.

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 April 2020, 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 2020.

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 cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Assurance Statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

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

Gareth Kelly

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

Glasgow

30 November 2020

Accounting Statements

Comprehensive Income and Expenditure Statement

2018/19 Restated					2019/20		
Expenditure £000	Income £000	Net £000		Note Ref	Expenditure £000	Income £000	Net £000
625,244	(396,584)	228,660	People		630,837	(401,688)	229,149
137,422	(25,220)	112,202	Economy & Infrastructure		134,819	(16,440)	118,379
15,023	(625)	14,398	Fire and Rescue Service		16,742	(1,004)	15,738
8,014	(214)	7,800	Local Committees		8,234	(187)	8,047
36,969	(3,829)	33,140	Corporate, Customer & Community Services		42,623	(6,316)	36,307
4,453	(1,050)	3,403	Finance		5,419	(1,011)	4,408
36,275	(4,255)	32,020	Other Corporate Items		17,073	(5,098)	11,975
863,400	**(431,777)**	**431,623**	**Cost of Services**	**4**	**855,747**	**(431,744)**	**424,003**
3,506	0	3,506	Other Operating Expenditure	6	10,284	0	10,284
98,804	(41,574)	57,230	Financing and Investment Income and Expenditure	7	93,453	(38,708)	54,745
0	(467,820)	(467,820)	Taxation and Non Specific Grant Income	8	0	(466,973)	(466,973)
965,711	**(941,171)**	**24,539**	**(Surplus) or Deficit on Provision of Services**	**4.3**	**959,484**	**(937,425)**	**22,059**
		(39,023)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	32			(15,936)
		66,601	Re-measurement of the net defined benefit liability / (asset)	34			(65,669)
		27,578	**Other Comprehensive Income and Expenditure**				**(81,605)**
		52,117	**Total Comprehensive Income and Expenditure**				**(59,546)**

Movement in Reserves Statement

	Note Ref	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Reserves £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2019	30/31/32	**(15,056)**	**(53,813)**	**(68,869)**	**(6,719)**	**0**	**(75,588)**	**169,182**	**93,594**
Movement in reserves during 2019/20									
(Surplus) or deficit on the provision of services		22,059	0	22,059	0	0	**22,059**	0	**22,059**
Other Comprehensive Income / Expenditure		0	0	0	0	0	**0**	(81,605)	**(81,605)**
Total Comprehensive Income and Expenditure		**22,059**	**0**	**22,059**	**0**	**0**	**22,059**	**(81,065)**	**(59,546)**
Adjustments between accounting basis and funding basis under regulations	9	(28,840)	0	(28,840)	893	(2,076)	**(30,023)**	30,023	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves		**(6,779)**	**0**	**(6,779)**	**893**	**(2,076)**	**(7,962)**	**(51,582)**	**(59,546)**
Transfers (to) / from Earmarked Reserves	31	6,779	(6,779)	0	0	0	**0**	0	**0**
(Increase) or Decrease in 2019/20		**0**	**(6,779)**	**(6,779)**	**893**	**(2,076)**	**(7,962)**	**(51,582)**	**(59,546)**
Balance at 31 March 2020	30/31/32	**(15,056)**	**(60,592)**	**(75,650)**	**(5,826)**	**(2,076)**	**(83,551)**	**117,600**	**34,048**

	Note Ref	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Reserves £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	30/31/32	**(10,472)**	**(65,457)**	**(75,929)**	**(12,526)**	**0**	**(88,455)**	**129,932**	**41,477**
Movement in reserves during 2018/19									
(Surplus) or deficit on the provision of services		24,539	0	24,539	0	0	**24,539**	0	**24,539**
Other Comprehensive Income / Expenditure		0	0	0	0	0	**0**	27,578	**27,578**
Total Comprehensive Income and Expenditure		**24,539**	**0**	**24,539**	**0**	**0**	**24,539**	**27,578**	**52,117**
Adjustments between accounting basis and funding basis under regulations	9	(17,479)		(17,479)	5,807	0	**(11,672)**	11,672	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves		**7,060**	**0**	**7,060**	**5,807**	**0**	**12,867**	**39,250**	**52,117**
Transfers (to) / from Earmarked Reserves	31	(11,644)	11,644	0	0	0	**0**	0	**0**
(Increase) or Decrease in 2018/19		**(4,584)**	**11,644**	**7,060**	**5,807**	**0**	**12,867**	**39,250**	**52,117**
Balance at 31 March 2019	30/31/32	**(15,056)**	**(53,813)**	**(68,869)**	**(6,719)**	**0**	**(75,588)**	**169,182**	**93,594**

Balance Sheet

Restated 1 April 2018 £000	Restated 31 March 2019 £000	Notes		31 March 2020 £000
1,147,236	1,253,438	21	Property, Plant and Equipment	1,293,773
563	563		Heritage Assets	563
4,905	5,547		Investment Property	6,820
416	232		Intangible Assets	128
3,183	3,183	24	Long-Term Investments	3,183
4,063	3,682	24	Long-Term Debtors	2,758
1,160,366	**1,266,645**		**Long Term Assets**	**1,307,225**
48,157	67,292	24/25	Short-Term Investments	15,076
653	1,565		Assets Held for Sale	2,000
1,256	1,587		Inventories	1,763
52,822	67,048	23/24	Short-Term Debtors	74,112
87,977	50,845	24/27	Cash and Cash Equivalents	104,213
190,865	**188,337**		**Current Assets**	**197,164**
(11,747)	(20,592)	24/25	Short-Term Borrowing	(12,208)
(87,114)	(95,699)	24/28	Short-Term Creditors	(90,120)
(5,045)	(5,309)	29	Provisions	(3,361)
(11,279)	(17,166)	17	Grants Receipts in Advance - Revenue	(24,953)
(40,374)	(25,476)	17	Grants Receipts in Advance - Capital	(19,421)
(155,559)	**(164,242)**		**Current Liabilities**	**(150,063)**
(5,181)	(4,717)	24	Long-Term Creditors	(5,326)
(6,955)	(8,080)	29	Provisions	(9,401)
(330,309)	(354,282)	24/25	Long-Term Borrowing	(386,754)
0	(10,574)		Deferred Income	(10,045)
(116,068)	(114,358)	20/24	Long Term PFI Liabilities	(112,248)
(739,309)	(868,162)	24/34.2	Net Pension Liabilities	(855,572)
(39,327)	(24,161)	17	Grants Receipts in Advance - Capital	(9,028)
(1,237,149)	**(1,384,334)**		**Long Term Liabilities**	**(1,388,374)**
(41,477)	**(93,594)**		**Net (Liabilities)**	**(34,048)**
(88,455)	(75,588)	30/31	Usable Reserves	(83,551)
129,932	169,182	32	Unusable Reserves	117,600
41,477	**93,594**		**Total Reserves**	**34,048**

Cash Flow Statement

Restated 2018/19 £000		Note Ref	2019/20 £000
24,539	Net (surplus) or deficit on the provision of services		22,059
(113,845)	Adjustment to surplus or deficit on the provision of services for noncash movements		(109,807)
90,022	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities		68,223
716	**Net cash flows from operating activities**	**35**	**(19,525)**
78,957	Net cash flows from investing activities	36	(12,041)
(42,541)	Net cash flows from financing activities	37	(21,802)
37,132	**Net (increase) or decrease in cash and cash equivalents**		**(53,368)**
87,977	Cash and cash equivalents at the beginning of the reporting period		50,845
50,845	**Cash and cash equivalents at the end of the reporting period**	**27**	**104,213**

Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its overall financial position as at 31st March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them 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 2019/20 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost i.e. expenditure is included on the basis of price actually paid rather than the additional allowance being made for changes in purchasing power of money, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accounting Concepts

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 payable on borrowings and receivable on investments is accounted for 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.

ii. Accounting Concepts continued

- Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Fair presentation

Accounting standards require the Statement of Accounts to present information in a way which is:

- Relevant - The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions.
- Reliable – The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors.
- Comparable - A consistent approach to accounting policies is used in preparing the accounts to ensure that they may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed.
- Understandable - The Council endeavours to ensure that an interested reader can understand the accounts.

Materiality

In using its professional judgment, the Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Going Concern

The accounts are prepared on a going concern basis which assumes that the Council will continue in existence for the foreseeable future and that there is no intention to significantly reduce operations.

Primacy of Legislative Requirements

The Council operates through the power of statute. Where specific legislative requirements conflict with accounting principles, legislative requirements are applied.

iii. 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 material errors.

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 by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. In addition a third Balance Sheet is required where the Prior Period Adjustment is material.

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Director of Finance. Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Finance will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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

iv. 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 noncurrent 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; and
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment and revaluation losses or amortisations. However, it is required to make an annual contribution from fund balances towards the reduction in its overall borrowing requirement. This amount is known as the Minimum Revenue Provision (MRP) and is calculated by the Council on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, impairment and revaluation losses and amortisations are therefore reversed and replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

iv. Charges to Revenue for Non-Current Assets continued

In the case of capital spend incurred before 1st April 2008 and spend financed by "supported" borrowing in all the following years; from 1st April 2009 this is charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.

In the case of all capital spend financed by Prudential Borrowing; this is subject to MRP under the Asset life method – equal instalments charged over the estimated life of the asset. MRP is based on the estimated life of the assets, in accordance with the regulations.

Repayments included in the annual PFI charges or finance leases are applied as MRP.

v. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance. Each service segment includes the appropriate charges for the use of its non-current assets e.g. depreciation, impairment, impairment reversals etc. Each service segment also includes the appropriate employee benefit accrued costs.

vi. Principal and Agent Transactions

The Council's financial statements have regard to the general principle of whether the Council is acting as the Principal or Agent.

Where the Council acts as a Principal, i.e. it is acting on its own behalf; transactions are included in the Council's financial statements.

Where the Council acts as an Agent i.e. it is acting as an intermediary, transactions are not reflected in the Council financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position being included in financing activities in the cash flow statement.

vii. Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees, and are recognised as an expense in services in the year. An accrual is made for the cost of holiday entitlements not taken before the year end and which employees can carry forward into the next financial year.

The accrual is charged to services in the Comprehensive Income and Expenditure Statement. It is then reversed out through the Movement in Reserves Statement. This ensures that holiday benefits are charged to revenue in the financial year in which the 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. These benefits are charged on an accruals basis to the relevant service(s) line within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw an offer relating to the termination of the employment of an officer or group of officers, or to encourage voluntary redundancy.

Post Employment Benefits

The majority of employees of the Council are members of one of four separate pension schemes designed to meet the needs of employees in particular services (further details are provided in the Notes to the Accounts). All four schemes (there are four individual firefighters' schemes) provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

a) Teachers' Pensions

This scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government has established a notional fund as the basis for calculating the employers' contributions. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs be making contributions based on percentages of members' pensionable salaries, as set by DfE. The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the People revenue account is charged with the employer's contributions payable to teachers' pensions in the year. The council is, however, responsible for paying some additional pensions to retired teachers which were awarded at the point of retirement, and are included in the Council's balance sheet as a liability (Note 33 provides further details).

vii. Employee Benefits continued

b) Firefighters' Pensions

There are currently four Fire Fighters Pension Schemes:

- the 1992 scheme which came into effect on 1st March 1992 but became a closed scheme on 6th April 2006;
- the 2006 scheme which came into effect on 6th April 2006;
- the Modified scheme which is open to all Retained Firefighters who were employed between 1st July 2000 and 5th April 2006. Retained firefighters employed between these dates were not given the opportunity to join the membership of the 1992 Scheme. The Modified scheme is a modified section of the 2006 Scheme which gives membership to retained firefighters employed within the above period;
- the 2015 Scheme which came into effect on 1st April 2015 and is available to firefighters appointed on or after that date.

<u>Transfer to 2015 Scheme</u>

The 2015 scheme is open to all firefighters appointed on or after 1st April 2015. Serving firefighters who have an interest in the 1992, 2006 or Modified schemes will either remain in their existing scheme until retirement, transfer into the 2015 scheme on 1st April 2015, or transfer into the 2015 Scheme at a later date dependent on their age.

Firefighters who transfer into the 2015 Scheme have protected rights in the earlier schemes, dependent on their age.

Firefighters who did not transfer into the 2015 scheme on 1st April 2015 will transfer into the scheme on defined taper dates based on their age.

The Firefighters' schemes are accounted for as defined benefits schemes. Although contributions are made into the schemes and they are based on final salary, they are unfunded to the extent that assets are not specifically held to meet pension liabilities. The Home Office provide funds to top up contributions collected from employers and employees to ensure that normal pension liabilities can be paid. The Council is responsible for meeting the cost of additional injury and ill health awards and pensions. The liabilities of the schemes are included in the Council's Balance Sheet.

c) The NHS Pension Scheme

The NHS Scheme is administered by NHS Business Services Authority. The arrangements for the NHS scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme (despite providing defined benefits to members) – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health revenue account is charged with the employer's contributions payable to NHS pensions in the year.

vii. Employee Benefits continued

Post Employment Benefits continued

d) The Local Government Pension Scheme

All other full time and most part time employees of the Council are eligible to join the Local Government Pension Scheme administered by Cumbria County Council on behalf of the local authorities of Cumbria and other admitted bodies.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The assets and liabilities are included net in the Balance Sheet:

1. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projected earnings for current employees. Liabilities are measured on an actuarial basis discounted to present value using the projected units method. The discount rate to be used is determined in reference to market yields at the Balance Sheet date of high quality corporate bonds.

2. The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - Equities
    - Government and Other Bonds
    - Property
    - Cash and Other

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

a) Service cost comprising:

- ***current service cost*** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- ***past service cost*** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Other Corporate Items.
- ***net interest on the net defined benefit liability i.e. net interest expense for the authority*** - the change during the period in the net defined benefit liability 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 at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

vii. Employee Benefits continued

Post Employment Benefits continued

b) Re-measurement comprising:

- ***the return on plan assets*** – excluding amounts included in net interest on the net defined benefit liability – 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 Scheme** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

viii. 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 as specified or 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. If there is reasonable assurance that the condition will be met, but this has not yet occurred, any grant/contributions received will be held on the Balance Sheet as Grant Receipts in Advance (in Liabilities).

viii. Government Grants and Contributions continued

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Capital Grants and Contributions

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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure. A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

Revenue Grants

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement and the grant has yet to be used to finance revenue expenditure, and there are restrictions as to how the monies are to be applied, an earmarked reserve will be established and the monies transferred into the earmarked reserve through the Movement in Reserves Statement. When the grant is applied, an amount equal to the expenditure may then be transferred back from the earmarked reserve to the General Fund.

ix. 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 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.

ix. Leases continued

The Council as Lessee

Buildings

Where a lease agreement is for greater than 750 years, the asset will be automatically treated as freehold and accounted for as a Council asset.

Where a lease agreement is for between 100 years and 749 years, the lease will automatically be treated as finance lease and accounted for appropriately.

Where a lease agreement is between 26 years and 99 years, it will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

Where a lease agreement is for 25 years or less, the lease will automatically be treated as an operating lease and accounted for appropriately.

Land

Where a lease agreement is for greater than 750 years, the asset will be automatically treated as freehold and accounted for as a Council asset. All other leases will be assessed against the IFRS criteria that establish if a lease is finance or operating and accounted for accordingly.

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

ix. Leases continued

Finance Leases continued

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid in the year 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.

<u>The Council as Lessor</u>

Buildings

Where a lease agreement is for greater than 750 years, the asset will be automatically treated as freehold and not included as a Council asset.

Where a lease agreement is for between 100 years and 749 years, the lease will automatically be treated as finance lease and accounted for appropriately.

Where a lease agreement is between 26 years and 99 years, it will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

Where a lease agreement is for 25 years or less, the lease will automatically be treated as an operating lease and accounted for appropriately.

Land

Where a lease agreement is for greater than 750 years, the asset will be automatically treated as freehold and not included as a Council asset. All other leases will be assessed against the IFRS criteria that establish if a lease is finance or operating and accounted for accordingly.

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a long term debtor in the Balance Sheet.

ix. Leases continued

Finance Leases continued

Lease rentals receivable are apportioned between:

- a capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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.

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Initial direct costs incurred in negotiating and arranging the lease are charged as an expense as they occur.

x. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

Any gains arising from re-negotiation of the financing arrangements of the PFI is spread over the contract term as a reduction in the interest charge. This is done by posting the payment to the Balance Sheet as deferred income and releasing it to the Comprehensive Income and Expenditure Statement as the Council's exposure to repaying the sum is reduced (e.g. by scheduling).

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and

- lifecycle replacement costs – are either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out or if required a prepayment is posted to the Balance Sheet for the lifecycle costs payable in that year and then recognised as additions to PPE when the relevant works are carried out. Where it is not possible to evidence that lifecycle replacements costs meet the capital expenditure definition then it is treated as revenue.

xi. Property, Plant and Equipment

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

Recognition

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

Expenditure that adds to an asset's potential to deliver future economic benefits or service potential but costs less than £12,000 in total (deemed to be de minimis) can be charged direct to service revenue accounts as it is incurred.

Componentisation

IAS 16 – Property, Plant and Equipment (PPE) states that each part of an item of PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately. This is applicable to both enhancements and acquisition expenditure incurred and revaluations carried out from 1st April 2010. It is not retrospective. This includes specific infrastructure assets.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. Significant components will be separately accounted for where there are different useful lives and / or depreciation methods.

Individual PPE assets with a Net Book Value of less than and including £2.5m will be classed as de minimis and be excluded from the requirement to be componentised.

Where a component of an asset is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
  - 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.

xi. Property, Plant and Equipment continued

Measurement continued

Donated assets are measured initially at fair 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 and assets under construction – depreciated historical cost; and

- all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued at intervals of not greater than five years via a rolling programme of asset revaluations to ensure that their carrying amount is not materially different from their fair value at the year end. The carrying value of land and buildings is reviewed annually to ensure that it is not materially different to the current value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

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

Revaluation losses

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset’s carrying amount during the period that is not specific to the asset (as opposed to an impairment as detailed below), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

xi. Property, Plant and Equipment continued

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); or

- where there is no balance in the Revaluation Reserve, 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.

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. Within the Council's accounts these assets will only be reclassified at 31st March of the financial year. The following criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

xi. Property, Plant and Equipment continued

Disposals and Non-Current Assets Held for Sale continued

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. The receipts 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.

Where the assets of a school are recognised on the Council's Balance Sheet prior to a transfer to an Academy they are treated as a de-recognition in year. The assets are treated as a disposal with nil sale proceeds to be recognised.

xi. Property, Plant and Equipment continued

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, Heritage and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged on a straight line basis based upon asset values at the beginning of the year of account. The Council uses the following assumptions in assessing the useful life of assets. Because of the diverse nature of the Council's assets individual asset lives have been assigned as appropriate within the ranges shown below.

Operational Buildings	Up to 60 years
Waste Disposal Sites	30 years
Infrastructure assets	Up to 40 years
Vehicles, Plant, Furniture & Equipment	Up to 50 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Land	Infinite life and therefore no depreciation charged

Where an item of Property, Plant and Equipment 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.

Components have been recognised in the financial year where:

- there has been a revaluation of assets;
- there has been an acquisition of assets within the financial year;
- enhancement expenditure has been incurred within the financial year.

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

xi. Property, Plant and Equipment continued

Non-Current Assets - Schools

Schools Non-Current Assets are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school Governing Body own the assets or have had rights to use the assets transferred to them.

Where the Council undertakes the rebuilding of a school on behalf of an Academy, the assets are included on the Council's Balance Sheet during the construction phase as assets under construction. They are treated as a disposal when the school is complete and transferred to the Academy. The assets are not reclassified as assets held for sale.

xii. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Revenue expenditure incurred during the year that may be capitalised under statutory provisions, but 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. REFCUS includes, for example, capital expenditure on assets not owned by the Council, such as Voluntary Aided schools.

xiii. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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.

Financial Instruments

xiv. 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 initially measured at fair value and 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.

<u>Borrowing</u>

The Council's borrowing is presented in the Balance Sheet as the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Borrowing is classed as either a long term liability, repayable after 12 months or longer, or a current liability if it is repayable within 12 months. Gains and losses on the repurchase or early settlement of borrowing, are credited and debited to the Financing and Investment Income and Expenditure line, in the Comprehensive Income and Expenditure Statement, in the period in which the repurchase or settlement is made. Through the Movement in Reserves Statement this will then be adjusted to neutralise the effect on the amounts to be raised through council tax in the year, by charging or crediting the Financial Instruments Adjustment Account. This reserve will in turn be written off over the remaining life of the new loan through the Movement in Reserves Statement as permitted by statute.

<u>Creditors</u>

Creditors are recognised when a supplier has provided goods and services to the Council for an agreed price. Short-term creditors are carried at cost as this is a fair approximation of their value.

xv. 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).

xv. Financial Assets continued

Debtors

Debtors are recognised when goods and services have been provided by the Council for an agreed price. Short-term debtors are carried at cost as this is a fair approximation of their value.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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. 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 Council, 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 de-recognition of an asset, are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], 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 Council.

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 of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council 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.

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

The Council holds no assets under this classification.

xvi. 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 highly liquid 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.

xvii. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation, which 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.

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. They 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, and are classified as current or non-current liabilities on the Balance Sheet.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a payment will not be made or the estimated liability is reduced, 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.

xviii. Reserves

In addition to its General Fund Balance the Council sets aside specific amounts as reserves for future policy purposes, to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. The Council continually reviews these reserves to ensure that they remain appropriate and aligned to the Council's priorities.

The Council's main usable reserves are as follows:

- The General Fund Balance is set aside to meet general future revenue expenditure and to protect the Council against exposure to unexpected events.

- Earmarked Reserves are set aside to meet specific items of future expenditure.

- Under the Government's Fair Funding arrangements individual schools manage their own budgets and are allowed to carry forward accumulated surpluses and deficits as reserves.

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement to specific reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue service in that year to score against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Unusable Reserves

Certain reserves are maintained to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources for the council – these reserves are explained within the relevant accounting policies in this statement.

Further detail in respect of the Council's reserves is set out in the Notes to the Accounts.

xix. Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors.

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements and require it to prepare group accounts.

The Council has majority and minority interests in a number of companies. Of the Council's investments in related companies, only the investment in Cumbria County Holdings Ltd is material and shown in the Council's Balance Sheet at cost. Contributions to other companies have been charged as expenditure in the year in which they were made. Any profit or loss on realisation is only taken into account at the time of realisation.

Within the Group Accounts, separate accounting policies have been applied in accordance with CIPFA recommendations and are shown in this section of the Statement of Accounts.

xx. Joint Arrangements

Joint Arrangements are arrangements by which two or more parties have joint control bound by contract. A Joint Arrangement can be classed as:

- A Joint Venture
- A Joint Operation

Joint Venture

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

Joint Operation

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement, have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xxi. 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.

xxii. Events After the Reporting Period

Events after the reporting period 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:

Adjusting Events

- 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; and

Non Adjusting 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.

xxiii. Value Added Tax

Value Added Tax payable is included only to the extent that it is not recoverable from HM Revenue & Customs. Value Added Tax receivable is excluded from income.

xxiv. Pooled Funds

The People Directorate – Childrens and Adults, both work with authorities outside the Council to ensure that a coordinated approach to service delivery is achieved. Operating surpluses or deficits are shared in accordance with the agreements between the parties. The Council only accounts for its own share of income, expenditure and assets and liabilities in accordance IFRS 11 Joint Arrangements and Accounting policy xx Joint Arrangements.

xxv. Council Tax and Business Rates
Both Council Tax and Business Rates are collected by District Councils on behalf of the County Council. The Council's share of income from both of these sources is recognised in the Comprehensive Income and Expenditure Statement in the Taxation and Non Specific Grant Income line. The difference between the income which has been recognised in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. The Balance Sheet includes all creditor and debtor balances relating to the Council's share of Council Tax and Business Rates balances.

Cumbria has a Business Rate Pool, established on 1st April 2018; it comprises the County Council, Allerdale Borough Council, Barrow Borough Council, Eden District Council, South Lakeland District Council, Copeland Borough Council and Carlisle City Council. Government treats the Pool as a single body with the County Council acting as the lead authority. The Cumbria Business Rate Pool has a formal agreement and a financial protocol agreed by all members. At the financial year end, alongside the reporting of the Business Rate income for the Council as reported above, the financial protocol requires that each member retains its relative proportion of the Cumbria Business Rate Pool Local Volatility Reserve on its own Balance Sheet. An element of the Net Retained Levy for the Pool is set aside each year, to provide protection for Pool members from falls in business rate income.

xxvi. Fair Value Measurement
The Council measures some of its non-financial assets, such as surplus assets, investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, (assuming those market participants were acting in their economic best interest).

When measuring the 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.

xxvi. Fair Value Measurement continued

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

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

xxvii. Rounding

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

xxviii. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

Note 1 - Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2019/20 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2020/21 code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government until 1st April 2021 i.e. financial year 2021/22.

The Council's preparations for implementation on the original date of 1st April 2020 were already well underway. IFRS16 requires local authorities that are lessees to recognise most leases on their Balance Sheets as right-of-use assets with a corresponding lease liability. There is still some uncertainty about the extent of the impact of IFRS16 as CIPFA/LASAAC are still deliberating on the treatment of Voluntary Aided and Voluntary Controlled Schools. For the Council this affects 125 schools which are not currently included in the Council's Balance Sheet, but depending on the outcome of CIPFA/LASAAC discussions these may need to be included on the Balance Sheet.

Note 2 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Section 5, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement is required for the accounts, in many cases the approach has been to document the accounting guidance and focus the judgements made by the relevant officers.

Future funding for local government

There continues to be a high degree of uncertainty around future levels of funding for local government. The consequences of COVID-19 will add to the challenges for 2020/21 onwards. The Council's Medium Term Financial Plan assesses the on-going pressures from reduced funding and increased demand for services, which are mitigated by further savings and use of reserves. The Council is of the view that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to dispose of assets at less than their current value.

Private Finance Initiatives (PFI) and Public Private Partnership (PPP) Arrangements

The Council is deemed to control the services provided under the three PFI/PPP type agreements in relation to the Carlisle Northern Development Route (CNDR), the replacement of five fire stations and the Waste PPP arrangement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets are recognised as Property, Plant and Equipment on the Balance Sheet when they are brought into use.

Property, Plant and Equipment

The Council owns a large and diverse range of property assets. The Council has to use judgement to determine whether property, plant and equipment owned by the Council are operational assets, investment properties, surplus assets or assets held for sale. The Council's Valuers, in consultation with the finance team, make judgements in accordance with IAS 16 Property, Plant and Equipment, IAS 40 Investment Property and IFRS13 Fair Value Measurement to classify these assets. Assets classified as surplus or investment properties are revalued on an annual basis at fair value.

Land and buildings included in the Balance Sheet at current value are revalued at least once every five years, or once every four years for school assets. The assets are then carried at this value in the Balance Sheet and depreciated until the next revaluation is undertaken. The carrying value of land and buildings is reviewed annually by the Council's valuation team to ensure that it is not materially different to the current value.

Judgement is required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council's Valuers and finance team work together to determine this. It has been judged that the useful lives of the Council's properties as they currently stand provide a depreciation charge that is an accurate proxy for component accounting purposes. Further details of the componentisation policy are provided in Accounting Policy xi.

Group Accounts

The Council has to decide whether there is a group relationship between the Council and other entities, and whether these relationships are material on a quantitative or qualitative basis. Finance staff assess each relationship that exists between the Council and other entities that may result in a group accounts relationship using a flowchart of decisions based on CIPFA group accounting guidance, based on International Financial Reporting Standards (IFRS10, 11 & 12). The following judgements have been made:

- The Council has an investment valued at £3.183m representing a 100% shareholding in Cumbria County Holdings Limited (CCHL), a private limited company. It has been determined that the Council does have control of the company and it is accounted for as a subsidiary of the Council, which requires the production of Group Accounts. Further details of the Group Accounts are in Section 7.

- NW Fire Control Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. It has been determined that the company is governed by Joint Control as unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2019/20. Further details are provided in note 38.

- The Council holds a 49% stake in Traveline Cumbria Ltd which provides travel enquiry call centre services. This investment has not been consolidated into the group accounts on the basis of materiality. Further details are provided in note 38.

- The Council are partners in a number of Pooled Budgets, including the ‘Better Care Fund’, ‘Youth Offending Service’ and ‘Specialised Commissioning’. Pooled budgets occur where a number of partners agree to set aside funds for a specific purpose that they will pursue jointly, to address common objectives or realise benefits from working together. Whilst partners collectively agree the services to be provided, the agreed services are commissioned by the respective partners via their own contracts with end providers, with the commissioning entity holding end providers to account for the services they provide. On this basis, the Council has determined that the transactions of these pools are not reflected in the Council’s financial statements, except for expenditure incurred on agreed services commissioned by the Council via its own contracts with end providers, and the income it receives from the Pools to pay for these services. Further details on Pooled Budgets are provided in note 11.

Provisions and Contingent Liabilities
The Council has to decide whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability. These decisions are taken by a combination of the Council's finance staff, solicitors and departmental officers based on their detailed knowledge of the circumstances. Specific judgements made in relation to this are set out below.

Closed Landfill Sites
The sites have already been returned to the levels/standards required of any original planning consent; most are already in use for example as grazing land. The only spend that is being incurred is on environmental monitoring and routine site maintenance. A reliable estimate of the future costs that relate to the closed landfill sites cannot be made because of the age of the sites and lack of information on the type and volumes of waste disposed of and that they are not engineered sites.

The Council has considered this issue again in 2019/20 and has concluded that no provision is required for the 2019/20 accounts but will continue to make disclosure in contingent liabilities (note 39).

Grants Receivable
Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution monies received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this happens. Equally, where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the expenditure is incurred.

Schools
Accounting for Schools – Consolidation
In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the County are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts.

Accounting for Schools – Balance Sheet Recognition of Schools
The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools' land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The table below sets out the number and type of schools within the County as at 31st March 2020.

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Nursery Schools	No of Special Schools	No. of Pupil Referral Units	Total No. of Schools	On Council's Balance Sheet	Off Council's Balance Sheet
Community	104	8	6	3	3	124	124	0
Voluntary Controlled (VC)	47	1	0	0	0	48	0	48
Voluntary Aided (VA)	69	4	0	0	0	73	0	73
Foundation	12	2	0	0	0	14	10	4
Total Maintained Schools	**232**	**15**	**6**	**3**	**3**	**259**	**134**	**125**
Academies	37	21	0	2	0	60	0	60
Total	**269**	**36**	**6**	**5**	**3**	**319**	**134**	**185**

Academies are not considered to be maintained schools in the Council's control. Thus the land and building assets are not owned by the Council and not included on the Council's Balance Sheet.

Accounting for Schools - Transfers to Academy status
When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status. The Council has no continuing interest in the school as an entity and does not receive a consideration on transfer. The resultant gain or loss is recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Leases
The Council has examined its leases, and arrangements that have the substance of a lease, and classified them as either operating or finance leases, in line with IAS17. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

Note 3 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are either based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainty	**Consequences if actual results differ from assumption**
<u>Asset Valuation</u> Land and buildings are valued at 'current value' based on existing use or on a depreciated replacement cost (DRC) basis. DRC is used when there is no established property market (excluding sales for alternative use) which would enable a reliable valuation by any other method. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The valuer has provided valuations as at 31st March 2020 for all of the Council's investment portfolio and approximately 20% of its operational land and buildings portfolio. The remaining balance of operational land and buildings not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the council's assets are not materially misstated at the Balance Sheet date. This assessment has confirmed that the Balance Sheet is materially correct. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid.	The gross book value of the operational land and buildings valued on a DRC basis was £537m at 31st March 2020 (equivalent to 96.7% of the total gross book value of operational land and buildings at this date). A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £54m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Further detail on asset valuations is provided in note 21.

Uncertainty	Consequences if actual results differ from assumption
Useful Life of Assets Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to deliver the backlog maintenance programme following the condition surveys undertaken, bringing into doubt the useful lives assigned to assets.	The largest elements of the Council's annual depreciation charge of £37m are operational buildings £12.4m and infrastructure £19.9m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for operational buildings would increase by £0.4m and infrastructure by £0.8m for every year that useful lives had to be reduced. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council valuers.
Fair Value Measurement When the fair values of financial assets (including Investment Properties, Surplus Assets and Assets Held for Sale) and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques: For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review.	Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible; judgment is required in establishing fair values. The Council employs experts to identify the most appropriate valuation techniques to determine fair value. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Further details on fair value measurement is provided in note 21 and note 24.
Pensions Liability 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. Mercers, a firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. Note 34 includes a sensitivity analysis. In summary for all Pension schemes the effects are: 0.1% increase in the discount rate assumption would result in a decrease in the net pension deficit of £40.699m and vice versa. 0.1% increase in inflation would result in an increase of £40.861m in the net pension liabilities. 1 year increase in life expectancy would increase net liabilities by £63.843m. For the LGPS (the only scheme with assets) a 1% increase in the 2019/20 investment returns would increase the assets by £14.918m. Further detail is provided in note 34.

Uncertainty	**Consequences if actual results differ from assumption**
<u>LGPS Pensions Liability – impact on property asset valuations</u> The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Property valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid.	The Council share of the Cumbria LGPS asset portfolio detailed in note 34.3 includes direct and indirect property (including pooled property funds) holdings. At 31st March 2020 the value of the £129.617m. Should there be a 1% increase in the property valuations the net Pensions Liability would decrease by £1.296m and vice versa.
<u>Britain's Departure from the European Union: asset values and pension liability</u> There is still uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

Other short term provisions represent amounts calculated and expected to be paid within the next 12 months. For future years, where it is difficult to provide a reliable estimate, contingent liabilities have been disclosed in addition to long term provisions.

Note 4 -Expenditure and Funding Analysis

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

2018/19 Restated				2019/20		
Net Expenditure Chargeable to the General Fund Balance	**Adjustments Between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments Between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
205,362	23,298	228,660	People	207,016	22,133	229,149
127,138	(14,936)	112,202	Economy & Infrastructure	131,919	(13,540)	118,379
16,901	(2,503)	14,398	Fire and Rescue Service	18,767	(3,029)	15,738
7,813	(13)	7,800	Local Committees	8,069	(22)	8,047
31,716	1,424	33,140	Corporate, Customer & Community Services	33,622	2,685	36,307
17,806	(14,403)	3,403	Finance	19,833	(15,425)	4,408
(18,734)	50,754	32,020	Other Corporate Items	(24,774)	36,749	11,975
388,002	**43,621**	**431,623**	**Net Cost of Services**	**394,452**	**29,551**	**424,003**
(380,943)	(26,141)	(407,084)	Other Income and Expenditure	(401,230)	(714)	(401,944)
7,059	**17,480**	**24,539**	**(Surplus) or Deficit on Provision of Services**	**(6,778)**	**28,837**	**22,059**
(75,929)			Opening Combined Reserves	(68,870)		
7,059			Plus / less (Surplus) or Deficit on the General Fund Reserves for the Year (Statutory basis)	(6,778)		
(68,870)			**Closing Combined General Fund Balance**	**(75,650)**		

Note 4.1 - Note to the Expenditure and Funding Analysis

Adjustment Between Funding and Accounting Basis

The adjustments between the funding and accounting basis shown in the Expenditure and Funding Analysis can be further broken down into the following three categories:

Adjustments for Capital Purposes
This column adds in depreciation and impairment and revaluation gains and losses in the services 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 Taxation 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.

Net Change for the Pensions Adjustments
This column includes the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority 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 CIES.

Other Adjustments
This column includes all 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 future Surpluses or Deficits on the Collection Fund.

	2019/20			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
People	5,836	19,244	(2,946)	22,134
Economy & Infrastructure	(1,354)	2,870	(15,055)	(13,541)
Fire and Rescue Service	12	(3,126)	84	(3,029)
Local Committees	(29)	7	0	(22)
Corporate, Customer & Community Services	181	2,501	2	2,685
Finance	(1,647)	391	(14,170)	(15,425)
Other Corporate Items	37,232	375	(858)	36,749
Net Cost of Services	**40,232**	**22,263**	**(32,943)**	**29,551**
Other Income and Expenditure	(53,156)	21,801	30,640	(714)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	**(12,923)**	**44,064**	**(2,303)**	**28,837**

	2018/19 Restated			
	Net Capital Statutory Adjustments	**Net Pensions Statutory Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
People	7,206	14,257	1,835	23,298
Economy & Infrastructure	(2,308)	2,006	(14,634)	(14,936)
Fire and Rescue Service	(406)	(2,490)	393	(2,503)
Local Committees	(20)	6	1	(13)
Corporate, Customer & Community Services	(369)	1,685	108	1,424
Finance	(1,198)	375	(13,580)	(14,403)
Other Corporate Items	35,720	16,842	(1,808)	50,754
Net Cost of Services	**38,625**	**32,681**	**(27,685)**	**43,621**
Other Income and Expenditure	(79,546)	20,379	33,025	(26,141)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	**(40,921)**	**53,060**	**5,340**	**17,480**

Note 4.2 - Segmental Analysis of Income and Expenditure

	2019/20		
	Revenues from External Customers	Adult Social Care Income	Depreciation and Amortisation
	£000	£000	£000
People	(16,966)	(36,003)	8,807
Economy & Infrastructure	(9,945)	0	25,517
Fire and Rescue Service	(131)	0	1,745
Local Committees	(169)	0	14
Corporate, Customer & Community Services	(2,260)	0	875
Finance	(112)	0	0
Other Corporate Items	(793)	0	21
Total Managed by Segments	**(30,376)**	**(36,003)**	**36,979**

	2018/19		
	Revenues from External Customers	Adult Social Care Income	Depreciation and Amortisation
	£000	£000	£000
People	(17,687)	(34,941)	9,468
Economy & Infrastructure	(9,646)	0	23,795
Fire and Rescue Service	(137)	0	1,609
Local Committees	(192)	0	13
Corporate, Customer & Community Services	(2,100)	0	794
Finance	(205)	0	0
Other Corporate Items	(119)	0	61
Total Managed by Segments	**(30,086)**	**(34,941)**	**35,740**

Note 4.3 - Expenditure and Income Analysed by Nature

2018/19 Restated £000	Nature of Expenditure or Income	2019/20 £000
(30,086)	Fees and charges	(30,376)
(34,941)	Adult Social Care service income	(36,003)
(2,519)	Interest and investment income	(2,000)
(304,706)	Income from local taxation	(315,947)
(496,826)	Government grants and contributions	(483,005)
(29,344)	Other income	(29,282)
383,244	Employee benefits expenses (See note below)	383,115
434,709	Other service expenses	428,232
42,720	Depreciation, amortisation, impairments and (gains)/losses on revaluation of non-current assets	41,682
49,067	Interest payments	50,916
843	Precepts and levies	857
2,406	Changes in impairment loss allowance of financial instruments	653
9,972	(Gain) or loss on disposal of non-current assets	13,215
24,539	**(Surplus) or Deficit for Year**	**22,059**

Employee benefits expenses in the table above include Voluntary Aided and Foundation Schools employee expenditure of £67.231m (2018/19 £65.102m).

Note 5 - Material Items of Income and Expense

The Council has considered items within the Comprehensive Income and Expenditure Statement in relation to the materiality threshold of £13m. The following payments to contractors are included in the Accounts but have not been disclosed separately in the CIES but are set out below for information.

- Renewi plc of £29.769m which comprises of £23.633m unitary charge and £6.136m for other services (2018/19 total £28.267m, £23.121m unitary charge and £5.146m for services) in respect of the Public Private Partnership for Waste Management.
- Connect CNDR Ltd of £14.396m which comprises solely of unitary charge in respect of the Carlisle Northern Development Route PFI scheme (2018/19 total £14.164m solely unitary charge).

Note 6 - Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

2018/19 £000		2019/20 £000
843	Levies	857
1,696	(Gains)/losses on the Disposal of Non-Current Assets	8,040
967	Other	1,387
3,506	**Total Other Operating Expenditure**	**10,284**

Note 7 - Financing and Investment Income and Expenditure

Financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement is set out below:

2018/19 £000		2019/20 £000
29,654	Interest payable and similar charges	30,502
58,209	Net interest on the net defined benefit liability	56,989
(38,796)	Net interest on the net defined benefit (asset)	(36,575)
(1,622)	Interest receivable and similar income	(987)
(612)	Income in relation to investment properties	(477)
259	Expenditure in relation to investment properties	133
(544)	Investment properties changes in fair value	(669)
2,406	Changes in impairment loss allowance of financial instruments	653
8,276	Loss on Disposal of Academies	5,176
57,229	**Total Financing and Investment Income and Expenditure**	**54,745**

Further details on the Pension interest cost and return on pension assets can be found in note 34. When a school becomes an Academy the Council has no continuing interest in the school as an entity and does not receive a consideration on transfer. Net assets are therefore written off to revenue. The resultant loss is recognised in the Financing and Investing Income and Expenditure line of the Consolidated Income and Expenditure Statement. Further details on the schools that have transferred to Academy status during the year are included in note 10.

Note 8 - Taxation and Non-Specific Grant Income

The Council raises Council Tax, Business Rates and receives grants from central government each year to support revenue expenditure which is not attributable to specific services. The grants, Business Rates and Council Tax received were:

2018/19 £000		2019/20 £000
(225,524)	Council tax income	(236,602)
(79,182)	Non-domestic rates income and expenditure	(79,345)
(304,706)	**Income from Local Taxation**	**(315,947)**
(74,140)	Non-ringfenced government grants	(85,324)
(88,974)	Capital grants and contributions	(65,703)
(467,820)	**Total**	**(466,973)**

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

2019/2020	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(44,065)	0	0	44,065
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	16	0	0	(16)
Council tax and NDR (transfers to or from the Collection Fund)	40	0	0	(40)
Holiday pay (transferred to the Accumulated Absences reserve)	2,244	0	0	(2,244)
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,929	0	(2,076)	(1,853)
Total Adjustments to Revenue Resources	**(37,836)**	**0**	**(2,076)**	**39,912**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,591	(1,591)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	3,304	0	0	(3,304)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,101	0	0	(4,101)
Total Adjustments between Revenue and Capital Resources	**8,996**	**(1,591)**	**0**	**(7,405)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	2,484	0	(2,484)
Total Adjustments to Capital Resources	**0**	**2,484**	**0**	**(2,484)**
Total Adjustments	**(28,840)**	**893**	**(2,076)**	**30,023**

2018/2019	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(53,061)	0	0	53,061
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	16	0	0	(16)
Changes in fair value of pooled investments	0	0	0	0
Council tax and NDR (transfers to or from the Collection Fund)	(2,098)	0	0	2,098
Holiday pay (transferred to the Accumulated Absences reserve)	(3,256)	0	0	3,256
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	35,779	0	0	(35,779)
Total Adjustments to Revenue Resources	**(22,620)**	**0**	**0**	**22,620**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,047	(1,047)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,719	0	0	(1,719)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,375	0	0	(2,375)
Total Adjustments between Revenue and Capital Resources	**5,141**	**(1,047)**	**0**	**(4,094)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	6,854	0	(6,854)
Total Adjustments to Capital Resources	**0**	**6,854**	**0**	**(6,854)**
Total Adjustments	**(17,480)**	**5,807**	**0**	**11,672**

Note 10 - Acquired and Discontinued Operations

Where operations have been acquired or discontinued in the year, the Code requires disclosure of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations.

The transfer of schools to Academy status continued with five schools: Arlecdon, Thornhill, Wreay, Caldew Lea and Hensingham (3 in 2018/19) converting during the year, this resulted in a reduction in gross income of £1.995m (2018/19 £2.117m) and expenditure of £1.797m (2018/19 £2.273m). This transfer of responsibility also resulted in a reduction of £5.176m (2018/19 £8.276m) in the net book value of land, buildings and equipment recorded on the Balance Sheet.

Note 11 - Pooled Budgets

There are occasions when the needs of service users cannot be met in full from within the Council. In particular, there is a need to work with the North Cumbria Clinical Commissioning Group and Morecambe Bay Clinical Commissioning Group as well as the Police and Probation Services. The Council has entered into a number of arrangements with these agencies to ensure proper care is provided in a coordinated manner. These arrangements are known as 'Pooled Funds' and the Council and these agencies contribute to the costs of care. Grants are also received from Government.

The Council's share of overall surpluses or deficits are credited or charged to Health, Care and Community Services and Children and Families Services. The Council's legal requirements in respect of costs for each of the Pooled Funds is shown in the tables below.

Youth Offending Service

The Council acts as a lead agency for the Youth Offending Service within Cumbria, established in April 2000. The purpose of the Youth Offending Service is to work with young offenders and reduce the level of offending and reoffending amongst young persons.

2018/19 £000	Youth Offending Service	2019/20 £000
(564)	Authority Funding	(539)
(1,025)	Partner Funding	(1,067)
(1,589)	Total Pooled Funding	(1,606)
489	Authority Expenditure	576
1,025	Partner Expenditure	1,067
1,514	Expenditure	1,643
(75)	**Net (Surplus)/Deficit on the Pooled Budget**	**37**
(75)	**Authority Share of the Net (Surplus) / Deficit**	**37**

Better Care Fund
Cumbria County Council hosts the Better Care Fund in partnership with North Cumbria Clinical Commissioning Group and Morecambe Bay Clinical Commissioning Group under section 75 of the Health Act 2006.

The pooled fund combines funding through the Better Care Fund, the Improved Better Care Fund and Winter Pressures Grant. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. Locally, the primary aims of the fund are:

- Supporting independence in the community by placed-based activity.
- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community.
- Facilitating earlier hospital discharge.

The Improved Better Care Fund can be spent on:

- Meeting adult social care needs
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready
- Ensuring that the local social care provider market is supported

2018/19 £000	Better Care Fund	2019/20 £000
(24,088)	Authority Funding	(29,501)
(36,961)	Partner Funding	(38,234)
(61,049)	Total Pooled Funding	(67,735)
61,049	Authority Expenditure	67,735
0	**Net (Surplus)/Deficit on the Pooled Budget**	**0**
0	**Authority Share of the Net (Surplus) / Deficit**	**0**

Note 12 - Members' Allowances

Allowances and expenses paid to elected Members (Councillors) were:

31 March 2019 £000		31 March 2020 £000
947	Allowances	966
107	Expenses	86
1,054	**Total Members' Allowances**	1,052

The allowances and expenses are published annually, in full, on the Council's website at www.cumbria.gov.uk.

Note 13 - Officers' Remuneration

The Accounts and Audit Regulations 2020 sets out the disclosure requirements for Senior Employees remuneration. The requirements provide transparency in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. Senior employees include the Chief Executive, Executive Directors, the Director of Finance, the Chief Legal Officer (Monitoring Officer), the Chief Fire Officer and the Director of Public Health.

Senior Officer Remuneration		**Salary, Fees and Allowances**	**Payment upon Termination of Employment**	**Pension Contribution**	**Total**
		£	**£**	**£**	**£**
Katherine Fairclough - Chief Executive	**2019/20**	148,584	0	22,139	**170,723**
	2018/19	145,670	0	21,705	**167,375**
John Macilwraith, Executive Director – People and Deputy Chief Executive (to 26/8/19)	**2019/20**	61,201	0	8,376	**69,577**
	2018/19	136,129	0	20,283	**156,412**
John Readman, Executive Director - People and Deputy Chief Executive (from 9/2/20)	**2019/20**	19,230	0	2,865	**22,095**
	2018/19	0	0	0	**0**
Dawn Roberts, Executive Director – Corporate, Customer & Community Services	**2019/20**	132,665	0	19,767	**152,432**
	2018/19	130,063	0	19,379	**149,442**
Dominic Donnini, Executive Director - Economy & Infrastructure Services (to 31/10/18)	**2019/20**	0	0	0	**0**
	2018/19	83,851	73,731	11,305	**168,887**
Angela Jones, Executive Director - Economy & Infrastructure Services (Acting Executive Director from 1/12/18 to 21/11/19)	**2019/20**	132,665	0	19,767	**152,432**
	2018/19	43,473	0	6,478	**49,951**
Brenda Smith, Corporate Director - Health, Care and Community Services (to 30/4/18)	**2019/20**	0	0	0	**0**
	2018/19	38,481	74,878	248,941	**362,300**
Julie Crellin, Director of Finance	**2019/20**	102,841	0	15,323	**118,164**
	2018/19	99,749	0	14,863	**114,612**
Iolanda Puzio, Chief Legal Officer (Monitoring Officer)	**2019/20**	102,841	0	15,323	**118,164**
	2018/19	99,241	0	14,700	**113,941**
Steve Healey, Chief Fire Officer	**2019/20**	111,931	0	32,157	**144,088**
	2018/19	109,201	0	15,616	**124,817**
Colin Cox, Director of Public Health	**2019/20**	102,841	0	16,123	**118,964**
	2018/19	100,825	0	14,499	**115,324**
Total	**2019/20**	**914,799**	**0**	**151,841**	**1,066,640**
	2018/19	**986,683**	**148,609**	**387,769**	**1,523,061**

Definitions

- Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties and holiday pay.

- Payment upon Termination of Employment Salary – includes redundancy costs and pay in lieu of notice.

- Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2019/20 the Council's mileage rate was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2019/20.

- Employer's Current Service Pension Contribution - LGPS 14.9%, NHS Pension Scheme 15.68%, and Firefighters' Pension Scheme 28.8% - on continuing employment and in relation to the salary thereof.

- Under the terms of the LGPS, officers who, with the agreement of the employer, retire on the grounds of efficiency of the service or voluntary redundancy and are over the age of 55 are statutorily entitled to access their pension. As a result of retiring in advance of the statutory retirement age, there is a cost charged from the Pension Fund to the Council, is known as "pension strain". This is included in the figures in the table on the previous page.

Notes

Interim Executive Director (People) Nick Jarman was appointed for the period August 2019 to January 2020, via Penna, the total cost in 2019/20 was £128,700.

During 2018/19 the Council's internal management structure was re-designed to support a new "cluster" operating model and links to the Council's vision and priorities contained within the Council Plan and Medium Term Financial Plan. The redesign initially focussed on roles at the level of Corporate Director and Assistant Director. Within the previous structure there were 22 posts. The new structure sees a reduction to 19 posts.

However, this is the first phase of a wider organisational change programme aimed at ensuring resources are properly aligned to the vision and priorities. It is aimed at introducing more flexibility in service delivery so that the organisation can adapt readily to the challenges which will inevitably occur over the next few years.

The new "cluster" operating model focusses on the following areas:
People – and the response to service users with assessed needs. This will include the existing services of the children and young people's directorate, adult social care, public health, Cumbria Care, health and care integration and partnerships.
Strategic core – and the response to meeting the council's internal governance, democratic, strategic commissioning, communications, planning responsibilities and enterprise.
Customer – and the response to the universal customer's needs this will include customer transformation, customer service centre and community services
Locality – and the response to place based issues of infrastructure and growth and transportation.

In addition to the Senior Officer's Remuneration details, the number of officers, including staff in County maintained schools, who received annual remuneration of more than £50,000 during the year, is shown in the table below.

There were 4 non-school staff (9 for 2018/19) whose salary is less than £50,000 but have been included in the note as they received or were due to receive payments upon the termination of their employment that brought their total remuneration above £50,000.

Remuneration for the purposes of this note consists of gross pay, sums due by way of expense allowances, payments in connection with the termination of employment and the money value of any benefits received other than in cash, employer's pension contributions are excluded.

Officer Remuneration

2018/19				2019/20		
Number of Employees				Number of Employees		
School Staff	Other Staff	Total		School Staff	Other Staff	Total
84	47	**131**	£50,001 to £55,000	105	52	**157**
64	52	**116**	£55,001 to £60,000	48	59	**107**
39	25	**64**	£60,001 to £65,000	44	26	**70**
26	31	**57**	£65,001 to £70,000	24	8	**32**
10	11	**21**	£70,001 to £75,000	9	35	**44**
4	3	**7**	£75,001 to £80,000	6	3	**9**
4	2	**6**	£80,001 to £85,000	0	5	**5**
4	6	**10**	£85,001 to £90,000	1	2	**3**
2	3	**5**	£90,001 to £95,000	3	1	**4**
0	5	**5**	£95,001 to £100,000	1	4	**5**
2	3	**5**	£100,001 to £105,000	0	8	**8**
0	0	**0**	£105,001 to £110,000	1	0	**1**
0	0	**0**	£110,001 to £115,000	0	0	**0**
0	0	**0**	£115,001 to £120,000	0	0	**0**
1	1	**2**	£120,001 to £125,000	0	0	**0**
0	0	**0**	£125,001 to £130,000	0	0	**0**
0	0	**0**	£130,001 to £135,000	0	1	**1**
0	0	**0**	£135,001 to £140,000	0	0	**0**
0	0	**0**	£140,001 to £145,000	0	0	**0**
1	0	**1**	£145,001 to £150,000	0	0	**0**
241	**189**	**430**	**Total**	**242**	**204**	**446**

Exit Packages

The Code of Practice on Local Authority Accounting includes a requirement to disclose the number and total cost of exit packages which the Council "can no longer withdraw from" in bands of £20,000. Exit package payments include all redundancy costs, pension strain costs, payment in lieu of notice or any other departure costs.

The Council has undergone a considerable programme of rationalisation and restructuring in recent years, to reflect a reduction in total grant funding from Government. This has led to the redundancy of a number of employees. The tables below gives further details for both schools and non schools including the number of employees and the value of the packages, including, where applicable, the pension strain costs due from the Council to the Pension Fund attributable to the departure costs of some of the employees that were made redundant.

The total value of exit packages agreed in 2019/20 was £2.402m for 101 employees, an average of £24k (£2.920m for 139 employees in 2018/19, an average of £21k). The value of exit packages related to schools in 2019/20 was £0.509m for 48 employees (£0.668m for 47 employees in 2018/19, an average of £14k). The table excludes those packages for senior officers already disclosed in the Senior Officer Remuneration table on page 77 for 2018/19.

Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band (£)**	
	2018/19	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**
£0-£20,000	0	0	103	71	103	71	870,391	513,990
£20,001 - £40,000	0	0	22	17	22	17	635,033	471,565
£40,001 - £60,000	0	0	4	4	4	4	208,946	196,326
£60,001 - £80,000	0	0	3	3	3	3	215,191	214,756
£80,001 - £100,000	0	0	2	2	2	2	193,864	176,807
£100,001 - £150,000	0	0	3	1	3	1	326,009	145,427
£150,001 to £200,000	0	0	0	0	0	0	0	0
£200,001 to £250,000	0	0	1	3	1	3	219,333	682,911
£250,001 to £300,000	0	0	1	0	1	0	251,258	0
Total	**0**	**0**	**139**	**101**	**139**	**101**	**2,920,025**	**2,401,781**

Note 14 - Termination Benefits

Termination payments to employees include: redundancy payments, payment in lieu of notice, or any other departure payments, but do not include any pension costs. In 2019/20 the termination payments made to employees totalled £1.286m and related to 98 staff. In 2018/19 the termination payments made to employees totalled £1.708m and related to 138 staff.

Note 15 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and other services provided by the Council's external auditors, Grant Thornton:

2018/19 £000		**2019/20 £000**
88	External Audit Fee	88
0	Additional Audit Fees for 2018/19	5
0	Refund from PSAA Ltd	(11)
88	**Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year**	**82**
1	Audit Fee – Harbour Accounts	1
5	Grant Claim	5
0	Additional fee re 2018/19 Grant Claim	3
0	Additional Audit Fee re objection to 2016/17 Accounts	25
13	CFO Insights software licence	13
0	Procurement/contracts review	51
19	**Fees payable in respect of other services provided by external auditors during the year**	**98**
107	**Total**	**180**

The external audit fee for the 2019/20 Statement of Accounts is expected to be £114,154, this is made up of £88,254 basic fee plus additional fees of £25,900.

Note 16 - Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Finance Regulations 2019. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

DSG Receivable for 2019/20	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**	**Total Deficit Carry Forward £000**
Final DSG for year before Academies recoupment			360,741	
Academy figure recouped for year			(110,797)	
Total DSG after academy recoupment			**249,944**	
Plus: Brought forward from previous year			(3,841)	
Less: Carry forward to following year (agreed in advance)			3,877	3,877
Agreed initial budgeted distribution in year	**37,498**	**212,482**	**249,980**	
In year adjustments	0	0	0	
Final budget distribution for year	**37,498**	**212,482**	**249,980**	
Less: Actual central expenditure	(42,043)		(42,043)	
Less: Actual ISB deployed to schools		(211,051)	(211,051)	
Plus: Local Authority contribution for year	0	0	0	
Carry forward to 2020/21	**(4,545)**	**1,431**	**(3,114)**	3,114
Total Deficit Carry Forward				**6,991**

DSG Receivable for 2018/19	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**	**Total Deficit Carry Forward £000**
Final DSG for year before Academies recoupment			354,390	
Academy figure recouped for year			(105,963)	
Total DSG after academy recoupment			**248,427**	
Plus: Brought forward from previous year			(3,553)	
Less: Carry forward to following year (agreed in advance)			3,553	3,553
Agreed initial budgeted distribution in year	**34,907**	**213,520**	**248,427**	
In year adjustments	0	0	0	
Final budget distribution for year	**34,907**	**213,520**	**248,427**	
Less: Actual central expenditure	(36,524)		(36,524)	
Less: Actual ISB deployed to schools		(213,691)	(213,691)	
Plus: Local Authority contribution for year	0	0	0	1,500
Carry forward to 2019/20	**(1,617)**	**(171)**	**(1,788)**	(1,788)
Total Deficit Carry Forward				**3,841**

The main reason for the decrease in the Dedicated Schools Grant reserves from 2018/19 to 2019/20 is the pressure against the High Needs Block. The pressure being experienced in Cumbria is in line with the national picture and is due to the continued rise in demand for specialist places for children and young people with SEND. A revised High Needs Recovery Plan was submitted to the Department for Education in June 2019 which demonstrated that it is not possible to balance the deficit against the High Need Block within the required three year timeframe. Subsequent to this Cumbria has been allocated an additional £4.783m for SEND in 2020/21 which represents an increase of 11% against the 2019/20 allocation and work is ongoing to aim to balance the budget in-year within the required timeframe of 2021/22.

Note 17 - Grant Income

The Council received the following non ring-fenced Government Grants and Capital Grants and contributions which were credited to taxation and non-specific grant income in the CIES and summarised in note 8.

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2019 £000		31 March 2020 £000
(28,943)	Revenue Support Grant	(17,757)
(10,250)	Top Up Grant (Central Government)	(10,485)
(13,537)	PFI Grant	(13,536)
(1,106)	New Homes Bonus Grant	(915)
(4,326)	NNDR Small Businesses Relief Grant	(5,484)
(1,802)	Troubled Families Grant	(1,640)
(3,343)	Independent Living Fund	(3,241)
(5,806)	Rural Services Support Grant	(5,806)
(1,567)	Social Care Grant	(4,283)
0	Winter Pressures Grant *	(2,507)
0	Fire Pension Grant	(1,225)
0	COVID-19 Grant	(16,086)
(3,460)	Other Grants & Contributions < £1m	(2,358)
(88,974)	Capital Grants and Contributions	(65,703)
(163,114)	**Total**	**(151,026)**

* Note: In 2018/19 the Winter Pressures Grant was credited to the services and is shown in the next table.

Credited to Services Specific grants are credited to services and shown as Gross Income in the Comprehensive Income and Expenditure Account. The Council received the specific grants detailed below.

31 March 2019 £000		31 March 2020 £000
(248,427)	Dedicated Schools Grant	(249,944)
102	Dedicated Schools Grant - adjustment re previous year	(388)
(12,081)	Pupil Premium Grant	(11,744)
(3,612)	Primary PE & Sports Grant	(3,813)
(5,595)	Sixth Form Funding	(4,675)
(2,689)	Adult & Community Learning Grants	(2,767)
(4,645)	Universal Free School Meals Grant	(4,537)
(745)	Youth Offending Team Grant	(745)
(18,400)	Public Health Grant	(17,914)
(18,279)	Improved Better Care Fund	(20,710)
(2,507)	Winter Pressure Grant	0
(977)	Teachers Pay Grant	(2,232)
0	Teachers Pension Grant	(4,483)
(4,866)	Other Grants & Contributions < £1m	(4,912)
(10,990)	REFCUS Grants	(3,114)
(333,711)	**Total**	**(331,979)**

The Council is required to disclose the following specific grants individually to meet the terms and conditions of the grants:

- £36,711 Police and Crime Panel Grant for the Home Office in 2019/20 (£51,355 in 2018/19). This grant is made to Cumbria County Council, as the host authority, for the maintenance of the police and crime panel for the Cumbria police area.

- £1,702,250 was received from Sellafield Limited to deliver the WELL project. £152,245 has been credited to services in 2019/20 and the remaining balance will be credited in the relevant once the appropriate conditions have been met.

- The Dedicated Schools Grant adjustment re previous years shown in the table above relates to adjustments to the early years block of the grant updated to reflect pupil numbers on the January census which was notified to the Council in the following May.

- Active Cumbria received £467,851 from Sport England in 2019/20 (£392,943 in 2018/19). Further details of Active Cumbria's accounts can be found at www.activecumbria.org.

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2019 £000		31 March 2020 £000
(8,675)	Revenue Grants Receipts in Advance < £1m	(15,248)
(8,491)	Revenue Contributions Receipts in Advance < £1m	(9,705)
(17,166)	**Total**	**(24,953)**

Grants Receipts in Advance (Capital Grants) - Current Liabilities

The Council has received a number of capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. Where the grant or contribution is expected to be utilised in financing the Council's capital expenditure within the next twelve months, the balance is included as a Current Liability. The balances at the year end are as follows:

31 March 2019 £000		31 March 2020 £000
(15,201)	Highways & Flood Recovery (2015) Grant	(8,207)
(2,015)	Basic Need Grant	(1,207)
(542)	Fire Transformation Grant	(1,468)
(1,484)	Devolved Formula Capital Grant	(2,674)
(340)	DfT Safer Roads	(1,561)
(298)	Dept of Health Grant	(1,227)
(299)	Healthy Pupil Capital Fund	(16)
(1,417)	DfT additional Highways Grant	0
(2,557)	Other Grants & Contributions <£1m	(1,599)
(1,323)	S278 Contributions	0
0	DfT Live Labs	(1,462)
(25,476)	**Total**	**(19,421)**

At 31st March 2020 there was a total of £2.076m of unused capital contributions, these have been transferred to the Capital Grants Unapplied Account at the year end. In previous years these unused contributions were included with the Capital Grants as receipts in advance.

Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

The Council has received a number of capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. Where the grant or contribution is not expected to be utilised in financing the Council's capital expenditure within the next twelve months, the balance is included as a Long Term Liability. The balances at the year end are as follows:

31 March 2019 £000		31 March 2020 £000
(13,836)	Highways & Flood Recovery (2015) Grant	(5,628)
(3,098)	Basic Need Grant	(3,174)
(1,468)	Fire Transformation Grant	0
(1,755)	Devolved Formula Capital Grant	0
(1,227)	Department of Health Grant	0
(1,101)	Other Grants & Contributions <£1m	(226)
(1,561)	DfT Safer Roads	0
(115)	S278 Contributions	0
(24,161)	**Total**	**(9,028)**

Note 18 - Capital Expenditure and Capital Financing

Capital Expenditure and Capital Financing

31 March 2019 £000		31 March 2020 £000
518,877	Opening Capital Financing Requirement	540,698
	Capital Investment:	
121,705	Property Plant and Equipment	81,402
38	Investment Property	419
10,990	Revenue Expenditure Funded from Capital Under Statute	9,068
132,734	**Total Capital Spending**	**90,890**
	Sources of Finance:	
(6,854)	Capital receipts	(2,484)
(99,965)	Government Grants and other contributions	(66,740)
	Sums set aside from revenue:	
(2,375)	- Direct revenue contributions	(4,101)
(1,719)	- Minimum revenue provision	(3,304)
(110,913)	**Total Sources of Finance**	**(76,629)**
540,698	**Closing Capital Financing Requirement**	**554,959**

Explanation of movements in year

31 March 2019 £000		31 March 2020 £000
(1,719)	Increase in underlying need to borrow (supported by government financial assistance)	(3,304)
23,540	Increase in underlying need to borrow (unsupported by government financial assistance)	17,565
21,821	**Increase/(decrease) in Capital Financing Requirement**	**14,261**

Minimum Revenue Provision

The Council is required to set aside a minimum revenue provision (MRP) for the redemption of external debt in accordance with its MRP Policy which is approved by Council for each financial year. The difference between the MRP and depreciation is transferred to the Capital Adjustment Account to ensure capital charges do not impact on the amount to be raised by Government grant and local taxation.

In November 2016 Council approved a change to the MRP policy for supported and pre 2008 borrowing from 4% reducing balance to 2% straight line which results in a MRP charge which is more aligned with the period over which the underlying assets provide benefit (see Accounting Policy iv). For 2019/20 the MRP was £3.304m (2018/19 £1.719m).

Note 19 - Leases

The Council has acquired a number of assets using finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet in Other Land and Buildings.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property/ equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

For all the Council's finance lease property assets there are minimum rentals paid (maximum annual payment £25 pa) hence the payments have not been split between financing costs and principal elements. The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 there were no contingent rents payable by the Council (None in 2018/19).

The Council sub-lets part of one of the buildings which it leases in. Income of £0.001m was received in 2019/20 (£0.228m 2018/19).

Authority as Lessee - Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2019 Restated £000		31 March 2020 £000
14,870	Other Land and Buildings	15,577
0	Vehicles, Plant, Furniture, Equipment and Other	0
14,870	**Total**	**15,577**

Authority as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31 March 2019 £000		31 March 2020 £000
602	Not later than one year	696
1,092	Later than one year and not later than five years	1,658
4,135	Later than five years	3,918
5,829	**Total**	**6,272**

The Council leases a number of buildings and land as operating leases over varied time periods. The Council also leases in vehicles, plant and equipment. Operating leases give the Council the right to use the assets for a period of time, but do not give similar ownership rights as for assets acquired under finance leases.

The expenditure charged to services in the CIES during the year in relation to these leases was:

31 March 2019 £000		31 March 2020 £000
2,177	Minimum lease payments	1,920
(228)	Less: Sublease payments receivable	(1)
1,949	**Total**	**1,919**

Authority as Lessor - Operating Leases

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

31 March 2019 £000		31 March 2020 £000
307	Not later than one year	285
1,139	Later than one year and not later than five years	750
1,627	Later than five years	2,172
3,073	**Total**	**3,207**

The Council has a number of leased out properties all of which are operating leases. It leases out these properties for the following purposes:

- The provision of community services, such as sports facilities and community centres

- For economic development purposes to provide suitable office accommodation for local businesses.

The income is allocated to the appropriate service within the Comprehensive Income and Expenditure Statement for 2019/20. Lease income of £0.708m (2018/19 £0.685m) were recognised as income in the Comprehensive Income and Expenditure Statement.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents receivable by the Council in 2019/20 or 2018/19.

Note 20 - Service Concession Arrangements

The Council currently has three PFI/PPP contracts which are detailed below. Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable, whilst the capital expenditure remains to be reimbursed. The liability is established at the same time that the assets are recognised on the Balance Sheet i.e. when they become operational.

Waste Management Contract

The Waste Management Contract was signed in June 2009; it is a 25 year Public Private Partnership (PPP) contract between the Council and Renewi plc. The cost to the Council over the remaining life of the contract is expected to be £412m. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme.

To achieve this aim, Renewi constructed two waste treatment facilities; one in the North and one in the South of the County, these are designed to dramatically reduce the amount of residual waste sent to landfill. Renewi are also responsible for managing, maintaining and operating the existing 14 Household Waste Recycling Centres across the County. At the end of the concession period the waste treatment plants will be transferred to the Council's ownership.

The waste treatment facility in the North became operational in December 2011 and the facility in the South in January 2013. Renewi have taken over responsibility for disposing of the County's residual waste via landfill.

Carlisle Northern Development Route

The Carlisle Northern Development Route (CNDR) contract was signed in July 2009; it is a 30 year Private Finance Initiative (PFI) contract between the Council and Connect CNDR Ltd. The cost to the Council over the remaining life of the contract is expected to be £324m. The contract is an essential component of the economic regeneration of West Cumbria, one of the most economically deprived parts of the North West.

The primary aim of the contract was to design, build, finance and operate a new 8.3km largely single carriageway road to connect the North and West of Carlisle. The intention is to relieve pressure on radial routes within Carlisle City, which is key to realising development of the strategic employment site at Kingmoor Park to its full potential of 5,500 jobs. The CNDR was scheduled to be fully completed, contractually, by 2013, but was completed and became operational in February 2012. Connect CNDR are also responsible for the management, maintenance and operation of some 150km of the existing principal road network in the surrounding area. At the end of the concession period the road will be transferred to the Council's ownership.

The re-negotiation of the highways contract in respect of the operation of the CNDR Route was concluded in December 2018, the Council elected to take its share of the gain from the re-financing as an upfront lump sum of £10.574m in 2018/19. The recommended accounting treatment of such a gain is that the gain should be held on the Council's Balance Sheet as deferred income and spread over the contract term rather than be recognised in the year that it is received.

To enable the Council to take the full benefit of this gain in 2018/19 as intended and set out in the re-financing agreement a corresponding draw down has been made from the CNDR Grant In Advance. As the annual sum is released from the deferred income it will be transferred to the CNDR Grant in Advance reserve to replenish the reserve. The ability to meet future commitments upon the reserve have been reviewed and remains satisfactory, and the deferred income is ring-fenced and is being released over the remaining life of the contract. At 31st March 2020 the deferred income was £10.045m.

Fire Station Replacement PFI Scheme

The Council is involved in a PFI project, with Merseyside and Lancashire Fire and Rescue Authorities, to provide sixteen new fire stations, five of which are in Cumbria. The basis of the partnership is set out in a joint working agreement. Contracts were signed between Balfour Beatty Fire and Rescue NW Ltd in February 2011, with construction commencing in 2011/12 and completion in 2013/14. The cost to the Council of the Cumbria element of the contract is expected to be £45m. At the end of the concession period the fire stations will be transferred to the Council's ownership. The contract will run for 25 years from the date of final handover, and the Council pays a unitary payment. The stations built in Cumbria are:

- Carlisle - 2 sites - Carlisle East and Carlisle West.
- Workington – includes the Locality Headquarters.
- Penrith - includes the Council's Resilience Unit and Fire & Rescue Service Headquarters & Learning & Development Department.
- Patterdale.

Movement in PFI Assets

2019/20	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2019	**43,312**	**57,057**	**17,603**	**117,972**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	0
at 31 March 2020	**43,312**	**57,057**	**17,603**	**117,972**
Accumulated Depreciation and Impairment				
at 1 April 2019	**(1,056)**	**(8,625)**	**(17)**	**(9,698)**
Depreciation charge	(1,623)	(1,426)	(435)	(3,484)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	0
at 31 March 2020	**(2,679)**	**(10,051)**	**(452**	**(13,182)**
Net Book Value				
at 31 March 2020	**40,633**	**47,006**	**17,151**	**104,790**
at 1 April 2019	**42,256**	**48,432**	**17,586**	**108,274**

2018/19 Restated	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2018	39,113	57,057	15,295	111,465
Accumulated Depreciation written out to Gross Carrying Amount	(3,455)	0	(305)	(3,760)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,162	0	2,571	7,733
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	2,492	0	42	2,534
at 31 March 2019	**43,312**	**57,057**	**17,603**	**117,972**
Accumulated Depreciation and Impairment				
at 1 April 2018	(3,084)	(7,199)	(413)	(10,696)
Depreciation charge	(1,427)	(1,426)	(387)	(3,240)
Accumulated Depreciation written out to Gross Carrying Amount	3,455	0	305	3,760
Depreciation written out to Revaluation Reserve	0	0	375	375
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	103	103
at 31 March 2019	**(1,056)**	**(8,625)**	**(17)**	**(9,698)**
Net Book Value				
at 31 March 2019	**42,256**	**48,432**	**17,586**	**108,274**
at 1 April 2018	**36,028**	**49,858**	**14,882**	**100,768**

Movement in PFI Liabilities

2019/20	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Balance outstanding at start of year	(42,671)	(58,562)	(14,961)	(116,194)
Payments during the year	(117)	1,445	330	1,658
Balance outstanding at year-end	**(42,788)**	**(57,117)**	**(14,631)**	**(114,536)**

2018/19	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Balance outstanding at start of year	(42,545)	(58,903)	(15,266)	(116,714)
Payments during the year	(126)	341	305	520
Balance outstanding at year-end	**(42,671)**	**(58,562)**	**(14,961)**	**(116,194)**

Payments due under PFI schemes - 2019/20

1. Reimbursement of Capital Expenditure	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Short Term PFI Liability				
Payable within one year	(322)	(1,608)	(358)	(2,288)
Long Term PFI Liability				
Payable within two to five years	(3,608)	(4,380)	(1,752)	(9,739)
Payable within six to ten years	(13,790)	(10,253)	(3,154)	(27,196)
Payable within eleven to fifteen years	(25,068)	(17,707)	(4,738)	(47,513)
Payable within sixteen to twenty years	0	(23,169)	(4,630)	(27,800)
Total Long Term Liability	**(42,466)**	**(55,509)**	**(14,274)**	**(112,248)**
Total	**(42,788)**	**(57,117)**	**(14,631)**	**(114,536)**

2. Interest	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Payable within one year	(5,771)	(8,270)	(1,292)	(15,333)
Payable within two to five years	(22,050)	(31,119)	(4,900)	(58,069)
Payable within six to ten years	(22,011)	(36,409)	(5,283)	(63,702)
Payable within eleven to fifteen years	(7,205)	(30,503)	(3,833)	(41,541)
Payable within sixteen to twenty years	0	(16,347)	(1,290)	(17,637)
Total	**(57,037)**	**(122,648)**	**(16,598)**	**(196,283)**

3. Payment for Services	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Payable within one year	(18,562)	(4,719)	(588)	(23,869)
Payable within two to five years	(79,723)	(25,094)	(2,533)	(107,350)
Payable within six to ten years	(112,550)	(34,490)	(3,607)	(150,647)
Payable within eleven to fifteen years	(101,609)	(39,669)	(4,178)	(145,456)
Payable within sixteen to twenty years	0	(40,584)	(3,179)	(43,762)
Total	**(312,445)**	**(144,555)**	**(14,085)**	**(471,084)**

4. Total Payments Due under PFI	Waste Management PPP	Carlisle Northern Development Route PFI	Fire Station Replacement PFI	Total
	£000	£000	£000	£000
Total	**(412,270)**	**(324,320)**	**(45,314)**	**(781,904)**

Note 21 - Property, Plant and Equipment

Movements to 31 March 2020

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Constructio n £000	Total Property, Plant and Equipment £000
Cost or Valuation							
at 1 April 2019	**543,201**	**90,509**	**795,305**	**53**	**17,707**	**27,611**	**1,474,387**
Additions	14,540	5,020	52,972	0	1,062	7,808	**81,402**
Accumulated Depreciation written out to Gross Carrying Amount	(7,769)	0	0	0	0	0	**(7,769)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	16,074	0	0	0	(137)	0	**15,937**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,353)	0	0	0	(576)	(1,774)	**(4,704)**
Derecognition – disposals	(13,756)	(1,546)	0	0	(96)	0	**(15,398)**
Reclassifications and transfer	18,647	2,320	0	0	1,985	(22,952)	**0**
Assets reclassified (to)/from Investment Property	0	0	0	0	(185)	0	**(185)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	(2,000)	0	**(2,000)**
at 31 March 2020	**568,584**	**96,303**	**848,277**	**53**	**17,761**	**10,694**	**1,541,671**
Accumulated Depreciation and Impairment							
at 1 April 2019	**(9,461)**	**(52,491)**	**(158,641)**	**0**	**(356)**	**0**	**(220,949)**
Depreciation charge	(12,422)	(4,370)	(19,901)	0	(182)	0	**(36,875)**
Accumulated Depreciation written out to Gross Carrying Amount	7,769	0	0	0	0	0	**7,769**
Derecognition – disposals	769	1,388	0	0	0	0	**2,157**
at 31 March 2020	**(13,345)**	**(55,473)**	**(178,541)**	**0**	**(539)**	**0**	**(247,898)**
Net Book Value							
at 31 March 2020	**555,239**	**40,830**	**669,735**	**53**	**17,223**	**10,694**	**1,293,773**
at 31 March 2019	**533,740**	**38,018**	**636,664**	**53**	**17,351**	**27,611**	**1,253,438**

Movements to 31 March 2019 Restated

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2018	**497,537**	**85,334**	**725,844**	**53**	**19,813**	**26,657**	**1,355,237**
Additions	11,784	5,278	69,461	0	610	34,573	**121,705**
Accumulated Depreciation written out to Gross Carrying Amount	(21,351)	0	0	0	(52)	0	**(21,403)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	38,930	0	0	0	92	0	**39,022**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,032)	0	0	0	(948)	0	**(6,981)**
Derecognition – disposals	(8,857)	(905)	0	0	(1,808)	0	**(11,569)**
Reclassifications and transfer	31,190	802	0	0	1,626	(33,618)	**0**
Assets reclassified (to)/from Investment Property	0	0	0	0	(60)	0	**(60)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	(1,565)	0	**(1,565)**
at 31 March 2019	**543,201**	**90,509**	**795,305**	**53**	**17,707**	**27,611**	**1,474,387**
Accumulated Depreciation and Impairment							
at 1 April 2018	(18,518)	(48,801)	(140,471)	0	(211)	0	**(208,001)**
Depreciation charge	(12,722)	(4,442)	(18,170)	0	(222)	0	**(35,556)**
Accumulated Depreciation written out to Gross Carrying Amount	21,351	0	0	0	52	0	**21,403**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
Derecognition – disposals	428	752	0	0	24	0	**1,204**
at 31 March 2019	**(9,461)**	**(52,491)**	**(158,641)**	**0**	**(356)**	**0**	**(220,949)**
Net Book Value							
at 31 March 2019	**533,740**	**38,018**	**636,664**	**53**	**17,351**	**27,611**	**1,253,438**
at 31 March 2018	**479,019**	**36,533**	**585,373**	**53**	**19,601**	**26,657**	**1,147,236**

The Council has set in place a five year rolling programme of asset revaluations. The history of asset valuations is as follows:

Property, Plant and Equipment Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	0	39,270	0	39,270
Valued at current value as at:				
31/03/2020	153,376	0	2,682	156,058
31/03/2019	302,679	0	1,189	303,868
31/03/2018	38,265	0	3,310	41,575
31/03/2017	36,846	1,560	3,749	42,155
31/03/2016	24,073	0	6,293	30,366
Total Net Book Value	**555,239**	**40,830**	**17,223**	**613,292**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The officers who undertook these valuations in 2019/20 were:

- D Wiggins, BSc (Hons) MRICS
- D Kirkwood, BSc (Hons) MRICS
- D Rawle, BSc (Hons) MRICS
- E McQuillan, MRICS

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset. Furniture and equipment is only treated as a non-current asset when purchased as part of a capital project, otherwise it is treated as de minimis expenditure and is a direct charge to the revenue account in the year of purchase. The exception to this is schools' equipment funded from capital grant.

The significant assumptions applied in estimating the fair values are:

- Determine what the Modern Equivalent Asset would comprise using the latest Government design guidance and/or service input.
- Estimate the number of pupils it would be built for using the council's pupil number records.

- Estimate the amount a school of the required size would cost to build using RICS BCIS and council build cost records.
- Using existing buildings records make an allowance for age and obsolescence for the existing buildings on site from a functional, economic and physical perspective.
- Land value based on comparables costs to purchase or compulsory purchase land in the given location.
- That all required, valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with.
- That no deleterious or hazardous materials or techniques have been used, that there is no contamination in or from the ground, and it is not landfilled ground.
- That the properties are connected to, and there is a right to use, the reported mains services on normal terms.
- That sewer, main services and the roads giving access to the property have been adopted.
- Unless otherwise stated, the Valuers will take no account of any form of taxation, grants or costs that may arise on acquisition or disposal of the properties.

Property assets are classified as:

- Property plant and equipment
- Leases and lease type arrangements
- Investment property
- Assets held for sale
- Surplus Assets

Fair Value is reported or measured as follows:

Category	**Basis**
Property plant and equipment (except infrastructure community assets and assets under construction)	Current Value (EUV)
Specialised property	Current Value (DRC) or Existing Use Value (EUV)
Investment Property	Fair Value (highest and best use) (IFRS 13)
Assets held for sale	Lower of carrying amount and fair value less costs to sell (IFRS 13)
Surplus Assets	Fair Value (IFRS 13)

Capital Commitments

At 31st March 2020 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £7.155m. Similar commitments at 31st March 2019 were £7.906m.

Note 21.1 - Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

There were impairment losses of £0.924m in 2015/16, as a result of damage caused to three Council properties in the December 2015 flooding. In 2018/19 impairment losses of £0.085m have been written out on revaluation. £0.254m written out on revaluation in 2017/18 and £0.585m written out on disposal of the affected property in 2016/17. There have been no impairment losses in 2018/19 or 2019/20.

Note 22 - Fair Value Disclosures for Surplus Assets

All the Council's surplus assets have been value assessed as Level 2 of the fair value hierarchy for valuation purposes. The fair value of surplus assets has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year. In estimating their fair value, the Council's surplus assets have been valued to their highest and best use. The net book value at 31st March 2020 was £17.223m (31st March 2019 £17.351m).

Note 23 – Short Term Debtors

An analysis of sums due to the Council as at 31st March is as follows:

31 March 2019 £000		31 March 2020 £000
10,735	Residential and non-residential care charges	11,687
10,957	Prepayments	11,789
5,352	Other Receivable Amounts	3,303
8,923	Central Government Bodies	10,419
7,858	Other Local Authorities	9,520
15,468	NHS Bodies	19,006
26	Public Corporations and Trading Funds	1
7,729	Local Taxation (council tax and non-domestic rates)	8,387
67,048	**Total**	**74,112**

An analysis of the age of Local Taxation Debtors (Council Tax and Non-Domestic Rates) that were past due at the Balance Sheet date is set out in the following table:

	At 31 March 2019			At 31 March 2020		
Past due status	**Council Tax £000**	**Non-Domestic Rates £000**	**Total - Local Taxation £000**	**Council Tax £000**	**Non-Domestic Rates £000**	**Total - Local Taxation £000**
Past due less than 12 months	5,688	326	6,014	5,926	419	6,345
Past due more than 12 months	7,401	359	7,760	8,733	282	9,015
Impairment Allowance	(5,758)	(287)	(6,045)	(6,679)	(294)	(6,973)
	7,331	**398**	**7,729**	**7,980**	**407**	**8,387**

Note 24 - Financial Instruments

The carrying amounts of financial assets presented in the Balance Sheet relate to the following measurement categories:

	Non-Current Financial Assets				
	Investments		**Debtors**		**Total**
	31 March 2019 £000	**31 March 2020 £000**	**31 March 2019 £000**	**31 March 2020 £000**	**31 March 2020 £000**
Amortised cost	0	0	3,682	2,758	**2,758**
Fair value through other comprehensive income – other	3,183	3,183	0	0	**3,183**
Total financial assets	**3,183**	**3,183**	**3,682**	**2,758**	**5,941**
Non-financial assets	0	0	0	0	0
Total	**3,183**	**3,183**	**3,682**	**2,758**	**5,941**

	Current Financial Assets						
	Investments		**Debtors**		**Cash**		**Total**
	31 March 2019 £000	**31 March 2020 £000**	**31 March 2019 £000**	**31 March 2020 £000**	**31 March 2019 £000**	**31 March 2020 £000**	**31 March 2020 £000**
Cash not falling into the following categories	0	0	0	0	50,845	104,213	**104,213**
Amortised cost	67,292	15,076	27,043	26,779	0	0	**41,855**
Total financial assets	**67,292**	**15,076**	**27,043**	**26,779**	**50,845**	**104,213**	**146,068**
Non-financial assets	0	0	40,005	47,333	0	0	47,333
Total	**67,292**	**15,076**	**67,048**	**74,112**	**50,845**	**104,213**	**193,401**

	Non-Current Financial Liabilities						
	Borrowings		Creditors		Other long-term liabilities		Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(354,282)	(386,754)	0	0	(114,358)	(112,248)	(499,002)
Total financial liabilities	**(354,282)**	**(386,754)**	**0**	**0**	**(114,358)**	**(112,248)**	**(499,002)**
Non-financial liabilities	0	0	(4,717)	(5,326)	(868,162)	(855,572)	(860,898)
Total	**(354,282)**	**(386,754)**	**(4,717)**	**(5,326)**	**(982,521)**	**(967,820)**	**(1,359,900)**

	Current Financial Liabilities				
	Borrowings		Creditors		Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2020
	£000	£000	£000	£000	£000
Amortised cost	(20,592)	(12,208)	(60,604)	(62,497)	(74,704)
Total financial liabilities	**(20,592)**	**(12,208)**	**(60,604)**	**(62,497)**	**(74,704)**
Non-financial liabilities	0	0	(35,094)	(27,624)	(27,624)
Total	**(20,592)**	**(12,208)**	**(95,699)**	**(90,120)**	**(102,328)**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	31 March 2019		31 March 2020	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
• financial assets measured at amortised cost	2,405	0	653	0
Total net gains/losses	**2,405**	**0**	**653**	**0**
Interest revenue:				
• financial assets measured at amortised cost	(1,622)	0	(987)	0
Total interest revenue	**(1,622)**	**0**	**(987)**	**0**
Interest expense	29,654	**0**	30,502	**0**

Note 25 - Financial Instruments - Fair Value

Fair Value Of Assets And Liabilities

The Council has a number of financial assets and liabilities on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For Public Works Loan Board (PWLB) debt, new borrowing rates as per PWLB rate sheet number 128/20 have been applied to provide the fair value under PWLB debt redemption procedures.
- For other market debt i.e. LOBOs and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised. Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short term debtors and creditors are carried at cost as this is a fair approximation of their value.
- For PFI Liabilities the PWLB premature repayment rate has been applied.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are required)

Financial Liabilities

	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities held at Amortised Cost	(374,874)	(474,010)	(398,962)	(472,723)
PFI and finance lease liabilities	(116,194)	(219,631)	(114,536)	(224,446)
Total	**(491,068)**	**(693,641)**	**(513,498)**	**(697,169)**

The fair value of the PWLB borrowings, Market Loans (LOBOs) and PFI liabilities is higher than the carrying amount because the majority of the Council's portfolio of loans is at a fixed rate which is higher than the prevailing rate at the Balance Sheet date.

Financial Assets

	31 March 2019		31 March 2020	
	Restated Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Amortised Cost	67,292	67,292	15,076	15,076
Cash and Cash Equivalent	50,845	50,845	104,213	104,213
Long-Term Debtors	3,682	3,682	2,758	2,758
Total	**121,819**	**121,819**	**122,047**	**122,047**

The Fair Values of Financial Assets that are measured at Cost

The Council has financial assets that are measured at cost. This is the Council's shareholding in Cumbria County Holdings Ltd.

The shares (representing 100% of the Company's capital) are carried at a cost of £3.183m and have not been valued, as a fair value cannot be measured reliably. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. The Council has no current intention to dispose of the shareholding.

As a result of Government legislation, Cumbria Waste Management Ltd (CWM) was created in 1993 as a wholly owned company tendering for the waste disposal business within Cumbria in competition with the private sector. The majority of the waste disposal assets of the Council were transferred to the company in exchange for £2,813,000 of shares. In 2012/13, the Council exchanged shares in CWM for shares in Cumbria County Holdings Ltd (CCH), which is also wholly owned by the Council. This company owns the shares in CWM.

On 1st April 2013 the Council purchased 370,000 ordinary £1 shares in Orian Solutions Ltd for a consideration of £0.370m. Orian Solutions Ltd is wholly owned by Cumbria County Holdings Ltd. The balance as at 31st March 2019 and 31st March 2020 is £3.183m.

In June 2009, the Council selected a waste management partner, Renewi plc, in a 25 year Public Private Partnership (PPP) contract. CWM Ltd is a subcontractor to Renewi, under this contract.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

Basis for recurring fair value measurements:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

During the years 2018/19 and 2019/20 all fair value measurements were based on level 2 inputs, with no Level 1 or 3 for either year.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

Recurring fair value measurements using:	31 March 2020 Other significant observable inputs (Level 2)	Total
Financial Liabilities	**£000**	**£000**
Financial Liabilities held at amortised cost:		
Loans/Borrowings	472,723	472,723
Long term creditors	0	0
PFI and finance lease liabilities	224,446	224,446
Total	**697,169**	**697,169**
Financial Assets		
Amortised Cost:		
Other loans and receivables	122,047	122,047
Total	**122,047**	**122,047**

Recurring fair value measurements using:	31 March 2019 Other significant observable inputs (Level 2)	Total
Financial Liabilities	**£000**	**£000**
Financial Liabilities held at amortised cost:		
Loans/Borrowings	474,010	474,010
Long term creditors	0	0
PFI and finance lease liabilities	219,631	219,631
Total	**693,641**	**693,641**
Financial Assets		
Loans and Receivables:		
Other loans and receivables	121,819	121,819
Total	**121,819**	**121,819**

Note 26 - Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy which requires that deposits are only placed with institutions that meet specific creditworthiness criteria. The credit ratings of investments as at 31st March 2020 are detailed below:

Deposits with Banks and Financial Institutions	Fitch Rating	Amount at 31 March 2020 £000
Cash and Cash Equivalents		
J P MORGAN MMF STERLING LIQUIDITY FUND	AAA	10,000
BNP PARIBAS MMF - INSTICASH	AAA	4,500
ABERDEEN STANDARD MMF	AAA	18,200
FEDERATED ST PRIME MMF	AAA	18,700
BANK OF SCOTLAND (LLOYDS GRP)	A+	10,000
BLAENAU GWENT COUNTY BOROUGH COUNCIL	AA	3,000
NORTH LINCOLNSHIRE COUNCIL	AA	3,000
BIRMINGHAM CITY COUNCIL	AA	10,000
THURROCK COUNCIL	AA	5,000
LONDON BOROUGH OF BARKING AND DAGENHAM	AA	5,000
FOLKESTONE AND HYTHE DISTRICT COUNCIL	AA	5,000
EASTLEIGH BOROUGH COUNCIL	AA	5,000
Short Term Investments		
AUSTRALIA AND NEW ZEALAND BANK	AA-	5,000
THURROCK COUNCIL	AA	10,000
	Total	**112,400**

Note: Local Authorities do not have a specific credit rating, the UK Government credit rating has been used

The Treasury Management Strategy, which is set annually and is monitored throughout the year, sets out the limits on both duration and maximum levels of deposits. The lower an institution's creditworthiness the lower the maximum duration and level of deposit will be. These counterparties are chosen, by officers, using credit rating data supplied by the Council's treasury advisers (based on data from the three main credit rating agencies, overlaid by:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads (i.e. insurance policies) to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there is no evidence at 31st March 2020 that this was likely to crystallise.

Debtors

The table below analyses the age of the outstanding debt within the Accounts Receivable system for those debtors that are classed as financial instruments. The Council generally allows 30 days credit for customers, £1.281m (£3.511m 2018/19) of the £2.335m (£6.100m 2018/19) balance is past its due date for payment.

This analysis does not include all contractual debtors. The Council also has £13.434m owed by individuals in respect of outstanding residential and non-residential care charges (£13.360m in 2018/19). Of this debt £1.747m (2018/19 £2.625m) is considered as long term debt, as it is either secured by a charge on property or on deferred payment agreements.

Credit Risk - Debtors	31 March 2019 £000	31 March 2020 £000
Less than three months	5,274	1,459
Three to six months	159	187
Six months to one year	126	134
More than one year	541	556
	6,100	**2,335**

Amounts Arising from Expected Credit Losses

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

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. During 2019/20 the impairment losses of £0.653m (£2.406m for 2018/19) recognised related only to receivables (debtors) and was calculated on a lifetime basis.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk.

The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has safeguards in place to ensure that no more than 10% of its borrowings mature for repayment in any one year to reduce the financial impact of reborrowing at a time of unfavourable interest rates. This is managed through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.
The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.

- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets are held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities are held at amortised cost, but will impact on the disclosure note for fair value.
- However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31st March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a net increase in investment income of £0.975m. The impact of a 1% fall in interest rates would be a net decrease in income of £0.914m, as the average rate of interest on investments is currently below 1%.

<u>Price Risk</u>
The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

<u>Foreign Exchange Risk</u>
The Council has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

Liquidity Risk
The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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

All financial assets investments sums owing (£15.076m) are due to be paid in less than one year.

The maturity of long and short term loans is as follows:

Liquidity Risk	31 March 2019	31 March 2020
	£000	£000
Less than one year	16,000	7,500
Between one and two years	7,500	0
Between two and five years	15,700	30,200
More Than 5 Years	36,500	32,000
More Than 10 years	294,582	324,554
	370,282	**394,254**

Balance Sheet	31 March 2019 £000	31 March 2020 £000
Short Term Borrowings	16,000	7,500
Long term Borrowings	354,282	386,754
	370,282	**394,254**

Lender	31 March 2019	31 March 2020
	£000	£000
Public Works Loans Board	344,700	369,700
Market Debt	25,450	24,433
Other	132	121
	370,282	**394,254**

In the more than 10 years category there are £24m of Lender Options Borrower Option (LOBOs) market loans which have a call date in the next 12 months. The LOBOs are unlikely to be called as the rate being charged is higher than the current prevailing rate.

Note 27 - Cash and Cash Equivalents

The balances on the Council's various imprest accounts, school bank accounts and cash in transit between internal accounts amounted to £6.620m (2018/19 £4.622m) in hand and are included as cash and cash equivalents in Current Assets. Short term deposits totalling £97.593m (2018/19 £46.222m) are funds invested by the Council in money market funds or business reserve accounts and are available on demand. On a daily basis the Council's Treasury Management function actively manages the cleared bank balance as close to zero as possible to maximise interest receipts and minimise interest payments.

Restated 31 March 2019 £000		31 March 2020 £000
4,622	Cash and Bank balances	6,620
46,223	Short Term Investments	97,593
50,845	**Total Cash and Cash Equivalents**	**104,213**

Note 28 – Short Term Creditors

An analysis of sums owed by the Council as at 31st March is:

Restated 31 March 2019 £000		31 March 2020 £000
(73,226)	Other payables	(67,934)
(9,549)	Central Government Bodies	(9,710)
(5,965)	Other Local Authorities	(5,861)
(1,431)	NHS Bodies	(1,619)
(866)	Public Corporations and Trading Funds	(1)
(4,662)	Local Taxation (council tax and non-domestic rates)	(4,995)
(95,699)	**Total Creditors**	**(90,120)**

Note 29 - Provisions

Current Provisions

2019/20	Insurance - Motor and Fire £000	MMI Provision £000	Equal Pay £000	Voluntary Redundancies £000	Other Provisions £000	Total £000
Opening Balance	(227)	(1)	0	(1,979)	(3,102)	(5,309)
Increase in provision during year	(57)	(52)	0	(163)	(2,724)	(2,996)
Utilised during year	0	0	0	1,978	2,966	4,944
Closing Balance	**(284)**	**(54)**	**0**	**(164)**	**(2,860)**	**(3,361)**

2018/19	Insurance - Motor and Fire £000	MMI Provision £000	Equal Pay £000	Voluntary Redundancies £000	Other Provisions £000	Total £000
Opening Balance	(238)	(86)	(155)	(99)	(4,468)	(5,045)
Increase in provision during year	0	0	0	(1,979)	(1,047)	(3,026)
Utilised during year	11	85	155	99	2,413	2,762
Closing Balance	**(227)**	**(1)**	**0**	**(1,979)**	**(3,101)**	**(5,309)**

Long Term Provisions

2019/20	Insurance - employers and public liability £000	Business Rates Appeals £000	Total £000
Opening Balance	(6,694)	(1,386)	(8,080)
Increase in provision during year	(763)	(1,945)	(2,708)
Utilised during year	0	1,386	1,386
Closing Balance	**(7,457)**	**(1,945)**	**(9,401)**

2018/19	Insurance - employers and public liability £000	Business Rates Appeals £000	Total £000
Opening Balance	(6,163)	(792)	(6,955)
Increase in provision during year	(531)	(1,386)	(1,917)
Utilised during year	0	792	792
Closing Balance	**(6,694)**	**(1,386)**	**(8,080)**

2018/19 £000	Total Provisions	2019/20 £000
(12,000)	Opening Balance	(13,389)
(4,943)	Increase in provision during year	(5,704)
3,554	Utilised during year	6,330
(13,389)	**Closing Balance**	**(12,762)**

Note 30 - Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement and are summarised in the table below:

31 March 2019 £000	Usable Reserves	31 March 2020 £000
(15,056)	General Fund Balance	(15,056)
(53,813)	Earmarked General Fund Reserves	(60,592)
(68,869)	**Total General Reserves**	**(75,650)**
(6,719)	Capital Receipts Reserve	(5,826)
0	Capital Grants Unapplied	(2,076)
(75,588)	**Total Usable Reserves**	**(83,551)**

Capital Receipts Reserve

Receipts from the sale of assets are credited here and used to fund capital expenditure or repay debt. The balance on the reserve is the unused capital receipts at the end of the year.

Capital Receipts Reserve

31 March 2019 £000		31 March 2020 £000
(12,526)	**Balance 1 April**	**(6,719)**
(1,047)	Capital Receipts in year	(1,591)
6,854	Capital Receipts used for financing	2,484
(6,719)	**Balance 31 March**	**(5,826)**

Capital Grants Unapplied

Capital grants and contributions received in year where there are no conditions (no requirement to repay the grant), are recorded as income in the Comprehensive Income & Expenditure Statement, regardless of the year to which they relate. They are then transferred to the Capital Grants and Contributions Unapplied Reserve via the Movement in Reserves Statement.

Capital Grants Unapplied

31 March 2019 £000		31 March 2020 £000
0	Balance 1 April	0
0	Capital grants recognised in year	(2,076)
0	**Balance 31 March**	**(2,076)**

Note 31 - Transfers to/from Earmarked Reserves

This note sets out the amounts transferred to and from earmarked reserves to provide financing for in year and future expenditure plans.

	Balance at 1 April 2018 £000	Tfrs Between Reserves 18/19	Tfr In 18/19 £000	Tfr Out 18/19 £000	Balance at 31 March 2019 £000	Tfrs Between Reserves 19/20	Tfr In 19/20 £000	Tfr Out 19/20 £000	Balance at 31 March 2020 £000
DSG Funded Reserves									
Schools ring fenced Reserves	**(1,685)**	0	(3,678)	3,007	**(2,356)**	(4)	(1,939)	4,444	**145**
DSG Reserve	**3,553**	0	(1,649)	1,937	**3,841**	0	(626)	3,776	**6,991**
Sub Total DSG Funded Reserves	**1,868**	**0**	**(5,327)**	**4,944**	**1,485**	**(4)**	**(2,565)**	**8,220**	**7,136**
Ring Fenced Earmarked Reserves:									
Revenue Grants Reserves	**(32,786)**	0	(3,245)	12,728	**(23,303)**	9	(20,931)	3,984	**(40,241)**
Revenue Reserve for Capital Purposes	**(1,796)**	0	(1,288)	1,550	**(1,534)**	0	(51)	0	**(1,586)**
Long Term Investment Reserve	**(2,813)**	0	0	0	**(2,813)**	0	0	0	**(2,813)**
Insurance Reserve	**(12,284)**	0	(176)	1,180	**(11,280)**	0	(377)	1,806	**(9,851)**
Sub Total Ring Fenced Earmarked Reserves	**(49,679)**	**0**	**(4,709)**	**15,458**	**(38,930)**	**9**	**(21,359)**	**5,790**	**(54,491)**
Elections Reserve	**0**	0	(341)	0	**(341)**	0	(230)	11	**(560)**
Innovation Fund	**0**	(1,075)	(1,000)	0	**(2,075)**	0	(327)	1,370	**(1,032)**
Business Rates Pool Volatility Reserve	**(380)**	0	0	0	**(380)**	0	0	380	**0**
Other Services	**(7,288)**	1,075	(4,526)	6,404	**(4,335)**	(9)	(5,047)	6,159	**(3,233)**
Sub Total Centrally Held Earmarked Reserves	**(7,668)**	**0**	**(5,867)**	**6,404**	**(7,131)**	**(9)**	**(5,604)**	**7,920**	**(4,825)**
Modernisation (Cost of Change) Reserve	**(4,906)**	0	0	39	**(4,867)**	0	0	0	**(4,867)**
Directorate Reserves									
Children & Families Services	**53**	(53)	0	0	**0**	0	0	0	**0**
Health Care & Community Services	**(839)**	839	0	0	**0**	0	0	0	**0**
Resources & Transformation	**(1,570)**	1,570	0	0	**0**	0	0	0	**0**
People	**0**	(1,466)	(32)	741	**(757)**	4	(54)	414	**(393)**
Corporate, Customer & Community	**0**	(890)	(50)	241	**(699)**	0	(232)	404	**(527)**
Economy & Infrastructure	**(1,937)**	0	(631)	569	**(1,999)**	0	(176)	333	**(1,842)**
Local Committees	**(779)**	0	(914)	779	**(914)**	0	(783)	914	**(783)**
Sub Total Directorate Earmarked Reserves	**(5,072)**	**0**	**(1,627)**	**2,330**	**(4,369)**	**4**	**(1,245)**	**2,065**	**(3,545)**
Sub Total Council Reserves	**(67,325)**	**0**	**(12,203)**	**24,231**	**(55,298)**	**4**	**(28,208)**	**15,775**	**(67,728)**
Total General Fund Earmarked Reserves	**(65,457)**	**0**	**(17,530)**	**29,175**	**(53,813)**	**0**	**(30,773)**	**23,995**	**(60,592)**
Net Transfer (to) / from Earmarked Reserves			**11,645**				**(6,778)**		

Directorates

The Council has a long established practice of allowing approved budgets within Directorates to be carried forward to the following financial year on a targeted basis to meet specific objectives. Although these balances are, provisionally, earmarked to the Services concerned, they form part of the Council's overall revenue balances and can be used by the Council for any other purpose, should they so choose.

Modernisation (Cost of Change) Reserve

Over a number of years the Council has set aside funds to meet the costs and risks associated with equal pay claims, single status implementation and meet the costs of organisational change, such as redundancies or transition costs. At 1st April 2019 the balance on this reserve was £4.867m.

The Council has not utilised the Reserve in 2019/20 to meet the cost of restructuring through service reviews and voluntary redundancy. The cost of redundancies has been funded by the flexible use of capital receipts. The balance on the reserve at 31st March 2020 remains £4.867m.

Revenue Grants

Where revenue grants have been received, and there are no conditions i.e. no possibility or requirement to pay back the grant, then, irrespective of which year the money is for it must be recorded in the Comprehensive Income & Expenditure Statement as income and then in the Movement In Reserves Statement be transferred to an earmarked reserve.

The balance on the Revenue Grants Reserves at 31st March 2020 is £40.241m (£23.303m 2018/19).which includes £21.104m of PFI grant and contributions to support the Carlisle Northern Development Route and replacement fire stations project and remaining balance of £15.041m on the COVID 19 General Grant.

Insurance

The Council self-insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self-insurance; the funds set aside have been separated into two elements – a provision and a reserve. The insurance provision £7.741m (long term £7.457m and short term £0.284m note 29) represents the sum estimated to meet claims identified at 31st March 2020. The estimate is based on the advice of consulting actuaries 'Marsh Risk Consulting'.

The balance of funding is held in an insurance reserve to support the ongoing self-insurance programme. As at 31st March 2019 the reserve was £11.280m.

During 2019/20 £0.377m was transferred to the reserve and £1.806m was released as a result of a reduction in the Council's liability for MMI claims.

Municipal Mutual Insurance (MMI) were the Council's insurer from 1974 until the early 1990's. MMI became insolvent in 1992 and entered into administration due to insufficient reserves to cover all its potential liabilities. A scheme of arrangement was agreed upon with policyholders, including the Council. Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against its former policy with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. There is a risk that the Council could be liable for more than 25% of claims and the Council has previously accounted in its reserves based on 85%.

In January 2020, the Council received a report from Gallagher Insurance Brokers Ltd (the administrators for MMI) noting that they do not expect the Council's liability to be any more than 50% of all claims. The Council has therefore reduced its reserve to 50% of all claims resulting in the reserve held by the Council reducing by £1.806m to £9.851m at 31st March 2020.

Schools

Under the provisions of the Education Reform Act 1988, the governors of schools became responsible for managing their own budgets from 1st April 1990. The total budget available to governors is based on a local formula approved by the Secretary of State for Education. Any over or under spending by the governors is carried forward to the following year. Whilst such sums form part of the Council's revenue balances, they are not available to the Council when managing the finances of the Council. Delegated Funds surpluses and deficits for Schools at 31st March are as shown below.

The following table summarises the surplus/deficit position for all Cumbria schools excluding academies irrespective of whether the asset is on the Council's Balance Sheet or not.

Schools Earmarked Reserves

	31 March 2019		31 March 2020	
Schools Earmarked Reserves	**No.**	**£000**	**No.**	**£000**
Schools in surplus	210	(9,017)	187	(7,796)
Schools in deficit	56	6,661	72	7.941
	266	**(2,356)**	**259**	**145**
Children's Services - DSG ring fenced to schools		3,841		6,991
Total		**1,485**		**7,136**

<u>Schools Surpluses and Deficits</u>

There has been a decrease of seven in the overall number of schools as a result of the following:

- five Schools converted to Academy status during the year
- one merger – Maryport Infants and Juniors schools.
- one Community Development Centre moved from being shown with Schools earmarked reserves to People Directorate earmarked reserves.

There are further details in Note 10 of the schools converting to Academy status.

Children's Services - DSG ring fenced to schools

The movement on the Dedicated Schools Grant central reserve is set out below:

	2018/19		2019/20	
	£000	£000	£000	£000
Balance as at 1 April		3,553		3,841
Transfer to Reserve	(1,500)		0	
High Needs Service (overspend) / underspend	2,194		5,488	
Other DSG central budgets underspend	(406)		(2,374)	
Other net transfers from reserve	0	288	36	3,150
Balance as at 31 March		**3,841**		**6,991**

The main reason for the decrease in the Dedicated Schools Grant reserves from 2018/19 to 2019/20 is the pressure against the High Needs Block. The pressure being experienced in Cumbria is in line with the national picture and is due to the continued rise in demand for specialist places for children and young people with SEND. A revised High Needs Recovery Plan was submitted to the Department for Education in June 2019 which demonstrated that it is not possible to balance the deficit against the High Need Block within the required three year timeframe. Subsequent to this Cumbria has been allocated an additional £4.783m for SEND in 2020/21 which represents an increase of 11% against the 2019/20 allocation and work is ongoing to aim to balance the budget in-year within the required timeframe of 2021/22.

Note 32 - Unusable Reserves

Unusable Reserves are summarised on the Balance Sheet. The details of each unusable reserve are set out in the notes below.

31 March 2019 Restated £000		31 March 2020 £000
(140,076)	Revaluation Reserve	(149,847)
(580,944)	Capital Adjustment Account	(598,851)
449	Financial Instruments Adjustment Account	433
877,176	Pension Reserve	855,572
105	Collection Fund Adjustment Account	64
12,472	Accumulated Absences Account	10,228
169,182	**Total**	**117,600**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1st 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.

31 March 2019 Restated £000	Revaluation Reserve	31 March 2020 £000
(108,469)	**Balance 1 April**	**(140,076)**
(42,572)	Upward revaluation of assets	(25,438)
3,550	Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	9,501
(39,022)	**(Surplus) or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(15,937)**
2,151	Difference between fair value depreciation and historical cost depreciation	3,135
5,264	Accumulated gains on assets sold or scrapped	3,031
7,415	**Amount written off to the Capital Adjustment Account**	**6,166**
(140,076)	**Balance 31 March**	**(149,847)**

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs. 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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

31 March 2019 Restated £000	Capital Adjustment Account	31 March 2020 £000
(526,802)	**Balance 1 April**	**(580,944)**
35,556	Charges for depreciation and impairment of non-current assets	36,875
6,981	Revaluation losses on non-current assets	4,704
184	Amortisation of intangible assets	104
10,990	Revenue expenditure funded from capital under statute	9,068
11,018	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	14,806
64,729	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	65,556
(7,415)	Adjusting Amounts written out of the Revaluation Reserve	(6,166)
57,314	**Net written out amount of the cost of non-current assets consumed in the year**	**59,391**
(6,854)	Use of Capital Receipts Reserve to finance new capital expenditure	(2,484)
(99,965)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(66,740)
(1,719)	Statutory provision for the financing of capital investment charged against the General Fund	(3,304)
(2,375)	Capital expenditure charged against the General Fund	(4,101)
(110,912)	**Capital financing applied in year:**	**(76,629)**
(544)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(669)
(580,944)	**Balance 31 March**	**(598,851)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

31 March 2019 £000	Financial Instruments Adjustment Account	31 March 2020 £000
465	**Balance 1 April**	**449**
(16)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(16)
(16)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(16)
449	**Balance 31 March**	**433**

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 Council 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.

31 March 2019 £000	Pension Reserve	31 March 2020 £000
757,514	**Balance at 1 April**	**877,176**
66,601	Remeasurements of the net defined benefit (liability)/asset	(65,669)
100,369	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	95,020
(47,308)	Employer's pensions contributions and direct payments to pensioners payable in the year	(50,955)
877,176	**Balance 31 March**	**855,572**

Collection Fund Adjustment Account

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

31 March 2019 £000	Collection Fund Adjustment Account	31 March 2020 £000
(1,994)	**Balance 1 April**	**105**
2,099	Amount by which council tax 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	(41)
105	**Balance 31 March**	**64**

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2019 £000	Accumulated Absences Account	31 March 2020 £000
9,216	**Balance 1 April**	**12,472**
(9,216)	Settlement or cancellation of accrual made at the end of the preceding year	(12,472)
12,472	Amounts accrued at the end of the current year	10,228
3,256	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(2,244)
12,472	**Balance 31 March**	**10,228**

Note 33 - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2019/20, the Council paid £20.524m (2018/19 £16.183m, 16.48%) to Teachers' Pensions Scheme in respect of teachers' retirement benefits. The employer contribution rate from 1st April 2019 to 31st August 2019 was 16.48% and increased to 23.68% with effect from 1st September 2019.

Although the Scheme is a defined benefit scheme, the arrangements for the scheme mean that the liabilities for these benefits cannot be identified to the Council, therefore for the purposes of this Statement of Accounts; it is accounted for on the same basis as a defined contribution scheme.

NHS Staff Pension Scheme

Council staff who transferred from the NHS have maintained their membership in the NHS Pension Scheme. In 2019/20, the Council paid £0.063m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 15.68% of pensionable pay. The figures for 2018/19 were £0.067m and 14.38%.

Nature of Funds

Both Schemes target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st March 2015 and on revalued average salary (a "career average" scheme) for service from 1st April 2015 onwards.

Governance

These arrangements are managed centrally by government departments/agencies, and there is no material involvement for the Council.

Funding the liabilities

Contributions to the arrangements are set by the government, having taken advice from the government actuary. Again, the Council has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the Council is responsible. The weighted average duration of these particular liabilities is 7 years, measured on the actuarial assumptions used for IAS19 purposes.

Investment Risks

There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the funding standards relating to them, which could increase the Council's contributions to them.

Other risks

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34. Additional and discretionary pensions paid to retired teachers by the Council totalled £2.919m in 2019/20 and £2.973m 2018/19.

Note 34 - Defined Benefit Pension Scheme

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Firefighters Pension Scheme

The Fire and Rescue Service has four pension schemes (1992, 2006, the modified and the 2015 schemes). The table below sets out the contributions received from both employees and employers and the Benefits paid.

During 2014/15 an additional Firefighters Pension scheme was introduced for retained firefighters employed between 1st July 2000 and 5th April 2006 who, at that time, didn't have access to a Pension Scheme. This is known as the modified scheme.

	1992		2006		Modified		2015		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Contributions Receivable										
Employers Contributions	(498)	(565)	(15)	(32)	(54)	(92)	(867)	(2,153)	(1,434)	(2,841)
Employees Contributions	(337)	(224)	(13)	(12)	(91)	(92)	(768)	(950)	(1,209)	(1,278)
Total Income	**(834)**	**(789)**	**(29)**	**(44)**	**(144)**	**(183)**	**(1,635)**	**(3,104)**	**(2,642)**	**(4,120)**
Benefits Payable										
Pensions Paid	4,671	5,078	30	29	81	88	0	0	4,782	5,194
Ill Health and Injury	1,236	1,247	7	8	2	2	12	12	1,256	1,269
Lump Sums	1,388	2,411	2	0	45	19	0	0	1,435	2,430
Lump Sum Death Benefits & Widows Pensions	539	543	0	0	2	3	5	24	546	570
Total Expenditure	**7,834**	**9,279**	**39**	**37**	**130**	**112**	**17**	**36**	**8,019**	**9,464**
Contribution Rates										
Employers	21.7%	37.3%	11.9%	27.4%	21.7%	37.3%	14.3%	28.8%		
Employees - range depending on pensionable pay	11% - 17.0%	11% - 17.0%	8.5% - 12.5%	8.5% - 12.5%	11% - 17.0%	11% - 17.0%	11.0% - 14.5%	11.0% - 14.5%		

Nature of Funds

The Schemes target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st March 2015 and on revalued average salary (a "career average" scheme) for service from 1st April 2015 onwards – the 2015 scheme.

Governance

These arrangements are managed by the Council, although this essentially involves administering the plan, including managing its cash flows.

Funding the liabilities

Given that the arrangements are unfunded, meaning that there are no investment assets built up to meet the pension liabilities the contributions payable are simply those which are sufficient to meet the benefit outgo as and when it arises. As mentioned above, this benefit outgo is largely underwritten by central government via a top up grant to meet the gap between pensions paid and contributions from employees and employers collected. The weighted average duration of the liabilities ranges from 17 years for the 1992 scheme to 32 years for the 2015 scheme, it is measured on the actuarial assumptions used for IAS19 purposes.

Investment Risks

There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the arrangements for meeting part of the benefit outgo, which could increase the Council's contributions to them.

Other risks

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

Employment Tribunal - McCloud / Sargeant

In December 2018 the Court of Appeal made a ruling in two separate Employment Tribunal cases involving members of the Judiciary and Firefighter pensions schemes, regarding possible age discrimination arising from the transitional arrangements included the reformed schemes introduced in 2015. On 27th June 2019 the Supreme Court refused the Government's application for permission to appeal the Court of Appeal ruling. This was the last legal hurdle in the dispute, leaving the Government with no further avenue to exhaust. The case has been referred back to the employment tribunal for a detailed decision on the remedies, the Court will require steps to be taken to compensate employees who were transferred to the new schemes.

At this stage the extent of any issue for the Firefighters Pension scheme is not clear, but the Council's Actuary, Mercers, have calculated the approximate effects of the costs if the transitional protections need to be extended to younger members and this has been incorporated into the net pension liabilities on the Council's Balance Sheet.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Firefighters Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and authorities will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

Local Government Pension Scheme (LGPS)

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payment for those benefits and to disclose them at the time that employees earn their future entitlement.

The majority of the Council's staff belong to the Cumbria Local Government Pension Scheme (CLGPS). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated (based on the 2016 valuation) at a level intended to balance the pensions liabilities with investment assets by 2032. The deficit on the CLGPS will be made good by increased contributions as assessed by the Scheme Actuary.

Early payment of 3 years LGPS deficit lump sum in April 2017

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due now each employer (e.g. the County Council) pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has forgone. At the time of calculating the deficit lump sum amounts (as part of the 2016 valuation) the Council had a total deficit repayment value of £126m, with a plan to recover the deficit by 2032. Paying the deficit recovery lump sum for the period 2017-2020 in advance of enables a gross saving due to the avoidance of these "interest" payments. This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

The value of the benefit from this lump sum early repayment is significant because the pension fund return on its investments is much greater than the returns the County Council can make on its deposits. For Council Treasury monies, as dictated by the Prudential Code, the primary driver is capital preservation while for the Pension Fund, which has a much longer time horizon and therefore relatively higher risk tolerance, the drivers are financial return and diversification. In addition, by making the early repayment, this reduces the balance of Council's short-term cash deposits, for which there remains counter party (lending) risk.

The contribution rates are based upon a triennial actuarial review of the fund. As part of the 2016 valuation the actuary calculated the rates required to be paid by the Council, as an employer within the Fund, for both the current service cost and the past service cost to eliminate the deficit by 2032.

- Current service cost – 14.9% of pensionable pay.
- Past service cost – a lump sum prepayment of £27.575m for the three years from 1st April 2017 to 31st March 2020.

The total of employer's contributions to the scheme is:

2018/19 £000	Employers Pension Contributions	2019/20 £000
24,012	14.9% of pensionable pay	25,837
9,191	Annual element of 3 year lump sum prepayment	9,014
2,186	Actuarial strain costs	2,771
2,010	Benefits recharged	1,968
37,399		**39,590**

Nature of LGPS Scheme

The Scheme targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st March 2014 and on revalued average salary (a "career average" scheme) for service from 1st April 2014 onwards.

Governance

Management of the Scheme is vested in Cumbria County Council as Administering Authority of the Scheme. Cumbria County Council has appointed a Pension Committee (comprised of 8 County Councillors, 1 District Councillor and two non-voting employee representatives) to manage the Scheme. Advice is given by Cumbria County Council's Director of Finance (s.151 Officer), the Council's finance team and by two independent advisers. The current advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Scheme.

Funding the liabilities

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions required from each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement.

A valuation was undertaken as at 31st March 2016 with the resultant contribution rates for employers being effective from 1st April 2017 to 31st March 2020. This has valued the shortfall of assets against liabilities for the Fund as being £210m as at 31st March 2016, equivalent to a funding level of 91%. The Council's Pensions Committee set the parameters for this valuation in September 2016 which included eliminating the deficit by 2032.

As part of the 2019 Triennial Valuation the Council agreed a 12 year deficit recovery period which continued the plan to pay off the deficit by 2032. The Council, along with all other employers who have a deficit funding position, are paying additional employer contributions annually to meet this shortfall as required by the actuarial valuation of the Fund carried out as at 31st March 2019 and effective from 1st April 2020. The next triennial valuation is due for the 1st April 2022.

The weighted average duration of the authority's defined benefit obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes. The duration profile used to determine the assumptions is "very mature".

Risks and Investment strategy

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

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Fund's assets failing to deliver the returns required to match the underlying liabilities of the Fund over the longer term. To mitigate against market value risk, the Fund has set restrictions on the type of investment it can hold. Mitigation against market risk is also achieved by diversifying across multiple investment managers and regularly reviewing the Investment Strategy and performance of the Fund.

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

Foreign exchange risk
The Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. To reduce the volatility from foreign currency exposure, the Cumbria Fund has 50% of the investments (excluding alternatives) denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program.

Credit / Counterparty risk
Credit risk is the risk that a counterparty to a transaction or a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Fund to incur financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Through review of the Fund's external Investment Managers annual internal control reports the Fund monitors its exposure to credit and counterparty risk.

Liquidity risks
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Fund to ensure its obligations can be covered. The Fund holds a large value of very liquid securities which could be promptly realised if required.

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

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

Employment Tribunal - McCloud / Sargeant
The Court of Appeal in the McCloud / Sargeant cases has ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constitute unlawful age discrimination. In response to this, on 16th July 2020, the Ministry for Housing, Communities and Local Government issued a consultation outlining proposed changes to the LGPS statutory underpin protections to remove the unlawful discrimination. On the same date, HM Treasury issued a

consultation to address the discrimination in the unfunded public service pension schemes, including the Teachers and Firefighters' pension schemes.

LGPS: The consultation proposes the removal of the condition that required a member to have been within ten years of their normal pension age on 1st April 2012 to be eligible for underpin protection. It also proposes a number of supplementary changes to ensure the revised underpin works effectively and consistently for all members.

The Council's Actuary, Mercer Ltd, have calculated some approximate effects of the costs of extending the transitional protections to younger members. The costings of the potential effect of McCloud at 31st March 2020, based on individual member data as at 2019 actuarial valuation and the results of those calculations based on the IAS19 assumptions have been included in the net pension liabilities on the Council's Balance Sheet. The costings reflect in broad terms the cost of applying a "final salary underpin" to those active members who joined the LGPS before 12th April 2012 and who would not otherwise have benefited from the underpin.

Amendments, curtailments and settlements

The provisions of the Fund were amended with effect from 1st April 2014. As explained above for service up to 31st March 2014 benefits were based on salaries when members leave the Fund, whereas for service after that date benefits are based on career average salary. Further details are available from the Fund's administering authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

Transactions Relating to Post Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

34.1 Transactions Relating to Retirement Benefits

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

2018/19 LGPS £000	2018/19 Firefighters Pension Schemes £000	2018/19 Teachers Pension Schemes £000	2018/19 Total £000		2019/20 LGPS £000	2019/20 Firefighters Pension Schemes £000	2019/20 Teachers Pension Schemes £000	2019/20 Total £000
Comprehensive Income and Expenditure Statement								
				Service cost comprising:				
50,748	4,392	0	55,140	Current service cost	59,063	5,153	0	64,216
12,613	13,465	0	26,078	Past service cost	6,173	1,352	0	7,525
1,220	0	0	1,220	(Gain) / loss from curtailments	2,948	0	0	2,948
(2,449)	0	0	(2,449)	(Gain) / loss from settlements and / or transfers	(1,470)	0	0	(1,470)
				Other Operating Expenditure:				
967	0	0	967	Administration expenses	1,387	0	0	1,387
				Financing and Investment Income and Expenditure				
12,250	6,256	906	19,413	Net interest expense	13,058	6,506	850	20,414
75,350	**24,113**	**906**	**100,369**	**Total charged to (Surplus) and Deficit on Provision of Services**	**81,159**	**13,011**	**850**	**95,020**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement								
LGPS £000	**Firefighters Pension Schemes £000**	**Teachers Pension Schemes £000**	**Total £000**		**LGPS £000**	**Firefighters Pension Schemes £000**	**Teachers Pension Schemes £000**	**Total £000**
				Re-measurement of the net defined benefit liability comprising:				
(55,245)	0	0	(55,245)	Return on plan assets (excluding the amount included in the net interest expense)	60,618	0	0	60,618
0	0	0	0	Actuarial (gains) and losses - experience	3,731	0	(867)	2,864
0	0	0	0	Actuarial (gains) and losses arising on changes in demographic assumptions	(82,529)	(4,946)	(1,551)	(89,026)
107,829	14,017	0	121,846	Actuarial (gains) and losses arising on changes in financial assumptions	(35,468)	(4,882)	225	(40,125)
52,584	**14,017**	**0**	**66,601**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(53,648)**	**(9,828)**	**(2,193)**	**(65,669)**
127,934	**38,130**	**906**	**166,970**	**Total charged to the Comprehensive Income and Expenditure Statement**	**27,511**	**3,183**	**(1,343)**	**29,351**

Movement in Reserves Statement

2018/19 LGPS	2018/19 Firefighters Pension Schemes	2018/19 Teachers Pension Schemes	2018/19 Total		2019/20 LGPS	2019/20 Firefighters Pension Schemes	2019/20 Teachers Pension Schemes	2019/20 Total
£000	£000	£000	£000		£000	£000	£000	£000
(75,350)	(24,113)	(906)	(100,369)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(81,159)	(13,011)	(850)	(95,020)
				Actual amount charged against the general fund balance for pensions in the year:				
37,399	6,967			Employers' contributions payable to scheme	39,590	8,419		
		2,943		Retirement Benefits Payable to Pensioners			2,946	
			47,308	**Total Employers Contributions and Retirement Benefits Payable**				**50,955**

The **current service cost** is an estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

The **past service costs** arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Interest cost is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

The **expected return on assets** is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

The most significant changes between 2018/19 and 2019/20 arise in the Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement. In 2018/19 the total re-measurement recognised in Other Comprehensive Income and Expenditure in the CIES was a net charge of £66.601m and in 2019/20 it is a net gain of £65.669m. This is a change of £132.270m.

These changes to the Council’s net pensions liabilities arise because events have not coincided with assumptions made at the last actuarial valuation or because of updated assumptions. The current economic climate, financial assumptions, and in particular the effect of bond yields on the discount rate used by the Actuaries can also have a significant impact on the estimated net pension liabilities.

Bond yields are a fundamental building block in setting the discount rate applied to the estimated pension liabilities to reflect the ‘time value of money’ i.e. £1 now is worth more than £1 in the future (assuming no deflation in the future). The lower the discount rate the higher the pension liability. Due to the long timeframes involved in pensions liabilities (70 years plus), a small change in the discount rate can lead to large changes in the estimated promised retirement benefits. The discount rate at the start of the year was 2.4% and it was unchanged at the end of the year. A 0.1% increase in the discount rate results in a £35.435m decrease in the pension liability and vice versa. Further sensitivity analysis provided by the Actuary is in notes 34.4a, 34.4b and 34.4c.

34.2 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts recognised in the Balance Sheet arising from the Council's obligation in respect of its defined benefit schemes is as follows:

2018/19 LGPS £000	2018/19 Firefighters Pension Schemes £000	2018/19 Teachers Pension Schemes £000	2018/19 Total £000		2019/20 LGPS £000	2019/20 Firefighters Pension Schemes £000	2019/20 Teachers Pension Schemes £000	2019/20 Total £000
(2,082,956)	(275,262)	(32,972)	(2,391,190)	Present value of the defined obligation	(2,046,709)	(270,026)	(28,683)	(2,345,418)
1,523,028	0	0	1,523,028	Fair value of plan assets	1,489,846	0	0	1,489,846
(559,928)	**(275,262)**	**(32,972)**	**(868,162)**	**Net (liability) / asset arising from the defined benefit obligation**	**(556,863)**	**(270,026)**	**(28,683)**	**(855,572)**

34.2a Movement in the Value of Scheme Assets

2018/19 LGPS £000	2018/19 Firefighters Pension Schemes £000	2018/19 Teachers Pension Schemes £000	2018/19 Total £000		2019/20 LGPS £000	2019/20 Firefighters Pension Schemes £000	2019/20 Teachers Pension Schemes £000	2019/20 Total £000
1,434,818	0	0	1,434,818	Opening fair value of scheme assets	1,523,028	0	0	1,523,028
38,796	0	0	38,796	Interest income	36,575	0	0	36,575
				Re-measurement gain / (loss):				
55,245	0	0	55,245	- The return on plan assets, excluding the amount included in the net interest expense	(60,618)	0	0	(60,618)
37,398	6,967	2,943	47,308	Contributions from employer	39,590	8,419	2,946	50,955
10,228	1,202	0	11,430	Contributions from employees into the scheme	10,798	1,286	0	12,084
(51,244)	(8,169)	(2,943)	(62,356)	Benefits / transfers paid	(55,506)	(9,705)	(2,946)	(68,157)
(967)	0	0	(967)	Administration expenses	(1,387)	0	0	(1,387)
(1,246)	0	0	(1,246)	Assets Extinguished on Settlement	(2,634)	0	0	(2,634)
1,523,028	**0**	**0**	**1,523,028**	**Closing value of scheme assets**	**1,489,846**	**0**	**0**	**1,489,846**

34.2b Movements in the Fair Value of Scheme Liabilities

2018/19 LGPS	2018/19 Firefighters Pension Schemes	2018/19 Teachers Pension Schemes	2018/19 Total		2019/20 LGPS	2019/20 Firefighters Pension Schemes	2019/20 Teachers Pension Schemes	2019/20 Total
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
(1,895,019)	(244,099)	(35,009)	(2,174,127)	Opening balance at 1 April	(2,082,956)	(275,262)	(32,972)	(2,391,190)
(50,748)	(4,392)	0	(55,140)	Current service cost	(59,063)	(5,153)	0	(64,216)
(51,047)	(6,256)	(906)	(58,209)	Interest cost	(49,633)	(6,506)	(850)	(56,989)
(10,228)	(1,202)	0	(11,430)	Contributions from scheme participants	(10,798)	(1,286)	0	(12,084)
				Re-measurement gains and losses:				
0	0	0	0	- Actuarial gains / (losses) - experience	(3,731)	0	867	(2,864)
0	0	0	0	- Actuarial gains / (losses) from changes in demographic assumptions	82,529	4,946	1,551	89,026
(107,829)	(14,017)	0	(121,846)	- Actuarial gains / (losses) from changes in financial assumptions	35,468	4,882	(225)	40,125
(12,613)	(13,465)	0	(26,078)	Past service cost	(6,173)	(1,352)	0	(7,525)
(1,220)	0	0	(1,220)	Gains / (losses) on curtailments	(2,948)	0	0	(2,948)
51,244	8,169	2,943	62,356	Benefits / transfers paid	55,506	9,705	2,946	68,157
3,695	0	0	3,695	Liabilities extinguished on settlements	4,104	0	0	4,104
(9,191)	0	0	(9,191)	Lump Sum Deficit Repayment	(9,014)	0	0	(9,014)
(2,082,956)	**(275,262)**	**(32,972)**	**(2,391,190)**	**Closing Value of Scheme Liabilities**	**(2,046,709)**	**(270,026)**	**(28,683)**	**(2,345,418)**

34.3 LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

2018/19				2019/20		
Quoted	**Unquoted**	**Total**		**Quoted**	**Unquoted**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
73,105	0	73,105	Cash and Cash Equivalents	56.614	0	56,614
0	1,523	1,523	Net Current Assets	0	1,490	1,490
73,105	**1,523**	**74,628**	**Cash and cash equivalents**	**56,614**	**1,490**	**58,104**
			Equity Instruments			
143,165	0	143,165	UK Quoted	148,984	0	148,984
328,974	0	328,974	Global Quoted	297,969	0	297,969
15,230	0	15,230	UK Equity Pooled	0	0	0
0	214,747	214,747	Overseas Equity Pooled	0	104,289	104,289
0	19,799	19,799	Equity Protection	0	0	0
487,369	**234,546**	**721,915**	**Subtotal Equity Instruments**	**446,953**	**104,289**	**551,242**
			Bonds			
92,905	0	92,905	UK Corporate Bonds	0	0	0
3,046	0	3,046	Overseas Corporate Bonds	0	0	0
0	272,622	272,622	UK Government Indexed Pool	0	342,665	342,665
95,951	**272,622**	**368,573**	**Subtotal Bonds**	**0**	**342,665**	**342,665**
			Property			
0	95,951	95,951	UK Property	0	87,901	87,901
0	45,691	45,691	Property Funds	0	41,716	41,716
0	**141,642**	**141,642**	**Subtotal Property**	**0**	**129,617**	**129,617**
			Other Investment Funds			
0	36,553	36,553	Private Debt Funds	0	47,675	47,675
0	44,168	44,168	Private Equity Funds	0	55,124	55,124
0	118,796	118,796	Infrastructure Funds	0	110,249	110,249
0	7,615	7,615	Real Estate Debt Funds	0	5,959	5,959
0	9,138	9,138	Healthcare Royalties	0	10,429	10,429
0	0	0	Multi Asset Credit	0	178,782	178,782
0	**216,270**	**216,270**	**Subtotal Other Investment Funds**	**0**	**408,218**	**408,218**
656,425	**866,603**	**1,523,028**	**Total Assets**	**503,567**	**986,279**	**1,489,846**

34.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities for Local Government Pension Scheme, Firefighters' Pension Schemes and the Teachers Discretionary Benefits have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the full valuation of the scheme as at 31st March 2020.

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analyses have followed the Accounting Policies for the Scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

34.4a LGPS

The significant assumptions used by the actuary have been:

2018/19		2019/20
Mortality assumptions		
Longevity at retirement for current pensioners		
23.3	Men	22.6
25.9	Women	25.2
Longevity at retirement for future pensioners		
25.6	Men	24.2
28.6	Women	27.1
Other assumptions		
2.2%	Rate of inflation	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.4%	Rate for discounting scheme liabilities	2.4%

Impact of assumptions on the LGPS obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
(54,931)	Longevity change by 1 year	54,931
(36,059)	Rate of inflation change by 0.1%	36,059
(3,993)	Rate of increase in salaries change by 0.1%	3,993
35,435	Rate for discounting scheme liabilities change by 0.1%	(35,435)
14,918	Investment returns change by 1%	(14,918)

34.4b Firefighters Pension Scheme

The significant assumptions used by the actuary have been:

2018/19	Firefighters Pension Schemes	2019/20
Mortality assumptions		
Longevity at retirement for current pensioners		
26.4	Men	26.2
28.4	Women	28.3
Longevity at retirement for future pensioners		
28.3	Men	28.5
30.3	Women	30.5
Other assumptions		
2.2%	Rate of inflation	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.4%	Rate for discounting scheme liabilities	2.4%

Impact of assumptions on the Firefighters Pension Scheme obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
(7,535)	Longevity change by 1 year	7,535
(4,597)	Rate of inflation change by 0.1%	4,597
(562)	Rate of increase in salaries change by 0.1%	562
5,062	Rate for discounting scheme liabilities change by 0.1%	(5,062)

34.4c Teachers Pension Scheme

The significant assumptions used by the actuary have been*:*

2018/19	Teachers Pension Schemes	2019/20
Mortality assumptions		
Longevity at retirement for current pensioners		
14.4	Men	13.9
16.5	Women	16.0
Other assumptions		
2.4%	Rate of inflation	2.1%
2.4%	Rate of increase in pensions	2.2%
2.7%	Rate for discounting scheme liabilities	2.4%

Impact of assumptions on the Teachers Pension obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
(1,377)	Longevity change by 1 year	1,377
(205)	Rate of inflation change by 0.1%	205
202	Rate for discounting scheme liabilities change by 0.1%	(202)

Impact on the Council's Cash Flows
One of the objectives of CLGPS is to keep employers' contributions at as constant a rate as possible. As part of the 2019 valuation the Fund agreed a strategy with the Fund's Actuary to achieve a funding level of 100% by adopting an average recovery period of 12 from 1st April 2020. The resultant contribution rates from this valuation are effective from 1st April 2020 to 31st March 2023. Funding levels are monitored on an annual basis.

The pension contributions expected to be made by the Council in the year to 31st March 2021 are:

- Local Government Pension Scheme £36.487m.
- Teachers Discretionary Benefits Scheme £2.975m.
- Firefighters Pension Scheme £8.419m.

Note 35 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2019 £000		31 March 2020 £000
(792)	Interest received	(1,123)
29,324	Interest paid	30,402
28,532	**Total**	**29,279**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2019 Restated £000		31 March 2020 £000
(35,556)	Depreciation	(36,874)
(6,981)	Impairment and downward valuations	(4,704)
(184)	Amortisation	(104)
(12,990)	(Increase)/decrease in creditors	(6,283)
15,635	Increase/(decrease) in debtors	4,555
331	Increase/(decrease) in inventories	176
(62,252)	Movement in pension liability	(53,079)
(11,018)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(14,806)
(830)	Other non-cash movements charged to the surplus or deficit on provision of services	1,312
(113,845)	**Total**	**(109,807)**

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

31 March 2019 £000		31 March 2020 £000
1,047	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,591
88,975	Any other items for which the cash effects are investing or financing cash flows	66,632
90,022	**Total**	**68,223**

Note 36 - Cash Flow from Investing Activities

31 March 2019 £000		31 March 2020 £000
121,569	Purchase of property, plant and equipment, investment property and intangible assets	85,625
130,000	Purchase of short-term and long-term investments	91,500
(1,047)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,591)
(110,970)	Proceeds from short-term and long-term investments	(143,580)
(60,595)	Other receipts from investing activities	(43,995)
78,957	**Net cash flows from investing activities**	**(12,041)**

Note 37 - Cash Flow from Financing Activities

31 March 2019 £000		31 March 2020 £000
(40,000)	Cash receipts of short-term and long-term borrowing	(40,000)
(10,574)	Other receipts from financing activities	0
521	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	1,657
7,512	Repayments of short-term and long-term borrowing	16,541
(42,541)	**Net cash flows from financing activities**	**(21,802)**

Note 38 - Related Parties

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

Government

The 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 of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from Government departments are set out in Notes 4.2 and 4.3 on expenditure and income analysed by nature and by segment. Grant receipts in advance at 31st March 2020 are shown in Note 17.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of Members' Allowances paid in 2019/20 is shown in Note 12. Members declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the Council outside of their roles as elected councillors. Contracts were entered into in full compliance with the Council's standing orders. During 2019/20 there were no significant amounts paid.

A number of Members represent trusts and non profit making organisations which receive funding from the Council. The Members' Register of Interests is published on the Council's website on each individual member's page.

Officers

The Council is required to identify any related party transactions for key management personnel within the Council. The Code defines this as all chief officers (or equivalent), chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities. The Council defines Senior Officers for the purposes of related party disclosure as Executive Directors, Assistant Directors, Senior Managers and those staff involved in procurement that may be in a position to have significant influence on decisions of awarding contracts for the procurement of goods and services. Senior Officers declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the County Council outside of their roles as employees of the Council. Contracts were entered into in full compliance with the Council's standing orders. There were no material transactions during the year with companies that officers have an interest in and there were no balances outstanding at the year end.

Other Public Bodies

Pooled Funds

The Council has pooled budget arrangements with a number of organisations, the details of which are included in Note 11.

Border to Coast Pension Partnership Ltd (BCPP Ltd)

BCPP Ltd is the organisation set up to run pooled LGPS investments for 12 Pension Funds including Cumbria LGPS. The company is a private limited company limited by shares and its company number is 10795539. BCPP Ltd was incorporated in May 2017 and issued 12 £1 A Ordinary shares. The shares have full voting rights, dividend and capital distribution rights. Cumbria County Council as Administering Authority for the Cumbria Local Government Pension Scheme holds £1 of A Ordinary share capital. For Accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

NW FiReControl Limited

NW Fire Control Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. The company registration number is 06314891. The Company has four members - Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint two directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights. In 2014 all four services transferred their Control Room functions into the regionalised service provided by NW Fire Control Ltd. The cost of the service is charged out to the four FRAs on an agreed pro rata basis set out in a Service Level Agreement.

An assessment for Group Accounting requirements has taken place during 2019/20 in respect of NW Fire Control Ltd. in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS10, 11 & 12).

It has been determined that the company is governed by Joint Control as unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2019/20.

The table below shows key Information for NW Fire Control Ltd:

Accounts Information	Year-Ended 2018/19 £000	Year-Ended 2019/20 £000
Total Assets Less Current Liabilities	305	311
Net Liabilities	(3,953)	(2,349)
Deficit Before Taxation	(412)	(594)
Deficit After Taxation	(417)	(594)
Balance owed to CCC	0	0
Balance owed by CCC	0	0
Invoices Raised By NW Fire Control to CCC	367	372
Invoices Raised by CCC to NW Fire Control	0	0

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31st December 2020 for the final audited 2019/20 accounts.

Entities Controlled or Significantly Influenced by the Council

One of the Council's key strategic objectives is to promote thriving communities by championing local economies and creating the right opportunities and environment for investment. Council funds are rarely available for such ventures and the Council believes that supporting specific initiatives rather than making direct investments normally best serves its contribution to economic regeneration within Cumbria. This support is made in a number of ways but can include:

- Acting as the Accountable Body. The Council effectively becomes the conduit enabling available funding streams to be accessed in a more effective manner. As the Council is underwriting performance on these projects for which grants have been obtained, it is incurring a financial risk. However, without this position being taken, many sources of funding would not be available.
- Providing administrative and advisory support.
- Providing political support through the involvement of Members.
- Providing technical expertise, particularly for land reclamation schemes.

In some instances, the Council has taken a direct investment in companies.

The Council has an investment valued at £3.183m representing a 100% shareholding in Cumbria County Holdings Ltd, a private limited company. It has been determined that the Council does have control of the company and it is accounted for as a subsidiary of the Council, which requires the production of Group Accounts. Further details of the Group Accounts are in Section 7. Copies of the accounts can be obtained from The Company Secretary, Unit 5A, Wavell Drive, Rosehill Estate, Carlisle, CA1 2ST.

Cumbria County Holdings Ltd has two subsidiaries, Cumbria Waste Management Ltd (CWM) and Orian Solutions Ltd (Orian). These companies, in turn, have the following subsidiaries:

- CWM - Cumbria Waste Recycling Ltd, Trotters Dry Waste Ltd Lakeland Waste Management Ltd.
- Orian - SLS (Cumbria) Ltd.

The results of each company are set out in the table below.

			2018/19 (Audited Accounts)		2019/20 (Audited Accounts)	
Company Name	**Nature of Business**	**Shareholding %**	**Profit / (Loss) for the year £000**	**Net Assets / (Liabilities) £000**	**Profit / (Loss) for the year £000**	**Net Assets / (Liabilities) £000**
Cumbria County Holdings Ltd (8259197)	Holding Co	100% owned by CCC	722	3,676	(3)	3,673
Cumbria Waste Management Ltd (2665973)	Waste disposal service	100% owned by CCHL	416	6,821	(1,139)	5,657
Cumbria Waste Recycling Ltd (3162439)	Waste disposal service	100% owned by CWM	820	4,231	846	5,077
Trotters Dry Waste Ltd (7614721)	Waste disposal service	100% owned by CWM	0	20	0	20
Lakeland Waste Management Ltd (2728867)	Waste disposal service	100% owned by CWM	265	2,312	(397)	1,915
Lakeland Minerals Ltd (04753755)	Waste disposal service	50% owned by LWM, joint venture	147	713	85	798
Orian Solutions Ltd (8237164)	Catering / Cleaning Services	100% owned by CCHL	502	1,896	414	2,562
SLS (Cumbria) Ltd (9957315)	Cleaning	100% owned by Orian	108	189	35	201

In 2019/20 Cumbria County Holdings Ltd has paid no dividend to the Council (2018/19 £0.725m) due to difficult trading circumstances in waste disposal and the need to retain cash balances in the light of COVID 19 and consequential estimates of impacts on operating conditions in the first half of 2020/21.

The results in the previous table are then consolidated into the Cumbria County Holdings Ltd Group Accounts with all intra company transactions being eliminated on consolidation. The Cumbria County Holdings Group results are:

	2018/19 (Audited Accounts)		2019/20 (Audited Accounts)	
	Profit / (Loss) after Tax £000	**Net Assets / (Liabilities) £000**	**Profit / (Loss) after Tax £000**	**Net Assets / (Liabilities) £000**
Cumbria County Holdings Ltd Group	1,748	15,295	(206)	15,293

It is these group results that are consolidated with the Council’s single entity Accounts with the outcome is reported in Section 7.

The Council also has direct investments in other limited companies. Each year consideration is given to whether an entity should be included in the group accounts. On the basis of materiality it has been determined that the companies below should not be consolidated into the group accounts. Copies of the accounts can be obtained from the Director of Finance, Cumbria House, 117 Botchergate, Carlisle, Cumbria CA1 1RD.

				2018/19		2019/20	
Company Name	**Nature of Business**		**Share holding %**	**Profit / (Loss) after Tax £000**	**Net Assets / (Liabilities) £000**	**Profit / (Loss) after Tax £000**	**Net Assets / (Liabilities) £000**
Traveline Cumbria Ltd (Note 1)	Travel enquiry call centre	Company limited by guarantee	49%	2	60	4	64

Note 1 – The financial year end for Traveline is 19th July. The majority shareholder is Stagecoach Ltd.

In addition to direct shareholdings the Council is also a member of, and has voting rights in, Energy Coast West Cumbria Ltd (ECWC). As it is a partnership with a number of other parties with decisions covered by majority voting, where the Council is a minority partner, it is not appropriate for the Council to consolidate ECWC in the group accounts.

ECWC aims to support new business initiatives and to promote economic development. West Cumbria is facing significant losses of employment opportunities following the decommissioning of the Sellafield nuclear facility.
The Board membership comprises:

Nuclear Decommissioning Agency	1 nominated member (
Cumbria County Council	1 nominated member
Copeland Borough Council	1 nominated member
Allerdale Borough Council	1 nominated member
Independent board members	4 selected by Nolan Principles. One of the independent members is elected as Chair.

During 2019/20 the Council had the following transactions with the companies in which it has an interest.

Organisation	Payments to Companies £000	Creditor Outstanding £000	Income from Companies £000	Debtor Outstanding £000
Traveline Cumbria Ltd	8	0	0	0
Cumbria Waste Management Ltd	1,125	195	111	187
Lakeland Waste Management Ltd	54	16	0	0
Cumbria Waste Recycling	208	17	1	0
Orian Solutions Ltd	7,747	1,484	0	1
SLS (Cumbria) Ltd	132	27	0	0
	9,274	**1,739**	**112**	**188**

Note 39 - Contingent Liabilities

Accountable Body Status

The Council is the Accountable Body for a number of organisations. As Accountable Body, the Council underwrites that grants have been properly applied for and expended. To the extent that this is not the position, the Council is exposed, as guarantor, to grant repayments if the conditions on which grant funding was given are not met.

Local Government Pension Scheme

The Council is the Administering Body for the Cumbria Local Government Pension Scheme. Employers across Cumbria are either mandated or may be permitted to offer their employees membership of this pension scheme. Where an employer applies to join the Pension Scheme, the employer is required to secure a bond or guarantee acceptable to the Pension Scheme. This bond / guarantee would be required to meet their financial obligations to the Pension Scheme in the event of them being unable to do so.

Where an employer is unable to meet their financial obligations to the Pension Scheme and this is not covered by a bond or guarantee, all other employers within the Pension Scheme (of which there are 126 at 31st March 2020) are jointly and severally liable for these liabilities. As the Council comprises of approximately 50% of the Pension Scheme, the Council would be liable for approximately 50% of any resulting liabilities.

Landfill Sites - Gas/Leachates

Note 2 - Critical Judgements in Applying Accounting Policies sets out the Council's approach to closed landfill sites. No provision has been made in the accounts for any legal liability that may arise as a result of gas and leachate from closed landfill sites, most of which, after restoration, have been either returned to the original owner or sold.

Background to the Sites

The Council has responsibility for 35 closed landfill sites (27 for non-inert waste and 8 for inert waste). The sites are spread throughout the County and are relatively small scale in nature. The 8 sites that have inert waste landfilled were closed between 1970 and 1995 and monitoring is subject to a schedule agreed with the Environment Agency. All the sites vary considerably in size and the nature of the waste landfilled. However all of the 27 sites that contain non inert waste were closed a number of years ago (between 18 and 40+ years ago). This means they predate current site engineering methods.

The Council spends in the region of £0.400m per annum monitoring and routinely maintaining sites. The Council is in the process of undertaking a risk review of these closed landfill sites with the aim of assessing the Council's current and future liabilities.

Site Management

The Council has a planned monitoring regime with the work contracted to Cumbria Waste Management Ltd. Despite this, much of the work that is carried out by the Waste Management team is still reactive, adapting to conditions on the ground. Monitoring could for example, pick up a site with a leachate outbreak. This would be extremely difficult to predict and could occur at a site which had previously had no problems. The cost of any remedy would depend on the site, the problem that had occurred and the possible solutions available to remedy the issue and could vary considerably. Therefore any future investment that may be required for the sites is unquantifiable, planned monitoring is about environmental protection on a risk assessed basis and is a revenue running cost and any unplanned maintenance is extremely difficult to predict.

The Council continues to monitor for landfill gas on those sites that are felt to be most at risk. This is an extremely complex exposure to compute with very uncertain timescales. It is also an issue that impacts on many other Local Authorities. Nevertheless, exposures may be considerable and may not be met from the Council's own reserves. The Cumbria County Holdings Ltd group has a provision for aftercare costs post closure of their own landfill sites, this currently stands at £11.893m (2018/19 £10.554m).

In addition, a review has found that there are another 33 closed landfill sites that the Council may be responsible for. These are sites that the Council does not own, was not previously aware of and historically have not been subject to monitoring. The Council is in the process of collating the information held on these sites with the aim of assessing the Council's liabilities.

Municipal Mutual Insurance Ltd
Municipal Mutual Insurance (MMI) were the Council's insurer from 1974 until the early 1990's. MMI became insolvent in 1992 and entered into administration due to insufficient reserves to cover all its potential liabilities. A scheme of arrangement was agreed upon with policyholders, including the Council. Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against its former policy with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. There is a risk that the Council could be liable for more than 25% of claims and the Council has previously accounted in its reserves based on 85%.

In January 2020, the Council received a report from Gallagher Insurance Brokers Ltd (the administrators for MMI) noting that they do not expect the Council's liability to be any more than 50% of all claims. The provision at 31st March 2020 is £0.054m (2018/19 £0.001m)

Business Rates
The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements came into effect on 1st April 2013. The Council, acting as agent on behalf of the major preceptors, central government and themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list. The overall provision for appeals outstanding at 31st March 2020 has been assessed as £19.450m (2018/19 £13.860m), of which the Council share is £1.945m (2018/19 £1.386m). It is difficult to estimate the likelihood of businesses both submitting and being successful for an appeal that is yet to be made and therefore the Council has made no provision in its accounts for future appeals.

Note 40 - Trust Funds

The Council acts as trustee for a number of legacies by former inhabitants of Cumbria and is responsible for the administration. The funds are not owned by the Council and are used in accordance with the aims of the trusts. The Council also acts as the Accountable Body for a number of projects. The Trust Funds and Accountable Bodies are not included in either the Council's single entity or the group accounts as the Council acts as an agent for these transactions.

Holehird Trust

The Holehird Trust, created under the bequest of Henry Leigh Groves, includes the Holehird estate near Windermere. The balances held by the trust funds are invested in gilt edged and equity securities in accordance with the regulations contained in the Trustee Investment Acts. The income of the trust funds is distributed in accordance with the terms of the trust deeds. The various trust funds can be broadly categorised as follows:

2019/20

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Holehird Trust	(20)	228	3,672	0
Archives Trusts	(3)	44	596	0
Education Trusts	(126)	28	513	0
Social Services Trusts	0	1	0	0
Total	**(149)**	**301**	**4,781**	**0**

2018/19

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Holehird Trust	(234)	69	3,880	0
Archives Trusts	(51)	9	596	0
Education Trusts	(18)	6	415	0
Social Services Trusts	0	1	0	0
Total	**(303)**	**85**	**4,891**	**0**

Note 41 - Accountable Body Funds

The Council is the Accountable Body for a number of projects; the largest are Copeland Community Fund and Growing Places Fund. The Accountable Body funds are not included in either the Council's single entity or the group accounts as the Council acts as an agent for these transactions.

Copeland Community Fund

The Nuclear Decommissioning Agency (NDA) established the Copeland Community Fund in January 2008 to recognise the unique role Copeland plays in hosting a low level nuclear waste storage facility on behalf of the nation.

The Council acts as Treasurer for the Fund, but it is administered by a Board of eight members, of which two are Cumbria County Council Councillors, two Copeland Borough Council Councillors, two independent members, one member from the NDA and one from the Low Level Waste Repository (LLWR). Disbursements from the Fund are considered and approved by the Board, in accordance with the unilateral undertaking entered into between the NDA, the County Council and Copeland Borough Council which was updated in July 2016. The Fund is to be spent on schemes and initiatives that are consistent with the NDA's Socio Impact Strategy including employment, education and skills and economic and social infrastructure.

The cash balance of the fund at 31st March 2020 is £8.265m. Income is received from the NDA each year to top up the fund, and from the Council in respect of interest due for funds invested. The table below shows a summary of the transactions for the past two years.

Balance at 1 April 2018 £000	2018/19 Receipts £000	2018/19 Payments £000	Balance at 31 March 2019 £000	2019/20 Receipts £000	2019/20 Payments £000	Balance at 31 March 2020 £000
(10,681)	(1,656)	4,261	(8,076)	(1,654)	1,465	(8,265)

Growing Places Fund

The Growing Places Fund was announced by government in November 2011. Renamed locally as the Cumbria Infrastructure Fund (CIF), the total allocation for Cumbria was £6,667,772 split between Capital £6,162,467 and Revenue £505,305.

The CIF is identified to help create jobs and homes in Cumbria, through support for infrastructure projects that unlock housing and workspace developments and for capital projects within businesses. The CIF is managed as a revolving fund and support to projects is primarily in the form of loans, as a minimum providing a return of the funds invested and in most cases with interest added, however in some cases support has been in the form of non-repayable grants. Returns to the fund are recycled to support further developments.

Cumbria County Council holds the funding as the Accountable Body for the CIF and the Cumbria LEP Board agree the fund priorities. As accountable body, Cumbria

County Council enters into formal agreements with the applicants (and if required the relevant District Councils) before the CIF is invested to ensure that projects are delivered within the agreed timescales or against agreed milestones and loan funding is repaid.

Currently there are 3 'live' CIF projects in the delivery or repayment phases. Income in 2019/20 relates to the interest (revenue) and principal (capital) repayments received during the year from loans. Both revenue and capital returns are available to the LEP for reinvestment.

The revenue balance brought forward from 2018/19 was £0.332m. In 2019/20 there was income of £0.004m and expenditure of £0.332m, leaving a balance of £0.004m to be carried forward into 2020/21. The capital balance brought forward was £4.331m, with loan repayments of £0.044m and expenditure of £0.048m this leaves a balance of £4.327m to carry forward to 2020/21.

	Balance at 1 April 2018 £000	**2018/19 Receipts £000**	**2018/19 Payments £000**	**Balance at 31 March 2019 £000**	**2019/20 Receipts £000**	**2019/20 Payments £000**	**Balance at 31 March 2020 £000**
Revenue	(339)	(6)	13	(332)	(4)	332	(4)
Capital	(5,241)	(65)	975	(4,331)	(44)	48	(4,327)
Total	**(5,580)**	**(71)**	**988**	**(4,663)**	**(48)**	**380**	**(4,331)**

The Council is also Accountable Body for the Cumbria Local Enterprise Partnership (CLEP). With effect from 1st April 2019 CLEP transferred from being an unincorporated body to an incorporated organisation which has the capacity, capability and commitment to effectively meet the requirements of the Accountable Body. Funds carried forward for Core and Strategic LEP, the Enterprise Advisory Network (including Careers Hub) and revenue Growing Places Fund (CIF) at 1st April 2019 were aid to CLEP for them to pay for expenditure.

Core and Strategic Funding

The income carried forward from 2018/19 amounting to £0.572m has been paid to CLEP along with part of the 2019/20 funding of £0.500m received from BEIS, £0.040m from Sellafield and £0.018m from the Department for Industry and Trade. Funds were withheld to cover expenditure that the LEP have commissioned from the County Council such as Research & Intelligence work, IT costs and CCC staff time, and this amounted to £0.210m.

Business Growth Hub

Income is in the form of a grant from BEIS to fund the co-ordination and running of the Cumbria Business Growth Hub on behalf of the CLEP. The provider of this service is the Chamber of Commerce who have worked well to deliver contracted outputs in previous years. The grant for 2019/20 amounts to £0.246m and there was also £0.022m carried forward from 2018/19, expenditure in 2019/20 is payment to the Chamber of Commerce along with £0.015m used to conduct an evaluation exercise and £0.007m for additional business support activity.

Note 42 - Events After the Reporting Period

The Code requires the disclosure of the date the financial statements are authorised for issue and therefore, the date after which events will not have been recognised in the Statement of Accounts. This date has been set at the 27th November 2020 in respect of the unaudited Statement of Accounts for 2019/20.

Where events taking place before 27th November 2020 provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The impact of the on-going COVID-19 pandemic will continue to be assessed up until the publication of the audited accounts.

Note 43 Prior Period Adjustment

In 2019/20 the accounting treatment of the Capital Grants Receipts in Advance and the cash held on behalf of Accountable Bodies was reviewed and to aid comparison the balances at 1st April 2018 and 31st March 2019 were reclassified. The details are set out in paragraphs 43.1 and 43.2 respectively.

<u>43.1 Capital Grants Receipts in Advance</u>

In prior years the capital grants have been shown as long term liabilities on the Balance Sheet. The review concluded that the receipts in advance that were expected to be used in financing the Council's capital expenditure within the next twelve months should be shown as Current Liabilities rather than Long Term liabilities.

The Capital Grants Receipts in Advance at 1st April 2018 was £79.701m and of this £40.374m was used to in financing capital expenditure within the following 12 months and has therefore been transferred from Long Term Liabilities to Current Liabilities. At 31st March 2019 the Capital Grants Receipts in Advance was £49.637m, of this £25.476m was used in financing the 2019/20 capital expenditure and this amount has been transferred to Current Liabilities from Long Term Liabilities.

<u>43.2 Cash Held on Behalf of Accountable Bodies</u>

The Council acts as accountable body for a number of organisations and in that capacity holds cash and investments for those bodies. In previous years this cash has been removed from the Council's Balance Sheet to reflect the fact that it is not the Council's cash. In 2019/20 the presentation has been changed to leave the cash and investments on the Balance Sheet but to add a creditor to reflect that the Council owes the cash to other organisations. To aid comparison between years the Council's Balance Sheet at 1st April 2018 and 31st March 2019 and Cash Flow Statement for 2018/19 have been restated to show the £16.444m cash held at 1st April 2018 and £14.086m at 31st March 2019 on behalf of the accountable bodies in cash and creditors.

43.3 Valuation of Land and Buildings

A review of the methodology for valuing the Council's land and buildings identified that there had been an understatement of the value of Property, Plant and Equipment on the 31st March 2019 Balance Sheet. The understatement arose as a result of an arithmetic error in the valuation of assets on a depreciated replacement cost basis, predominantly specialised assets such as schools, fire stations and care homes. At 31st March 2019 the carrying value of the land and buildings category of Property, Plant and Equipment was restated upwards by £49.474m. This flows through all the Accounting Statements and impacts on the following notes which have been restated where required:

Note 4 and 4.1 to 4.3 Expenditure and Funding Analysis, pages 66 to 70.
Note 9 Adjustments between Accounting Basis and Funding Basis under Regulation, page 73.
Note 19 Leases, table "Authority as Lessee – Finance Leases" on page 88 showing the leasehold land and buildings carrying value.
Note 20 Service Concession Arrangements table on page 92 "Movement in PFI Assets".
Note 21 Property, Plant and Equipment

- movements to 31 March 2019, Land and Buildings, page 96.
- Five year history of Property, plant and Equipment Revaluations page 97.

Note 32 Unusable Reserves – Revaluation Reserve page 117 and Capital Adjustment Account page 118.

43.4 In note 27 Financial Instruments of the 2018/19 published audited Accounts the net pensions liabilities figure was not updated from £852.219m to £868.162m following the change in respect of the estimated impact of the McCloud ruling on the net pension liabilities. This has been updated in the comparative figure in what is now note 24 in 2019/20. In all other respects the net pensions liabilities were correctly stated in the audited Accounts.

The impact on the 2018/19 Accounting Statements is shown on the following pages:

Prior Period Adjustment – Detailed Impact on Accounting Statements
Comprehensive Income and Expenditure Statement

Original 2018/19					Restated 2018/19			
Expenditure	**Income**	**Net**		**Prior Period Adjustment**	**Restated Expenditure**	**Income**	**Restated Net Expenditure**	
£000	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**	
640,235	(396,584)	243,651	43.3	(14,991)	625,244	(396,584)	228,660	People
138,481	(25,220)	113,261	43.3	(1,059)	137,422	(25,220)	112,202	Economy & Infrastructure
15,307	(625)	14,682	43.3	(284)	15,023	(625)	14,398	Fire and Rescue Service
8,014	(214)	7,800			8,014	(214)	7,800	Local Committees
36,969	(3,829)	33,140			36,969	(3,829)	33,140	Corporate, Customer & Community Services
4,453	(1,050)	3,403			4,453	(1,050)	3,403	Finance
36,275	(4,255)	32,020			36,275	(4,255)	32,020	Other Corporate Items
879,734	**(431,777)**	**447,957**		**(16,334)**	**863,400**	**(431,777)**	**431,623**	**Cost of Services**
3,506	0	3,506			3,506	0	3,506	Other Operating Expenditure
98,804	(41,574)	57,230			98,804	(41,574)	57,230	Financing and Investment Income and Expenditure
0	(467,820)	(467,820)			0	(467,820)	(467,820)	Taxation and Non Specific Grant Income
982,044	**(941,171)**	**40,873**		**(16,334)**	**987,716**	**(941,171)**	**24,539**	**(Surplus) or Deficit on Provision of Services**
		(5,881)	43.3	(33,142)			(39,023)	(Surplus) or deficit on revaluation of Property, Plant and Equipment
		66,601		0			66,601	Remeasurement of the net defined benefit liability / (asset)
		60,720		**(33,142)**			**27,578**	**Other Comprehensive Income and Expenditure**
		101,593		**(49,476)**			**52,117**	**Total Comprehensive Income and Expenditure**

Movement in Reserves Statement

	Note Ref	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Reserves £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	30/31/32	**(10,472)**	**(65,457)**	**(75,929)**	**(12,526)**	**0**	**(88,455)**	**129,932**	**41,477**
Movement in reserves during 2018/19									
(Surplus) or deficit on the provision of services		40,873	0	40,873	0	0	**40,873**	0	**40,873**
Prior Period Adjustment	43.3	(16,334)	0	(16,334)	0	0	**(16,334)**	0	**(16,334)**
Restated (Surplus) or Deficit on the provision of services		24,539	0	24,539	0	0	**24,539**	0	**24,539**
Other Comprehensive Income / Expenditure		0	0	0	0	0	**0**	60,720	**60,720**
Prior Period Adjustment	43.3	0	0	0	0	0	**0**	(33,142)	**(33,142)**
Total Comprehensive Income and Expenditure		**24,539**	**0**	**24,539**	**0**	**0**	**24,539**	**27,578**	**52,117**
Adjustments between accounting basis and funding basis under regulations	9	(33,813)	0	(33,813)	5,807	0	**(28,006)**	28,006	**0**
Prior Period Adjustment	43.3	16,334	0	16,334	0	0	16,334	(16,334)	**0**
Restated Adjustments between accounting basis and funding basis under regulations		17,479	0	17,479	5,807	0	(11,672)	11,672	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves		**7,060**	**0**	**7,060**	**5,807**	**0**	**12,867**	**39,250**	**52,117**
Transfers to / (from) Earmarked Reserves	31	(11,644)	11,644	0	0	0	**0**	0	**0**
(Increase) or Decrease in 2018/19		**(4,584)**	**11,644**	**7,060**	**5,807**	**0**	**12,867**	**39,250**	**52,117**
Balance at 31 March 2019	30/31/32	**(15,056)**	**(53,813)**	**(68,869)**	**(6,719)**	**0**	**(75,588)**	**169,182**	**93,594**

Balance Sheet

Original 1st April 2018 £000	Prior Period Adjustment £000	Restated 1 April 2018 £000	Original 31 March 2019 £000	PPA Note Ref	Prior Period Adjustment £000	Restated 31 March 2019 £000	Notes	
1,147,236	0	1,147,236	1,203,962	43.3	49,476	1,253,438	21	Property, Plant and Equipment
563	0	563	563		0	563		Heritage Assets
4,905	0	4,905	5,547		0	5,547		Investment Property
416	0	416	232		0	232		Intangible Assets
3,183	0	3,183	3,183		0	3,183	24	Long-Term Investments
4,063	0	4,063	3,682		0	3,682	24	Long-Term Debtors
1,160,366	**0**	**1,160,366**	**1,217,169**		**49,476**	**1,266,645**		**Long Term Assets**
48,157	0	48,157	67,292		0	67,292	24/25	Short-Term Investments
653	0	653	1,565		0	1,565		Assets Held for Sale
1,256	0	1,256	1,587		0	1,587		Inventories
52,822	0	52,822	67,048		0	67,048	23/24	Short-Term Debtors
71,533	16,444	87,977	36,759	43.1	14,086	50,845	24/27	Cash and Cash Equivalents
174,421	**16,444**	**190,865**	**174,251**		**14,086**	**188,337**		**Current Assets**
(11,747)	0	(11,747)	(20,592)		0	(20,592)	24/25	Short-Term Borrowing
(70,023)	(16,444)	(87,114)	(81,613)	43.1	(14,086)	(95,699)	24/28	Short-Term Creditors
(5,045)	0	(5,045)	(5,309)		0	(5,309)	29	Provisions
(11,279)	0	(11,279)	(17,166)		0	(17,166)	17	Grants Receipts in Advance - Revenue
0	(40,374)	(40,374)	0	43.2	(25,476)	(25,476)	17	Grants Receipts in Advance - Capital
(98,742)	**(16,444)**	**(155,559)**	**(124,680)**		**(39,562)**	**(164,242)**		**Current Liabilities**
(5,181)		(5,181)	(4,717)		0	(4,717)	24	Long-Term Creditors
(6,955)		(6,955)	(8,080)		0	(8,080)	29	Provisions
(330,309)		(330,309)	(354,282)		0	(354,282)	24/25	Long-Term Borrowing
0		0	(10,574)		0	(10,574)		Deferred Income
(116,068)		(116,068)	(114,358)		0	(114,358)	20/24	Long Term PFI Liabilities
(739,309)		(739,309)	(868,162)		0	(868,162)	24/34.2	Net Pension Liabilities
(79,701)	40,374	(39,327)	(49,637)	43.2	25,476	(24,161)	17	Grants Receipts in Advance - Capital
(1,277,522)	**40,374**	**(1,237,149)**	**(1,409,810)**		**25,476**	**(1,384,334)**		**Long Term Liabilities**
(41,477)	**0**	**(41,477)**	**(143,070)**		**49,476**	**(93,594)**		**Net Assets**
(88,455)	0	(88,455)	(75,588)		0	(75,588)	30/31	Usable Reserves
129,932	0	129,932	218,658	43.3	(49,476)	169,182	32	Unusable Reserves
41,477	**0**	**41,477**	**143,070**		**(49,476)**	**93,594**		**Total Reserves**

Cash Flow Statement

Original 2018/19		Prior Period Adjustment	Restated 2018/19	
		£000	£000	
40,873		(16,334)	24,539	Net (surplus) or deficit on the provision of services
(132,537)	43.1/ 43.3	18,692	(113,845)	Adjustment to surplus or deficit on the provision of services for noncash movements
90,022		0	90,022	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities
(1,642)		**2,358**	**716**	**Net cash flows from operating activities**
78,957		0	78,957	Net cash flows from investing activities
(42,541)		0	(42,541)	Net cash flows from financing activities
34,774		**2,358**	**37,132**	**Net (increase) or decrease in cash and cash equivalents**
71,533	43.1	16,444	87,977	Cash and cash equivalents at the beginning of the reporting period
36,759	**43.1**	**14,086**	**50,845**	**Cash and cash equivalents at the end of the reporting period**

Introduction to the Group Accounts

7.1 Introduction

The Group Accounting Statements have been prepared on the basis of a full consolidation of the financial transactions of the Council and its subsidiary companies. The subsidiary companies have all prepared their accounts to 31st March 2020. Cumbria County Holdings Ltd have then produced their own consolidated group accounts for 2019/20 and these have been used to produce the Cumbria County Council Group Accounts. Where balances are materially different from the Council's Accounting Statements the Group notes have been included.

7.2 Group Boundary

During 2019/20 the group boundary (i.e. what should be included within the Council's group accounts) was re-examined to determine whether the existing members of the group were still appropriate and in addition whether there were any other bodies that should be included. This review took account of the materiality of the bodies in terms of value and the nature of their relationships.
In 2019/20 the Group accounts includes Cumbria County Holdings Ltd (CCHL) and its subsidiaries Cumbria Waste Management Ltd (CWM) and Orian Solutions Ltd.

CWM has the subsidiaries - Cumbria Waste Recycling Ltd (CWR) and Trotters Dry Waste Ltd and Lakeland Waste Management Ltd which it wholly owned and a subsidiary Lakeland Minerals Ltd, which is 50% owned and is run as a joint venture with Norman Harrison. Orian Solutions has a wholly owned subsidiary SLS (Cumbria) Ltd (SLS).

The results of the companies are summarised in Note 38.

The Council also has an interest in the following companies - Traveline Ltd and NW Fire Control Ltd. These are relatively small and do not materially alter the group accounting statements if they are either included or excluded. So, on the grounds of materiality they are not included in the group accounts but are still included in the related parties note to the accounts including their results for the year (Note 38).

The other entities within the group are limited companies, which are separate distinct legal entities. This restricts the Council's risk to potential financial loss to the value of the initial shareholding and the costs associated with any continuity of the services they provide to the Council.

7.3 Joint Ventures

During 2015/16 the wholly owned LWM acquired a 50% share of Lakeland Minerals Ltd. This is classified as a joint venture as there is a contractual agreement to share control and the joint venturers have the right to the net assets of the arrangement. The Code of Practice requires that this is incorporated into the group accounts using the equity method, adjusting the original cost of investment for any post acquisition change in its share of net assets, and including any share of profit or loss into the Group Comprehensive Income and Expenditure Statement.

7.4 Statement of Accounting Policies

The majority of the accounting policies adopted to produce the group accounts complement those used to prepare the Council's own accounts. However, additional policies and departures have occurred in order to meet IFRS requirements for the preparation of Group Accounts. These policies are:

i. Non-Current Assets

Profits and losses on disposal are treated as a charge to the cost of services. Significant profits and losses on disposal are shown as exceptional items. Other subsidiaries do not hold interests in land & buildings. Their non-current assets are held at cost with depreciation charged over their estimated useful lives.

The Cumbria Waste Management group completes a revaluation to reflect the cost and associated liabilities of managing active landfill sites. In order to accommodate the estimated future costs of restoration and aftercare on these sites, restoration and aftercare costs are capitalised and a provision created. The total cost of non-current assets are amortised and charges to the Group Comprehensive Income & Expenditure are based on the overall proportion of void space consumed during the accounting period. The total provision created by Cumbria Waste Management Ltd in 2019/20 is £11.893m (2018/19 £10.553m).

Trades between the Council and its subsidiaries are eliminated on consolidation.

7.5 Prior Period Restatement

The Group Accounts for 2018/19 have been restated to reflect the impact of the prior period adjustment in the Council's single entity statements which is detailed in Note 43.

Group Comprehensive Income and Expenditure Statement

2018/19 Restated				2019/20		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
			Services:			
618,497	(396,584)	221,913	People	623,734	(401,688)	222,046
135,568	(25,103)	110,465	Economy & Infrastructure	133,027	(16,328)	116,699
14,901	(625)	14,276	Fire & Rescue Service	16,593	(1,004)	15,589
8,014	(214)	7,800	Local Committees	8,234	(187)	8,047
36,756	(3,829)	32,927	Corporate, Customer & Community Services	42,401	(6,316)	36,085
4,453	(1,050)	3,403	Finance	5,419	(1,011)	4,408
36,275	(4,255)	32,020	Other Corporate Items	17,073	(5,098)	11,975
45,517	(39,105)	6,412	Cumbria County Holdings Group	51,337	(42,322)	9,015
899,981	**(470,765)**	**429,216**	**Cost of Services**	897,818	(473,954)	423,864
3,506	0	3,506	Other Operating Expenditure	10,284	0	10,284
99,101	(40,970)	58,131	Financing and Investment Income and Expenditure	93,850	(38,857)	54,993
0	(467,820)	(467,820)	Taxation and Non Specific Grant Income	0	(466,973)	(466,973)
1,002,589	**(979,555)**	**23,034**	**(Surplus) or Deficit on Provision of Services**	**1,001,952**	**(979,784)**	**22,168**
0	(31)	(31)	Associates and Joint Ventures (Equity Basis)	8		8
470	0	470	Tax Expenses of Subsidiaries	138		138
1,003,059	**(979,586)**	**23,473**	**Group (Surplus) or Deficit**	**1,002,098**	**(979,784)**	**22,314**
		(39,023)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(15,936)
		66,855	Remeasurement of the net defined benefit liability / (asset)			(65,922)
		27,832	**Other Comprehensive Income and Expenditure**			**(81,858)**
		51,305	**Total Comprehensive Income and Expenditure**			**(59,544)**

Group Movement in Reserves Statement

	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority Share of Subsidiary Joint Venture and Associate Reserves £000	Total Reserves £000
Balance at 31 March 2019 Restated	**(75,588)**	**169,182**	**93,594**	**(12,112)**	**81,482**
Movement in reserves during 2019/20					
Total Comprehensive Income and Expenditure	**12,905**	**(81,605)**	**(68,700)**	**9,156**	**(59,544)**
Adjustments between Group Accounts and Authority Accounts	**9,154**	0	**9,154**	(9,154)	**0**
	22,059	**(81,605)**	**(59,546)**	**2**	**(59,544)**
Adjustments between accounting basis and funding basis under regulations	**(30,023)**	30,023	**0**	0	**0**
(Increase) or Decrease in 2019/20	**(7,964)**	**(51,582)**	**(59,546)**	**2**	**(59,544)**
Balance at 31 March 2020	**(83,552)**	**117,600**	**34,048**	**(12,110)**	**21,938**

	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority Share of Subsidiary Joint Venture and Associate Reserves £000	Total Reserves £000
Balance at 31 March 2018	**(88,455)**	129,932	**41,477**	(11,300)	**30,177**
Movement in reserves during 2018/19					
Total Comprehensive Income and Expenditure	**16,445**	**27,578**	**44,023**	**7,282**	**51,305**
Adjustments between Group Accounts and Authority Accounts	**8,094**	0	**8,094**	(8,094)	**0**
	24,539	**27,578**	**52,117**	**(812)**	**51,305**
Adjustments between accounting basis and funding basis under regulations	**(11,672)**	11,672	**0**	0	**0**
(Increase) or Decrease in 2018/19	**12,867**	**39,250**	**52,117**	**(812)**	**51,305**
Balance at 31 March 2019 Restated	**(75,588)**	**169,182**	**93,594**	**(12,112)**	**81,482**

Group Balance Sheet

Restated 1 April 2018 £000	Note Ref	31 March 2019 Restated £000		31 March 2020 £000
1,158,058	G1	1,264,219	Property, Plant and Equipment	1,303,227
563		563	Heritage Assets	563
4,905		5,547	Investment Property	6,820
282		180	Intangible Assets	97
721		734	Investments in Joint Ventures	716
4,449		4,182	Long Term Debtors	3,347
1,168,978		1,275,425	**Long Term Assets**	1,314,770
53,157		67,292	Short-term Investments	21,576
653		1,565	Assets Held for Sale	2,000
1,319		1,659	Inventories	1,822
61,261	G3	76,545	Short Term Debtors	84,694
98,036	G2	65,970	Cash and Cash Equivalents	114,106
214,426		**213,031**	**Current Assets**	**224,198**
(11,747)		(20,592)	Short-Term Borrowing	(12,208)
(94,741)	G4	(103,172)	Short-Term Creditors	(97,403)
(5,060)	G5	(5,323)	Provisions	(3,521)
(11,279)		(17,166)	Grants Receipts in Advance - Revenue	(24,953)
(40,374)		(25,476)	Grants Receipts in Advance - Capital	(19,421)
(163,201)		**(171,729)**	**Current Liabilities**	**(157,506)**
(6,050)		(5,301)	Long-Term Creditors	(5,582)
(17,186)	G5	(18,620)	Provisions	(21,135)
(330,309)		(354,282)	Long Term Borrowing	(386,754)
(116,067)		(114,358)	Long Term PFI Liabilities	(112,248)
(741,440)		(870,913)	Net Pension Liabilities	(858,608)
0		(10,574)	Deferred Income	(10,045)
(39,328)		(24,161)	Grants Receipts in Advance - Capital	(9,028)
(1,250,380)		**(1,398,209)**	**Long Term Liabilities**	**(1,403,400)**
(30,177)		**(81,482)**	**Net (Liabilities)**	**(21,938)**
(99,755)		(87,700)	Usable Reserves	(95,662)
129,932		169,182	Unusable Reserves	117,600
30,177	G6	**81,482**	**Total Reserves**	**21,938**

Group Cash Flow Statement

2018/19 Restated £000		2019/20 £000
23,473	Net (surplus) or deficit on the provision of services	22,341
(115,310)	Adjustment to surplus or deficit on the provision of services for noncash movements	(113,334)
90,022	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	68,277
(1,815)	**Net cash flows from operating activities**	**(22,716)**
76,137	Net cash flows from investing activities	(3,946)
(42,256)	Net cash flows from financing activities	(21,474)
32,066	**Net (increase) or decrease in cash and cash equivalents**	**(48,136)**
98,036	Cash and cash equivalents at the beginning of the reporting period	65,970
65,970	**Cash and cash equivalents at the end of the reporting period**	**114,106**

NOTES TO THE GROUP ACCOUNTING STATEMENTS

G1 - Property, Plant and Equipment

Movements to 31 March 2020

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2019	**571,074**	**105,202**	**795,305**	**53**	**17,708**	**27,611**	**1,516,953**
Additions	15,247	5,924	52,972	0	1,062	7,808	**83,013**
Accumulated Depreciation written out to Gross Carrying Amount	(7,769)	0	0	0	0	0	**(7,769)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	16,074	0	0	0	(137)	0	**15,937**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(2,353)	0	0	0	(576)	(1,774)	**(4,704)**
Derecognition – disposals	(13,852)	(1,846)	0	0	(96)	0	**(15,794)**
Assets reclassified (to)/from Investment Properties	0	0	0	0	(2,000)	0	**(2,000)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	(185)	0	**(185)**
Other Movements	18,647	2,320	0	0	1,985	(22,952)	**0**
at 31 March 2020	**597,067**	**111,600**	**848,277**	**53**	**17,761**	**10,693**	**1,585,452**
Accumulated Depreciation and Impairment							
at 1 April 2019	**(30,846)**	**(62,891)**	**(158,641)**	**0**	**(357)**	**0**	**(252,735)**
Depreciation charge	(13,067)	(6,009)	(19,901)	0	(181)	0	**(39,159)**
Accumulated Depreciation written out to Gross Carrying Amount	7,769	0	0	0	0	0	**7,769**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Impairment recognised in Surplus/Deficit on the Provision of Services	(518)	0	0	0	0	0	**(518)**
Derecognition – disposals	770	1,648	0	0	0	0	**2,418**
at 31 March 2020	**(35,892)**	**(67,252)**	**(178,542)**	**0**	**(536)**	**0**	**(282,225)**
Net Book Value							
at 31 March 2020	**561,175**	**44,348**	**669,735**	**53**	**17,225**	**10,693**	**1,303,227**
at 31 March 2019	**540,227**	**42,311**	**636,664**	**53**	**17,351**	**27,611**	**1,264,218**

Movements to 31 March 2019

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2018	**524,737**	**99,086**	**725,844**	**53**	**19,813**	**26,657**	**1,396,189**
Additions	12,457	6,884	69,461	0	610	34,573	**123,985**
Accumulated Depreciation written out to Gross Carrying Amount	(21,351)	0	0	0	(52)	0	**(21,403)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	38,930	0	0	0	92	0	**39,022**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(6,032)	0	0	0	(948)	0	**(6,980)**
Derecognition – disposals	(8,857)	(1,570)	0	0	(1,808)	0	**(12,235)**
Assets reclassified (to)/from Investment Properties	0	0	0	0	(60)	0	**(60)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	(1,565)	0	**(1,565)**
Other Movements	31,190	802	0	0	1,626	(33,619)	**0**
at 31 March 2019	**571,074**	**105,202**	**795,305**	**53**	**17,708**	**27,611**	**1,516,953**
Accumulated Depreciation and Impairment							
at 1 April 2018	**(39,387)**	**(58,062)**	**(140,471)**	**0**	**(211)**	**0**	**(238,131)**
Depreciation charge	(13,238)	(6,112)	(18,170)	0	(222)	0	**(37,742)**
Accumulated Depreciation written out to Gross Carrying Amount	21,351	0	0	0	52	0	**21,403**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition – disposals	428	1,283	0	0	24	0	**1,735**
at 31 March 2019	**(30,846)**	**(62,891)**	**(158,641)**	**0**	**(357)**	**0**	**(252,735)**
Net Book Value							
at 31 March 2019	**540,228**	**42,311**	**636,664**	**53**	**17,351**	**27,611**	**1,264,218**
at 31 March 2018	**485,350**	**41,024**	**585,373**	**53**	**19,602**	**26,657**	**1,158,059**

G2 - Cash and Cash Equivalents

31 March 2019 Restated			31 March 2020	
Council £000	**Group £000**		**Council £000**	**Group £000**
4,623	19,748	Cash and Bank balances	6,620	12,813
46,222	46,222	Short Term Deposits	97,593	101,293
50,845	**65,970**	**Total Cash and Cash Equivalents**	**104,213**	**114,106**

G3 – Short Term Debtors

An analysis of sums due to the Council as at 31st March 2020 is as follows:

31 March 2019			31 March 2020	
Council £000	**Group £000**		**Council £000**	**Group £000**
10,735	10,735	Residential and non-residential care charges	11,687	11,687
10,957	13,107	Prepayments	11,789	14,176
5,352	10,992	Other Receivable Amounts	3,303	8,929
8,923	9,093	Central Government Bodies	10,419	11,498
7,858	8,750	Other Local Authorities	9,520	10,213
15,468	16,113	Trade Debtors with NHS Bodies	19,006	19,803
26	26	Trade Debtors with Public Corporations and Trading Funds	1	1
7,729	7,729	Local Taxation	8,387	8,387
67,048	**76,545**	**Total Short Term Debtors**	**74,112**	**84,694**

G4 – Short Term Creditors

An analysis of amounts owed by the Council at 31st March 2020 is:

31 March 2019			31 March 2020	
Council £000	**Group £000**		**Council £000**	**Group £000**
(73,226)	(76,514)	Other payables	(67,934)	(70,382)
(9,549)	(13,291)	Central Government Bodies	(9,710)	(13,175)
(5,965)	(6,408)	Other Local Authorities	(5,861)	(7,231)
(1,431)	(1,431)	NHS Bodies	(1,619)	(1,619)
(866)	(866)	Public Corporations and Trading Funds	(1)	(1)
(4,662)	(4,662)	Local Taxation (council tax and non-domestic rates)	(4,995)	(4,995)
(95,699)	**(103,172)**	**Total Short Term Creditors**	**(90,120)**	**(97,403)**

G5 - Provisions

Current Provisions

2019/20	Insurance - Motor and Fire	MMI Provision	Equal Pay	Voluntary Redundancies	Other Provisions	Deferred Taxation	Restoration and Aftercare of Landfill Sites	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(227)	(1)	0	(1,979)	(3,102)	0	(14)	(5,323)
Increase in provision during year	(57)	(52)	0	(163)	(2,724)	0	(160)	(3,156)
Utilised during year	0	0	0	1,978	2,966	0	14	4,958
Closing Balance	**(284)**	**(53)**	**0**	**(164)**	**(2,860)**	**0**	**(160)**	**(3,521)**

2018/19	Insurance - Motor and Fire	MMI Provision	Equal Pay	Voluntary Redundancies	Other Provisions	Deferred Taxation	Restoration and Aftercare of Landfill Sites	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(238)	(86)	(155)	(99)	(4,468)	0	(14)	(5,059)
Increase in provision during year	0	0	0	(1,979)	(1,047)	0	(14)	(3,040)
Utilised during year	11	85	155	99	2,413	0	14	2,777
Closing Balance	**(227)**	**(1)**	**0**	**(1,979)**	**(3,102)**	**0**	**(14)**	**(5,323)**

Long Term Provisions

2019/20	Insurance - employers and public liability	Business Rates Appeals	Restoration and aftercare of landfill sites	Total
	£000	£000	£000	£000
Opening Balance	(6,694)	(1,386)	(10,539)	(18,619)
Increase in provision during year	(763)	(1,945)	(1,113)	(3,821)
Utilised during year	0	1,386	127	1,513
Unwinding of discounting			(208)	(208)
Closing Balance	**(7,457)**	**(1,945)**	**(11,733)**	**(21,135)**

2018/19	Insurance - employers and public liability	Business Rates Appeals	Restoration and aftercare of landfill sites	Total
	£000	£000	£000	£000
Opening Balance	(6,163)	(792)	(10,231)	(17,186)
Increase in provision during year	(531)	(1,386)	(217)	(2,134)
Utilised during year	0	792	107	899
Unwinding of discounting	0	0	(200)	(200)
Closing Balance	**(6,694)**	**(1,386)**	**(10,539)**	**(18,619)**

Total Provisions

2018/19		2019/20
£000		£000
(22,245)	Opening Balance	(23,942)
(5,174)	Increase in provision during year	(6,977)
3,676	Utilised during year	6,471
(200)	Unwinding of discounting	(208)
0	Other movements	0
(23,942)	**Closing Balance**	**(24,656)**

G6 - Group Summary of Reserves

	Cumbria County Council £000	Cumbria County Holdings Group £000	Inter Group Transactions £000	TOTAL £000
Usable Reserves				
Usable Capital Receipts Reserve	(2,076)			(2,076)
Usable Capital Receipts Reserve	(5,826)	0	0	(5,826)
Revenue - Earmarked	(60,594)	0	0	(60,594)
Revenue - General	(15,056)	(12,110)	0	(27,166)
	(83,552)	**(12,110)**	**0**	**(95,662)**
Unusable Reserves				
Share Capital	0	(3,183)	3,183	0
Revaluation Reserve	(149,847)	0	0	(149,847)
Capital Adjustment Account	(598,851)	0	0	(598,851)
Financial Instruments Adjustment Account	433	0	0	433
Pensions	855,572	0	0	855,572
Collection Fund Adjustment Account	65	0	0	65
Accumulated Absences Account	10,228	0	0	10,228
	117,600	**(3,183)**	**3,183**	**117,600**
TOTAL FUNDS	**34,048**	**(15,293)**	**3,183**	**21,938**

The Firefighters' Pension Scheme Financial Statement 2019/20

2018/19 Restated £000	2018/19 Restated £000			2019/20 £000	2019/20 £000
		FUND ACCOUNT			
		Contributions Receivable			
(1,434)			From Employer	(2,841)	
(1,209)			From Members	(1,278)	
	(2,642)				(4,120)
		Transfers In			
(38)			Individual transfers from other Schemes	0	
	(38)				0
	(2,680)	**Total income**			(4,120)
		Benefits Payable			
4,782			Pensions	5,194	
1,256			Ill Health and Injury	1,269	
1,435			Lump Sums	2,430	
546			Lump Sum Death Benefits & Widows Pensions	571	
	8,019				9,464
		Payments to and on account of leavers			
12			Other	37	
	12				37
	8,031	**Total Expenditure**			**9,501**
	5,351	**Net amount receivable/payable before top-up from Government**			**5,381**
	5,351	**Top-up receivable/(payable) from Government**			**5,382**
	0	**Net amount receivable/(payable) for the year**			**(0)**
		NET ASSETS STATEMENT			
		Current Assets			
			Contributions due from Employer		
4			Contributions due from Employee		
1,270			Pension top-up receivable from Government	2,556	
465			Prepaid Pensions	500	
	1,739				3,056
		Current Liabilities			
(1,739)			Other current assets and liabilities	(3,056)	
	(1,739)				(3,056)
	0				**0**

Notes to the Firefighters' Pension Scheme Financial Statements

1. Basis of Preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements summarise the transactions of the scheme and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amounts receivable from the Council and the pensionable employees. The employer's contributions are made at the rates determined by the Government Actuaries Department, at a nationally applied rate of 37.3% for the 1992 Firefighters' Pension Scheme and for the Modified Scheme, 27.4% for the 2006 Scheme, and 28.8% for the 2015 Scheme. In prior years the rates were 21.7% for the 1992 Firefighters' Pension Scheme and for the Modified Scheme, 11.9% for the 2006 Scheme, and 14.3% for the 2015 Scheme. The Council is required to make payments into the pension fund in respect of ill health retirements, when they are granted. No provision is made in the accounts for employees' and employers' contributions relating to sums due on pay awards not yet settled.

Benefits and Refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those sums paid to, or received from, other pension schemes and the Firefighters' Pension Scheme outside England, for individuals and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

3. Fund's Operation

All the Firefighters' Schemes are statutory, unfunded pension schemes. The benefits for both schemes are defined and guaranteed in law. Both schemes are contracted out of the State Second Pension (S2P) and must provide benefits at least as good as most members would have received had they been members of S2P. Benefits provided include a guaranteed pension based on final salary upon retirement and an option to commute pension in favour of a tax free lump sum.

Notes to the Firefighters' Pension Scheme Financial Statements continued
3. Fund's Operation continued
The Council administers and pays firefighters' pensions from a separate local firefighters' pension fund. Employee contributions, employer's contributions and transfer values received are paid into the pension fund from which pension payments and other benefits are paid. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by Government. Therefore the fund is balanced to nil each year by receipt of pension top up grant or by paying the surplus back to Central Government. The underlying principle is that the employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while Central Government will meet the costs of retirement pensions in payment, net of employee and employer contributions.

The fund has no investment assets.

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The long term pensions obligations is included in the Council's pensions liability (and pensions reserve) in the Balance Sheet. The liability for the Firefighters pensions scheme at 31st March 2020 was £270.026m (31st March 2019 £275.672m) Further details can be found in notes 33 and 34 to the Council's Statement of Accounts.

Employment Tribunal - McCloud / Sargeant
In December 2018 the Court of Appeal made a ruling in two separate Employment Tribunal cases involving members of the Judiciary and Firefighter pensions schemes, regarding possible age discrimination arising from the transitional arrangements included the reformed schemes introduced in 2015. On 27th June 2019 the Supreme Court refused the Government's application for permission to appeal the Court of Appeal ruling. This was the last legal hurdle in the dispute, leaving the Government with no further avenue to exhaust. The case will now be referred back to the employment tribunal for a detailed decision on the remedies, the Court will require steps to be taken to compensate employees who were transferred to the new schemes.

At this stage the extent of any issue for the Firefighters Pension scheme is not clear, but the Council's Actuary, Mercers, have calculated the approximate effects of the costs if the transitional protections need to be extended to younger members and this has been incorporated into the net pension liabilities on the Council's Balance Sheet.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Firefighters Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and authorities will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

Notes to the Firefighters' Pension Scheme Financial Statements continued

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

Glossary

AAA FITCH RATING
Highest credit quality - ‘AAA’ ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING
Very high credit quality - ‘AA’ ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING
High credit quality - ‘A’ ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD
The period of time covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

ACCRUALS
Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31st March.

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:
· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
· The actuarial assumptions have changed

ASSET
An item having value to the authority in monetary terms. Assets are categorised as either current or non-current
· A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
· A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

BALANCE SHEET
A statement of the recorded assets, liabilities and other balances at the end of the accounting period.
BORROWING
Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET
The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING
Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME
The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT
The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy

COMMUNITY ASSETS
Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)
The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY
The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY
A contingent liability is either:
· A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
· A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR
Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR
Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)
Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EVENTS AFTER THE REPORTING PERIOD
Events after the reporting period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS
For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN
The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS
Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

IMPAIRMENT
A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS
Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVENTORIES
Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENTS (PENSION FUND)
The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY
A liability is where the Authority owes payment to an individual or another organisation.

· A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
· A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES
Current asset investments that are readily disposable by the Authority without disrupting its business and are either:
· Readily convertible to known amounts of cash at or close to the carrying amount; or

· Traded in an active market.

LONG-TERM CONTRACT
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY
The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE (NBV)
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT
The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS
These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)
The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS
Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE
A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)
For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT
The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)
A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RELATED PARTIES
There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS
The Code of Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves cannot be used to meet current expenditure.

RESIDUAL VALUE
The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE
The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)
Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT
A grant paid by Central Government to authorities, contributing towards the general cost of their services.

TEMPORARY BORROWING
Money borrowed for a period of less than one year.

TRUST FUNDS
Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)
The period over which the Authority will derive benefits from the use of a fixed asset.

10 THE PENSION FUND ACCOUNTS

CONTENTS

10. THE PENSION FUND ACCOUNTS

10 FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

10.1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31st MARCH 2020

	Notes	2018/19		2019/20	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		64,102		68,709
Transfers in from other pension funds	4		3,000		6,160
			67,102		**74,869**
Benefits	5		(83,204)		(91,117)
Payments to and on account of leavers / employer exit	6		(4,889)		(7,017)
Net additions / (deductions) from members			**(20,991)**		**(23,265)**
Management expenses	7 & 8		(20,381)		(12,727)
Net additions / (deductions) including fund management expenses			**(41,372)**		**(35,992)**
Returns on investments					
Investment Income		52,667		47,623	
Taxes on Income		(233)		(206)	
Net investment income	9	52,434		47,417	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(d)	128,241		(140,307)	
Net return on investments			**180,675**		**(92,890)**
Net increase (decrease) in the net assets available for benefits during the year			**139,303**		**(128,882)**
Net assets at the start of the year			**2,563,457**		**2,702,760**
Net assets at the end of the year			**2,702,760**		**2,573,878**

NET ASSETS STATEMENT AS AT 31 MARCH 2020

	Notes	31 March 2019 £'000	31 March 2020 £'000
Investment assets	10	2,706,212	2,568,403
Investment liabilities	10	(8,611)	(5,397)
Total net investment assets		**2,697,601**	**2,563,006**
Long term assets	12a	328	-
Current assets	12b	7,056	12,586
Long term liabilities	13a	-	-
Current liabilities	13b	(2,225)	(1,714)
Net assets of the Fund available to fund benefits at the period end		**2,702,760**	**2,573,878**

8.2 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 (a): DESCRIPTION OF THE FUND AND BASIS OF PREPARATION

The Cumbria Local Government Pension Scheme (Cumbria LGPS, “the Fund”) is a contributory defined benefit scheme administered by Cumbria County Council to provide pensions and other benefits for all members of the Fund.

The Purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and

- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Through balancing the strategic investment of the Fund’s assets to the liability profile of the membership, the aims of the Cumbria LGPS are to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;

- manage employers’ liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;

- achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and

- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Membership to the Cumbria LGPS is open to:

- all eligible employees of scheduled bodies (local government, academies, colleges) within the county who are not covered by alternative pension arrangements (the main categories of employees covered by alternative arrangements are teachers, fire service uniformed personnel and police officers); and

- other eligible employees of admitted employers of the Fund (usually this includes employers to whom contracts have been awarded for the provision of public services within the county).

All eligible local government employees are automatically entered into the scheme. Employees may choose to opt out at any point in time.

As at 31 March 2020 the total membership of the Fund was 58,396 (2018/19: 57,840) and consisted of 16,989 contributors/actives (2018/19: 16,453), 24,420 deferred members (2018/19: 25,202) and 16,987 pensioners (2018/19: 16,185).

At 31 March 2020 there were 126 (31 March 2019: 127) employer bodies in the Cumbria LGPS (for the full list see Note 25). The number of employers reduced by one during the year, this was as a result of one Academy employer joining the Fund and two Academies merging with others already in the Fund.

Basis of Preparation:

The Statement of Accounts for the Cumbria Local Government Pension Scheme (LGPS) is presented in its entirety and separately from the General Fund in Cumbria County Council's Accounts. Although the County Council is the Administering Authority, the Fund covers both County Council employees and those of other scheduled, resolution and admitted bodies. These Accounts (financial statements and certain sections) are summarised to form part of Cumbria County Council's Annual Accounts.

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2019/20 and the position at the year-end date, 31 March 2020. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

They do not take account of obligations to pay pensions, lump sums or other benefits which fall due after the financial year end. IAS 26 'Retirement Benefit Plans' requires the actuarial present value of promised retirement benefits to be disclosed and this information can be found in **Note 23** 'Actuarial Position of the Fund'.

The accounts have been prepared on a going concern basis.

NOTE 1 (b): INVESTMENT MARKET ACTIVITY DURING 2019/20

The first nine months of the year-ended 31 March 2020 saw positive returns in most investment markets. In particular, global equity markets ended 2019 with gains and the best calendar year performance in a decade. Ongoing uncertainty posed by Brexit contributed to the volatility in UK financial markets during the first few months of the year. Sterling rallied by the end of 2019 with the revised Withdrawal Agreement and General Election result, although there was a dampening of share price gains of large UK-based companies with significant non-sterling revenues.

The first quarter of 2020 was dominated by the emergence and global spread of the COVID-19 pandemic. Actions taken by governments to contain the spread of the virus impacted upon economic activity and led to significant turbulence in investment markets during March.

This was particularly apparent in listed equities where, despite historic levels of fiscal and monetary policy stimulus (such as governments introducing spending and revenue measures and central banks lowering interest rates), the MSCI AC World Index recorded a negative return of -16.0% for the three months, and the UK FTSE All Share recorded a negative return of -25.1%, its biggest quarterly loss since 1987. Over the twelve months to 31 March 2020 the MSCI AC World Index and UK FTSE All Share recorded negative returns of -6.7% and -18.5% respectively.

The impact of the pandemic on other asset classes was varied. Government bonds benefited as a safe-haven as investors sought out assets perceived to be lower risk with index-linked gilts showing a positive 2.4% return for the year. Credit markets were not immune to the impact, with returns varying significantly depending on the market perception of the likelihood of defaults. In currency, sterling hit multi-decade lows against the dollar as investors sought safety in cash, particularly favouring US dollars.

NOTE 1 (c): FUND PERFORMANCE 2019/20

As at 31 March 2020 the audited value of the Fund's net assets was £2,573.878m (a decrease of £128.882m (4.77%) from £2,702.760m as at 31 March 2019). The Fund's Actuary has estimated that the Cumbria LGPS was approximately 91.1% funded as at 31 March 2020, (based on assumptions per the valuation as at 31 March 2019).

In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets. The Fund's long-term approach to investment and its diverse portfolio of investment assets meant that, whilst it was affected by the significant market movements described at 1(b) above, the impact on performance was not as extreme as that experienced in the aforementioned equity markets. Overall, the Fund returned on its investments -3.6% (net of fees) for the year-ended 31 March 2020.

The Fund is primarily focussed on longer-term performance and, whilst the Fund underperformed against its 3 year benchmark (delivering a return of 2.6% p.a. (net of fees) against a benchmark of 3.2%) it outperformed both its 5 and 10 year benchmarks (5 year: 5.6% p.a. (net of fees) against a benchmark of 5.2% and 10 year: 7.7% p.a. against a benchmark of 7.1% (net of fees)).

Performance to 31 March 2020 in relation to the Fund's bespoke benchmark over these timeframes is summarised in the table below.

	Cumbria Performance	Bespoke Benchmark	Variance to Benchmark
1 year performance	-3.6%	-1.2%	-2.4%
5 year performance	5.6%	5.2%	0.4%
10 year performance	7.7%	7.1%	0.6%

As shown above, the Fund's return of -2.8% for the year was below the Fund's bespoke index performance benchmark of -1.2% for the same period. The main detractors from performance included the passive currency hedge, the invested alternatives being underweight to the benchmark, the property portfolio, and (during the final quarter) the

BCPP global listed equity fund. Above benchmark performance in the year was attributable to the UK equity fund run by Border to Coast Pensions Partnership Ltd (BCPP), the alternatives portfolio, and the global equity portfolios during 2019.

The Fund's Investment Strategy (including the core investment objectives and asset allocations) must be sufficiently flexible to meet longer term prevailing market conditions and address any short term cash flow requirements. To ensure these goals are achieved a full Strategic Investment Review will normally be undertaken by the Fund every three to five years by specialist professional advisors.

The Fund underwent a full review of the Investment Strategy in 2019/20 following the completion of the Triennial Actuarial Valuation of the Fund. The key principles for the revised Investment Strategy agreed by the Pensions Committee in December 2019 were:

- Return generation - at a 98.9% funding level (as at 31 March 2019) the Fund was in a good funding position. However, this funding level represents a snapshot in time i.e. Cumbria LGPS is an open fund which is continuing to accrue liabilities and therefore needs to continue to generate sufficient return to meet those liabilities. As such the revised strategy was designed to continue to deliver a similar expected return as the old strategy.

- Stability for employers - stability of the funding level is also important to help protect Fund employers from sudden and potentially significant fluctuations in contribution levels. In recognition of this the review sought to design a strategy which delivers both a return in line with the funding strategy and reduced volatility to help protect those employers with lower funding levels and are more vulnerable to sudden changes in employer contributions.

- Inflation risk – the Fund's inflation-linked discount rate means that it is largely protected against day to day inflation volatility, however there is a risk that, if inflation was to rise sharply and asset values do not keep pace with any increase, the Fund's strong funding position would potentially weaken and impact employer contributions. In order to mitigate some of this risk, the Strategy increased the percentage of assets held by the Fund that are more closely linked to inflation e.g. long lease property, index-linked gilts and (to an extent) infrastructure equity/debt.

- Volatility risk - equities are expected to produce good returns over the long term and provide a good source of liquidity. As such they play an important role in the Strategy. However, equities are volatile and, at the time of the review, dominated the Fund's risk exposure. In recognition of this the strategy reduced the allocation to public and private equity in favour of assets with a similar expected return but less volatility.

- Illiquidity premium – the Fund is long-term and can lock up capital for longer to take advantage of the additional premium this offers. The Strategy seeks to increase the Fund's exposure to less liquid assets in order to benefit from the illiquidity premium, whilst also ensuring that it is able to meet its cashflow requirements.

The targeted investment asset allocation is specified in the Fund's Investment Strategy Statement, which has been agreed by the Pensions Committee, and also includes a section detailing the Fund's Investment Beliefs.

The process of implementing changes in asset allocation to enable the Fund to reach its revised allocation targets commenced immediately following Committee approval in December 2019, with the following changes being made in the period to 31 March 2020:-

- The selection of suitable investments for the alternatives portfolio, including new investment commitments made to BCPP private markets funds launched in the year (Border to Coast Infrastructure 2019, Border to Coast Private Equity 2020 and Border to Coast Infrastructure 2020) and Partners Group Private Market Credit Fund V;

- The continuation of capital drawdowns to previously agreed commitments to infrastructure, private equity and private debt funds;

- The selection of suitable investments to a new 12% allocation to Multi-Asset Credit funds; and

- The reduction of the listed equity allocation and ending of the equity protection product which had been purchased to mitigate, as far as possible the risk of increased employer contributions at the 2019 valuation, that objective having been achieved

    - The decision to reduce the Fund's exposure to public equity and exit the equity protection was agreed as the key priority in the steps to implementing the new Investment Strategy due to the perceived inflated pricing in the global equity markets.
    - Discussions between Officers, Advisors and the Equity protection manager determined that the most effective and efficient method of exiting the Equity Protection product was to coincide this with the sale of £340m of passive UK and overseas equity at the end of February 2020.
    - Members of the Investment Sub Group and Pensions Committee approved this approach and were updated on the progress and outcome of this action at meetings held December 2019 and June 2020.

Ongoing implementation of changes towards the revised Investment Strategy has been incorporated within the Fund's business plan for 2020/21.

NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS AND LOOKING FORWARD

2019/20 Business Plan:

All targets set within the 2019/20 Business Plan have been achieved during the year with key tasks either completed, or ongoing work that is on track for completion and these have been delivered within the approved budget.

In addition to continual improvement activities (such as data quality) and the major annual pieces of work, e.g. preparation of the Annual Report and Accounts, the core additional activities planned and delivered through the 2019/20 Business Plan and new issues arising during the year were:-

- **Continuing the transition of assets from Cumbria LGPS to BCPP.**
  Throughout the year, the Fund has continued to actively engage with the company and Partner Funds on the range and design of sub-funds that BCPP provides. Key developments during the year include:

  - The transition of the 20% of the Fund's portfolio allocated to Global Equity to BCPP; and

  - Commitments totalling £190m into BCPP's Private Equity and Infrastructure Sub Funds.

  These investments, together within investments transferred to BCPP in 2018/19, bring the total invested with, or committed to, BCPP to approximately 1/3 of the value of the Fund.

- **Completion of the 2019 Actuarial Valuation.**
  During 2019/20 the Fund worked with its appointed actuary, Mercer Ltd, to undertake the 2019 valuation. This concluded that Cumbria LGPS had a solvency funding level of 98.9% as at 31 March 2019 compared to 91% at the 2016 valuation. The Fund has set an average period of 12 years to recover this deficit. The valuation also set individual employer contribution rates for the period April 2020 - March 2023 for the future service element of pension contributions.

  In 2019, the Government announced that an age discrimination cost referred to as "the McCloud judgement" would impact on all public sector pension schemes including the LGPS. This is likely to result in increased costs for some employers. Further information is set out in Note 23.

- **Ensuring compliance with the Council-wide contract review procedures and performance monitoring at both Committee and Officer level.**
  All contracts were regularly reviewed during the year to ensure that performance was appropriate and in line with expectations.

  Officers reviewed the performance of all investment managers on a quarterly basis and reported on performance to the Investment Sub Group.

  Officers met regularly with Mercer Ltd to review the contractual obligations of the actuary and to consider future workloads e.g. triennial valuation.

  All contracts were regularly reviewed to ensure that performance is appropriate.

  Officers met at least quarterly with the Deputy Director of Your Pensions Service (YPS), the Fund's pensions' administration provider, to review performance standards.

- **Assessing the impact of and respond to consultations that have an impact on the structure and performance of the Fund.**
  The Fund responded to relevant consultations that have the potential to have an impact on the structure and performance of the Fund.

  During 2019/20 the Fund responded to the following consultations:
  - Restricting exit payments in the public sector: consultation on implementation of regulations; and
  - Local Government Pension Scheme: Changes to the local valuation cycle and the management of employer risk.

- **Undertaking the election process for membership of the Local Pension Board**
  Throughout 2019/20, the majority of vacant posts to the Local Pension Board were recruited to including the appointment of substitutes.

Looking forwards to 2020/21:

Given the unprecedented measures being taken around the world to manage the trajectory of the COVID-19 pandemic and the uncertainties surrounding the nature of the virus itself, it is not possible to accurately predict the longevity and severity of its impact on the global economy, working practices and society as a whole. As such, the following key deliverables for 2020/21 (grouped under the three main service areas of Administration, Investment Management and Oversight and Governance) as set out below, are focused on the principal activities of the Fund as currently anticipated. As the impact of COVID-19 becomes clearer, the Fund's work plan will be reviewed and amended where appropriate to ensure it addresses any relevant issues arising as a result of the pandemic.

Pensions Administration

- Appraising the impact of any revised regulations arising from the resolution to the McCloud age discrimination case and the re-running of the cost cap process and implementing any required changes to the scheme;

- Continuing to improve pension administration arrangements for the benefit of all members and employers of the Fund;

- Continual improvement programme for the quality of data held by the Fund;

- Continuing to monitor and improve employer data submission issues;

- Maintaining effective communication and liaison with Fund employers to meet the data requirements of the Pensions Regulator; and

- Continuing with implementing Guaranteed Minimum Pension (GMP) reconciliations in accordance with HMRC guidelines.

Investment Management

- Investigating suitable investment options to implement the revised Investment Strategy approved by Pensions Committee in December 2019;
- Liaising with Border to Coast Pensions Partnership Ltd (BCPP) to ensure that suitable opportunities are available within the pool for the Fund to transition to its amended investment strategy; and
- Retendering for the Custodian and Performance Monitoring contract.

Oversight & Governance

- Completion of the 2019/20 Cumbria LGPS Annual Accounts and Annual Report incorporating any new regulatory/technical changes;
- Assessing the impact of and respond to consultations that will have an impact on the structure and performance of the Fund. This will specifically include the SAB's review into Good Governance in the LGPS;
- Reviewing governance arrangements in response to financial, regulatory and structural changes;
- Reviewing and updating Fund risks, policies and strategies;
- Reviewing, measuring and delivering training to Members and Officers as outlined in the Training Plan; and
- Retendering for the legal services contract.

The Cumbria LGPS Annual Report and Accounts gives further details of the Fund's performance, management structure and investment news. The Annual Report and Accounts 2019/20 will be published on-line when finalised (and at the latest by the statutory deadline of 1 December 2020) on the Cumbria LGPS website under 'Key Cumbria LGPS Documents' where the previous year's report is also available.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been reviewed in line with good practice. There have been no significant changes to accounting policies in 2019/20.

Fund account – revenue recognition

2.1. Contribution Income

Normal contributions, both from the members and from the employers within the Fund, are accounted for on an accruals basis at the rate recommended by the Fund Actuary for the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund Actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current debtor. Amounts not due until future years are classed as long-term debtors.

Where an employer leaves the scheme, any contribution required or exit credit payable on closure is accrued for in the year of departure. (See **Note 3** for further details).

2.2. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year. These are calculated in accordance with the Local Government Pension Scheme Regulations (see **Notes 4 and 6**).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see **2.15**) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see **Note 4**).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

2.3. Investment income (Note 9)

a) ***Interest income***: is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

b) ***Dividend income***: is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement.

c) ***Distributions from pooled funds***: are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement.

d) ***Property-related income***: consists primarily of rental income. This is recognised on an accruals basis.

e) ***Movements in the net market value of investments***: changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised gains/losses during the year. Realised gains/losses have been classified where a purchase or sale of investments has occurred. Gains/losses on transfers of investments within the portfolio of an individual manager have been classified as unrealised gains/losses (i.e. where no cash transactions have taken place). (See **Note 10(d)**).

Fund account – expense items

2.4. Benefits payable (Note 5)

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

2.5. Taxation

The Scheme is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises, and is shown on the Fund Account as ‘Taxes on income’.

2.6. Administrative expenses (Note 7)

All administrative expenses are accounted for on an accruals basis. All staff costs of the County Council’s Pensions Finance team are charged direct to the Fund, with management, accommodation and other overheads apportioned to the Fund in accordance with general Council practices. Staff and on-costs related to administration are apportioned to this heading.

2.7. Investment management expenses (Note 7)

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Transaction costs and pooled fund fees/expenses are also included as investment management expenses. No employees are currently employed solely on in-house investment management.

The majority of the Fund's investment managers have signed up to the cost transparency code (the voluntary code which covers the provision of transparent and consistent investment cost and fee information between investment managers and Funds). The Fund has reviewed the 2019/20 submissions of cost transparency templates received and, where appropriate, used these to inform the Management Fees disclosed in the Accounts; the remaining cost transparency templates will assessed as they are received and will inform additional disclosures of investment costs in the Fund's 2019/20 Annual Report (section 4.5.4). It is anticipated that in future years the templates received will provide greater consistency and completeness in reporting by managers; this will enable the Fund to further enhance the reporting of 'hidden' investment costs in coming years.

2.8. Oversight and Governance costs (Note 7)

All oversight and governance costs are accounted for on an accruals basis. All staff costs of the County Council's Pensions Finance team are charged direct to the Fund. Staff and on-costs apportioned to this activity are charged as oversight and governance expenses.

The cost of Elected Members expenses (e.g. training travel and allowances) relating to Pension Fund activities and obtaining investment advice from external investment consultants and advisors is included in oversight and governance costs, actuarial fees, legal fees and shareholder voting services.

Net assets statement

2.9. Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

Investment Assets
State Street Bank and Trust, as independent Custodian to the Fund, values the assets other than direct property and unquoted investments. This is done on a daily basis by a series of data quality verifications. All discrepancies outside a tolerance level (zero tolerance for equities and 5% tolerance for bonds) are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investment assets as shown in the net assets statement have been determined as follows:

a) Market-quoted investments: The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

b) Fixed interest securities: Fixed interest securities are recorded at net market value based on their current yields.

c) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs. There were no such investments at 31 March 2020.

- Directly held investments include investment in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools of directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Fund. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- In the case of the unquoted equity shares for Cumbria LGPS's ownership of share capital in Border to Coast Pensions Partnership Ltd (BCPP), as no market or comparable market exists, there is no intention for the company to be profit making and as the financial accounts for the Company show the shareholder funds to be equivalent to the regulatory capital invested (at cost), the shares are therefore valued at cost (£833,334).

- Investments in private equity funds and unquoted limited partnerships **(Note 14)** are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

d) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. The General Partner is responsible for preparing financial statements which give a true and fair view in accordance with International Financial Reporting Standards and applicable laws. Fund officers review the Annual Reports of the partnerships which have been independently audited.

e) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March 2020. Unquoted pooled investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. For further information on Pooled investment vehicles see **Note 10(a).**

f) Freehold and leasehold properties: The properties are valued at fair value at 31 March 2020 by an independent valuer, CBRE Ltd, Chartered Surveyors, Henrietta House, Henrietta Place, London W1G 0NB, in accordance with the Royal Institution of Chartered Surveyors' Valuation - Global Standards (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.

- The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms.

- Each valuation has been prepared on the basis of "Fair Value", which is defined as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in International Financial Reporting Standard (IFRS) 13.

- "Fair Value", for the purpose of financial reporting under International Financial Reporting Standards and UK GAAP (FRS 102), is effectively the same as "Market Value", which is defined as: "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."

- The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date.
    i. No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal.

    ii. The properties are valued individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in "lots" or as a whole.

    iii. Acquisition costs have not been included in the valuation.

    iv. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charges.

    v. No account has been taken of the availability or otherwise of capital based Government or European Community grants.

As previously noted, the COVID-19 pandemic had a material impact upon economic activity in March 2020. In recognition of this, CBRE has been directed by the Royal Institution of Chartered Surveyors (the RICS) to include a 'Material Uncertainty' clause in all property valuation reports as at 31 March 2020. Further details of this are set out in **note 22** to the Accounts (Critical judgements in applying accounting policies and the use of estimates and uncertainties).

In addition to this, further detail on Investment Properties is set out in **Note 10(b).**

g) Loans and receivables: these are non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market. Investment Assets represented by loans and receivables are carried in the Net Assets Statement at amortised cost basis i.e. principal amount adjusted for any interest payable / receivable at the year-end date.

Long-Term Assets

Revenue transactions are recorded on a system of receipts and payments. Income accruals (debtors) and expense accruals (creditors) have been introduced in respect of major items of income due but not received, and significant amounts owed, at 31 March. In accordance with IAS39, long-term debtors owed for a period of more than one year have been calculated using the effective interest method, discounting to present value, with a corresponding long-term creditor for the discount to be unwound.

2.10. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. State Street Bank and Trust value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31 March 2020.

2.11. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not currently hold derivatives for speculative purposes.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts are valued using the WM/Reuters 4pm closing spot/forward foreign exchange rates.

Fair value of Exchange Traded Futures contracts is determined based on market quoted prices as at the reporting date. Fair value is the unrealised profit or loss at the market quoted price of the contract.

Derivatives are covered in more detail in **Note 10(c)**.

2.12. Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

2.13. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

2.14. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund Actuary in accordance with the requirements of IAS 26 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see **Note 23**).

2.15. Additional voluntary contributions

Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Fund currently has three appointed AVC providers: Prudential, Standard Life and Scottish Widows. The previous AVC scheme on offer to employees was operated by Equitable Life Assurance Society but in December 2000 it closed to new business.

Employees / contributors AVCs are paid over to one of the three providers by the Fund employers. These contributions are specifically for the purpose of providing additional benefits for individual contributors. Each AVC contributor receives an annual statement (from their provider) showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see **Note 15).**

2.16. Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

2.17. Stock Lending

Securities on loan at the 31 March are included in the net assets statement to reflect the Fund’s continuing economic interest in the securities. The stock lending program is being wound down following the transition of the Fund’s active global equity to BCPP and the planned exit from the Fund’s corporate bond portfolio.

2.18. 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 material errors.

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 Fund's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Where the basis for measurement of an amount is uncertain, the Fund will use a suitable estimation technique determined by the Director of Finance (S151 Officer). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Finance (S151 Officer) will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

Material errors discovered in prior period figures would be corrected retrospectively by amending opening balances and comparative amounts for the prior period. However, no such amendments have been necessary for the opening balance of the 2019/20 accounts.

NOTE 3: CONTRIBUTIONS

Benefits (see **Note 5**) are funded by contributions and investment earnings. Contributions are received both from active members and employers of the Fund. Contributions from active members are made in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) while individual employers' contribution rates are based on triennial actuarial funding valuations (see **Note 23**).

Contribution rates for 2019/20 are as follows:

- Employees - range from 5.5% to 12.5% of pensionable pay dependent on the full-time salary of the member.

- Employers - range from 11.1% to 29.1% of pensionable pay, plus a lump sum payment for deficit recovery contributions. Individual employer rates are set by the Actuary on a three-yearly cycle, taking into account the employer's own attributes and particular circumstances. This includes the maturity profile of the membership, if the Admission is open or closed to new members, and the maximum deficit recovery period as determined by the Fund Actuary in relation to the employer's covenant and membership profile.

The following table analyses the amount of total contributions receivable in the year, by category and by employer type:

10. THE PENSION FUND ACCOUNTS

By Category	**2018/19 £'000**	**2019/20 £'000**
Employee contributions to the fund	17,272	18,106
Employer contributions to the fund:		
Normal contributions	43,270	47,002
Deficit recovery contributions	3,560	3,601
Total Employer contributions	46,830	50,603
Total Contributions receivable	**64,102**	**68,709**
By Employer Type	**2018/19 £'000**	**2019/20 £'000**
Administering Authority	36,040	38,941
Other Scheduled bodies	26,317	28,007
Admitted bodies	1,745	1,761
	64,102	**68,709**

As shown in the above table the administering authority contributions (Cumbria County Council) were £38.941m (£36.040m 2018/19).

In addition to normal contributions and capital payments from employers, the contributions figure also includes the costs of pension strain arising from non-ill-health early retirements and, where applicable, ill-health early retirements:

Non ill-health early retirements: Employers can make lump sum contributions toward pension strain costs or pay an additional employer contribution rate (as calculated by the Actuary). These contributions are recognised in line with the agreement with the employer; if there is no agreement, they are recognised when the Fund receives them.

Ill-health early retirements: Cumbria County Council also has a voluntary arrangement whereby part of the actuarial strain of ill-health retirements is paid immediately. Details of this are contained in the full Actuarial Valuation Report as at 31 March 2019, and all other Cumbria LGPS employer policies that are relevant to the 2019/20 financial year are available on the Cumbria LGPS website under ‘Key Cumbria LGPS Documents’.

NOTE 4: TRANSFERS IN FROM OTHER PENSIONS

Transfers in to the Fund have been made by individual members, where they decide to bring pensions benefits accrued from previous employment into their LGPS pension. These are variable year to year depending on choices made by individual members.

	2018/19 £'000	2019/20 £'000
Individual transfers	3,000	6,160
	3,000	**6,160**

NOTE 5: BENEFITS

Pension benefits under the LGPS are based on final pensionable pay or career average, and length of pensionable service. Members have access to the schemes depending upon the period their active membership in the LGPS covers, i.e. whether their employment was previous to 1 April 2008, during the period 1 April 2008 to 31 March 2014, and employed post 1 April 2014. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service 1.04.08 to 31.03.14	Service Post 1 April 2014
Basis	Final salary	Final Salary	Career Average Revalued Earnings (CARE)
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked accrues 1/49th x pensionable salary.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

The following table analyses the amount of total benefits paid in the year, by category and by employer type:

By Category	2018/19 £'000	2019/20 £'000
Net pensions paid	70,525	74,270
Net lump sum on retirement	11,324	14,355
Net lump sum on death	1,355	2,492
	83,204	**91,117**
By Employer Type	**2018/19 £'000**	**2019/20 £'000**
Administering Authority	46,615	51,387
Scheduled bodies	29,499	31,352
Admitted bodies	7,090	8,378
	83,204	**91,117**

As shown in the above table the Administering Authority (Cumbria County Council) benefits paid in 2019/20 were £51.387m (£46.615m 2018/19).

NOTE 6: PAYMENTS TO AND ON ACCOUNT OF LEAVERS / EMPLOYER EXIT

Transfers out from the Fund have been made by individual members, where they decide to take pensions benefits accrued from previous employment within the Fund to a pension elsewhere. These are variable year to year depending on choices made by individual members.

	2018/19 £'000	2019/20 £'000
Refund of member contributions	139	236
Individual transfers out to other Schemes	4,750	6,781
Group transfer out to other Schemes	-	-
	4,889	**7,017**

NOTE 7: MANAGEMENT EXPENSES

Officers employed by the County Council undertake the day to day management and administration of the Fund. Employee time spent working on the Fund and their associated costs e.g. office space and information technology are charged to the Fund.

In addition the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pension's administration services, provided by delegation of function to Lancashire County Council, Your Pension Service (YPS), are charged to the Fund. This is in accordance with the government regulations on the management of local government pension schemes.

Further details of management expenses are as follows:

	2018/19 £'000	2019/20 £'000
Administrative costs	1,268	1,306
Investment management costs	18,394	10,661
Oversight and governance costs	719	760
	20,381	**12,727**

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency and comparability, the Council opted from 2015/16 to disclose its pension fund management expenses in accordance with best practice outlined in the CIPFA guidance on LGPS management costs (July 2016). To further aid comparison a detailed breakdown for 2019/20 is provided for information in the next note.

Administration costs were £0.038m (3.0%) higher in 2019/20 than the previous year, for further details refer to **Note 8**.

Investment management costs were £7.733m (42.0%) lower in 2019/20 than the previous year, for further details refer to **Note 8**.

Oversight and governance costs were £0.040m (5.6%) higher in 2019/20 than the previous year, for further details refer to **Note 8**.

NOTE 8: MANAGEMENT EXPENSES ADDITIONAL INFORMATION

The Code of Practice does not require any breakdown of pension fund management expenses. However for information only, to further aid comparison using the disclosure into the three headings suggested by CIPFA guidance, a detailed breakdown for 2019/20 is provided below.

10. THE PENSION FUND ACCOUNTS

	2018/19 £'000	2019/20 £'000
Administrative costs:		
Pensions Administration	1,038	1,047
Employee costs	198	257
Legal advice	5	-
Other	27	2
	1,268	1,306
Investment Management costs:		
Fund management fees	4,719	3,925
Custody fees	107	77
Pooled fund costs including entry fees*	13,266	6,541
Transaction costs	302	118
	18,394	10,661
Oversight and governance costs:		
Employee costs	361	318
Pension fund committee	10	22
Pension Board	10	15
Investment consultancy fees	94	130
Performance monitoring service	30	41
Shareholder voting service	17	10
Actuarial fees	72	109
Audit fees	21	32
Legal and tax advice	21	39
Border to Coast Pensions Partnership	77	-
Other (including bank charges)	6	44
	719	760
	20,381	**12,727**

*Pooled fund costs including entry fees shown above are not invoiced costs, instead they are charged to the individual pooled fund, as such these costs have been estimated when required and adjusted from the change in market value and net income.

Variations on spend between years include:-

- Employee costs – in 2018/19 the Fund reallocated staff from the oversight and governance section to the administration section to allow them to focus on administration aspects of the fund. The overall increase in employee costs across the two aspects of the Pensions team is £0.016m, which relates in part to annual uplifts and to additional training costs for members of the team undertaking new roles.

- Fund Management fees – fees are paid based on the size of the Fund's portfolio and its performance, which up until December 2019 had shown growth and increased fees. The move from active segregated portfolios to pooled funds with BCPP has led to a reduction in direct fees. Overall, Fund management fees in 2019/20 have decreased from the fees paid in 2018/19.

- Pooled fund costs and entry fees – key drivers of the decrease in costs between 2018/19 and 2019/20 were:

  - Equity Protection: Between April 2018 and March 2020, the Fund had in place an Equity Protection policy assisting the Fund in mitigating the risk of employer contributions increasing due to a significant downturn in equity markets before the 2019 Fund Valuation was completed. The premium paid for these products (£8.360m in 2018/19) is the primary explanation for the decrease in costs between 2018/19 and 2019/20.

  - Fees on investments in alternatives: The objective of the Fund's strategic investment allocation to alternatives is to select a portfolio of alternative assets which aids cash flow and increases diversification and stability. Returns are indicating positive performances net of fees and this is anticipated to continue in the longer term. The growth in the portfolio together with additional investments into alternative pooled funds has resulted in an increased portfolio size that has led to increased management fees of £4.818m in 2019/20 (£3.493m in 2018/19) and the result of the positive investment returns has required the accrual of performance fees of £1.723m in 2019/20 (£1.396m in 2018/19).

- Transaction costs – these costs occur on trades of shares and bonds and are payable to third party agents as brokerage fees; they are variable depending on investment manager purchases and sales. There were more of these transactions in 2018/19 than 2019/20 hence the reduction in cost from £0.302m to £0.118m.

- Investment consultancy fees – there have been increased costs associated with the Investment Strategy Review completion, review and selection of new products for the multi-asset credit allocation.

- BCPP – there have been no costs this year related solely to the creation of the pooling company. The costs shown in 2018/19 relate to the set up and development of the Fund's LGPS pooling company, up to the point at which the company began to transition investments into the pool; thereafter costs are included in Fund Management fees under the 'Investment Management costs' heading.

It is anticipated that cost transparency templates received from its investment managers for 2019/20 will provide greater consistency and completeness in reporting by managers; this will enable the Fund to further enhance the reporting of 'hidden' investment costs in future years. The Fund has incorporated additional disclosures of investment costs in the Fund's Annual Report (section 4.5.4)

NOTE 9: NET INVESTMENT INCOME

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £47.417m (2018/19 £52.434m) net of £0.206m (2018/19: £0.233m) irrecoverable tax on dividends, and including stock lending income of £0.012m (2018/19: £0.090m), can be analysed as follows:

	2018/19 £'000	2019/20 £'000
Interest from fixed interest securities (corporate bonds)	7,030	7,045
UK equities dividends	10,570	355
Overseas equities dividends	9,684	7,319
Distributions from pooled investment vehicles	16,675	24,295
Net rental income from investment properties (see note 10b)	7,848	8,043
Interest on cash deposits	627	360
	52,434	**47,417**

In October 2019 the Fund transitioned from Loomis Sayles and Nordea, the Fund's global equity segregated portfolio managers; to the Border to Coast Authorised Contractual Scheme (ACS) pooled Global Equity Alpha fund. The Fund does not receive investment income directly on investments of pooled equity, as the income received by the pooled fund instead increases the value of the unitised holdings, hence the reduction in equity dividends between 2018/19 and 2019/20.

'Distributions from pooled investment vehicles' relates to income earned from the Fund's alternatives portfolio. The £24.295m received in relation to 2019/20 consisted of income from infrastructure funds £15.060m (2018/19 £7.393m), pooled property funds £3.330m (2018/19 £2.651m), private loan and multi-asset credit funds £3.049m (2018/19 £2.442m), private equity £2.723m (2018/19 £4.168m) and other pooled investments £0.133m (2018/19 £0.021m). The increase in amounts received between 2018/19 and 2019/20 is in line with expectations as the Fund is committed to more alternative investment; however timing of income is often dependent on the investment stage of the underlying investments with higher returns later in the investment cycle. The Fund invests in these assets with the objective of generating stable and / or inflation protected income streams to support payment of pensions.

NOTE 10: INVESTMENT ASSETS

	Notes	31 March 2019			31 March 2020		
		UK	Overseas	Total	UK	Overseas	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets							
Equities							
Equities - quoted		36,781	574,520	**611,301**	-	-	**-**
Equities - unquoted		833	-	**833**	833	-	**833**
		37,614	574,520	**612,134**	833	-	**833**
Fixed interest securities							
Corporate bonds - quoted		164,494	6,417	**170,911**	166,503	6,860	**173,363**
		164,494	6,417	**170,911**	166,503	6,860	**173,363**
Pooled investment vehicles							
Pooled investments - quoted		-	4,829	**4,829**	-	-	**-**
Pooled investments - unquoted		1,053,858	647,642	**1,701,500**	1,272,223	921,328	**2,193,551**
	10(a)	1,053,858	652,471	**1,706,329**	1,272,223	921,328	**2,193,551**
Investment properties							
Freehold		125,180	-	**125,180**	121,625	-	**121,625**
Long leasehold		36,100	-	**36,100**	34,075	-	**34,075**
	10(b)	161,280	-	**161,280**	155,700	-	**155,700**
Derivative contracts	10(c)	268	-	**268**	452	-	**452**
Cash Deposits		22,798	21,562	**44,360**	20,147	17,579	**37,726**
Amounts receivable for sales *		5,820	-	**5,820**	1,525	-	**1,525**
Investment income accrued *		4,330	-	**4,330**	3,326	-	**3,326**
Property rental debtors *		780	-	**780**	1,927	-	**1,927**
		33,996	21,562	**55,558**	27,377	17,579	**44,956**
Subtotal investment assets		1,451,242	1,254,970	**2,706,212**	1,622,636	945,767	**2,568,403**
Investment liabilities							
Derivative contracts	10(c)	(5,437)	-	**(5,437)**	(2,369)	-	**(2,369)**
Amounts payable for purchases *		(708)	-	**(708)**	(47)	-	**(47)**
Property creditors *		(2,466)	-	**(2,466)**	(2,981)		**(2,981)**
Subtotal investment liabilities		(8,611)	-	**(8,611)**	(5,397)	-	**(5,397)**
Total Net Investments		1,442,631	1,254,970	**2,697,601**	1,617,239	945,767	**2,563,006**

* These current and long term assets / liabilities are not valued at 'Fair Value through profit and loss' and are therefore excluded from **Note 10(h)** - Fair Value Hierarchy.

Note 10(a) details the pooled investments including index-tracking funds, unit trusts and alternatives funds.

Note 10(b) details the Fund's property portfolio.

Note 10(c) details the derivative contracts above. These are forward foreign exchange contracts and futures held at 31 March, shown as assets where there is a gain and liabilities where there is a loss on the individual contracts at 31 March 2020.

2019/20 saw the transition of the Loomis Sayles and Nordea Global equity segregated portfolios to transfer into the pooled Border to Coast Authorised Contractual Scheme (ACS) Global Equity Alpha fund, hence the reduction in quoted Global equity, and increase in pooled investment vehicles since 2018/19.

NOTE 10(a): POOLED INVESTMENT VEHICLES

In response to government requirements in relation to the pooling of LGPS assets, Cumbria LGPS along with 11 other partner LGPS funds, set up the Border to Coast Pensions Partnership Ltd (BCPP). The company, formed to enable the pooling of LGPS investment assets by the twelve partner funds, launched its first investment funds in 2018/19. Cumbria LGPS transitioned from its actively managed UK equity into units in the Border to Coast UK Equity Fund in December 2018, followed by its actively managed global equity allocation into units in the Border to Coast Global Equity Alpha Fund in October 2019. As pooled unquoted investments, these are shown in the following table managed by BCPP, totalling £696.327m.

The Fund's largest holding is the unitised insurance policies with Legal and General totalling £744.874m, shown in the following table categorised into the underlying asset types. These unitised, index-tracking funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest gilts and equity.

In April 2018, the Fund entered into a suite of Equity Protection options which were designed to mitigate the risk of increased employer contributions at the 2019 valuation by protecting the value of the Fund's UK, US and European equity portfolios from a significant fall in the value of the equity market indices. These options are derivatives, however, as they were held by Legal and General Investment Management (LGIM) within a bespoke pooled vehicle (with Cumbria LGPS being the sole investor), they are included within unitised insurance policies in the table below. Further information on these options is included in note 10(c). The options were exited in February 2020 in conjunction with a planned reduction of the Fund's listed equity holdings.

The Fund holds a portfolio of alternative investments (infrastructure, private equity, long-lease property, private debt and multi-asset credit funds) which are investment vehicles for collective investment such as limited partnerships and are shown as 'Other Managed funds' in the table below. The Fund is increasing its investment into alternatives with the objective of generating diversification and more stable and / or inflation protected income streams. This portfolio totals £752.350m at 31 March 2020.

A global equity manager had chosen to invest in REIT's, shown as pooled property funds in 2018/19 only.

	2018/19 £'000	2019/20 £'000
Pooled investment vehicles - managed by Border to Coast Pool		
UK equities	268,002	223,894
Global equities	-	472,433
	268,002	**696,327**
Unitised insurance policies - unquoted		
UK equities	28,839	-
Overseas equities	387,003	144,303
UK index-linked securities	494,170	495,549
UK sterling liquidity fund	22,939	105,022
Equity protection derivatives	(14,243)	-
Equity protection cash balance	812	-
Equity protection accruals	(4,294)	-
	915,226	**744,874**
Unit trusts		
UK - quoted	-	-
	-	**-**
Other Managed funds		
Pooled property REIT's - quoted	4,829	-
Pooled property funds - unquoted	78,372	78,928
Other managed funds - unquoted	439,900	673,422
	523,101	**752,350**
Total	**1,706,329**	**2,193,551**

NOTE 10(b): INVESTMENT PROPERTIES

The Fund invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. At 31 March 2020 the portfolio valued at £155.700m included 24 properties ranging from £0.750m to £17.500m each. These properties cover a mix of sectors such as offices, industrial, high street retail units and retail warehouses, and are also geographically spread across England and Scotland. The intention of this diversification is to mitigate risk by enhancing the diversification within this asset class.

Property holdings do not fall into the definition of a financial instrument, therefore are not covered in **note 11(a)** 'Valuation of Financial Instruments carried at fair value'. However, they are valued at fair value (as detailed in **note 2.9(f)**). As these assets are illiquid and prices are not readily quantifiable, they are categorised as level 3 assets in the Fair Value analysis in **Notes 10(g) to (i).** As previously noted, the COVID-19 pandemic had a material impact upon economic activity in March 2020. In recognition of this, CBRE has been directed by the Royal Institution of Chartered Surveyors (the RICS) to include a 'Material Uncertainty' clause in all property valuation reports as at 31 March 2020. Further details of this are set out in **note 22** to the Accounts (Critical judgements in applying accounting policies and the use of estimates and uncertainties).

'Net rental income from investment property' has been accounted for in the Fund Account under 'Net Investment Income' and is analysed as follows:

	2018/19 £'000	2019/20 £'000
Rental income from investment property	8,308	8,390
Direct operating expenses arising from investment property	(460)	(347)
	7,848	**8,043**

There are no restrictions on the Fund's ability to realise the value inherent in its investment property or on the Fund's right to the remittance of income and the proceeds of disposal. The properties are held by a wholly-owned nominee company on behalf of the Fund and the Fund is entitled to all income and capital proceeds. The Fund has no contractual obligation to purchase, construct or develop, and the Fund has its normal obligations in respect of repairing and maintaining properties where the costs are generally passed onto the tenants where a lease is in place.

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

	2018/19 £'000	2019/20 £'000
Balance at the start of the year	**165,675**	**161,280**
Additions:		
Purchases	8,089	12,408
Subsequent expenditure	-	-
Disposals	(11,229)	(5,712)
Net gains/(losses) from fair value adjustments	(1,255)	(12,276)
Balance at the end of the year	**161,280**	**155,700**

The Fund's property investments are commercial leased out properties, all of which are operating leases. The future minimum lease payments receivable under non-cancellable leases for these land and buildings in future years are shown as follows:

	2018/19 £'000	2019/20 £'000
Not later than one year	7,796	7,594
Later than one year and not later than five years	24,500	25,760
Later than five years	17,731	18,018
Total future lease payments due under existing contracts	**50,027**	**51,372**

To satisfy the requirements of IFRS 9 Credit Losses, an individual targeted assessment has been performed to quantify possible credit losses (or bad debt provisions) on rental income, rather than adopting a matrix based collective assessment. Historical loss rates have been assessed to adjust forward looking information. A combination of the assessment of historic rental payment trends for individual occupiers by the managing agents, with the use of a credit check risk score based on company accounts, payment information and up to date news reports, gives an individual assessment of balances. Where a provision is recommended, it is for 100% of the arrear rather than on a probability-adjusted basis. In light of the significant disruption and exceptional circumstances in global markets as a result of COVID-19 (Coronavirus), several payment plans including rent deferments were negotiated with tenants. These were taken into consideration in this targeted assessment.

The full potential rental income receivable for the properties going forward is currently £8.165m per year, and due to the above targeted and prudent approach to the certainty of payment and bad debt provision, the future lease payments are reduced by an allowance for expected credit losses to those shown in the above table, i.e. by £0.571m to £7.594m for the forthcoming year. To provide context to this, it is worth noting that as at 31 March 2020 the Fund held £0.702m of deposits paid by tenants which help to mitigate loss to the Fund should rents not be paid.

As at 31 March 2020, an allowance of £0.023m for expected credit loss on outstanding rent arrears (which totalled £1.249m as at 31 March 2020), is recognised within the 'Property rental creditors' figure of £2.981m at Note 10. This represents approximately 0.29% of the 2019/20 net rental income. Of the £0.023m allowance for expected credit loss, £0.012m related to a current live lease (approximately 0.15% of the annual rental income). The above disclosures have therefore been adjusted accordingly to remove this lease in full. It is considered that the level of provisioning is appropriately prudent in the context of the financial statements.

NOTE 10(c): DERIVATIVES

A derivative is a permitted investment under LGPS Investment Regulations. It is a contract between two or more parties whose value is derived from the performance of the underlying asset, for example a currency or an equity index such as the FTSE 100.

10. THE PENSION FUND ACCOUNTS

One way for pension funds to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. As open funds with a long term focus it is common for investors in LGPS to hedge 50% of their foreign currency exposure. This mitigates the worst effect that any adverse currency movements would have at the time of the realisation of the investment.

Cumbria LGPS has 50% of the equity investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay programme. The purpose is to reduce the Fund's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

The corporate bond mandate managed by Aberdeen Standard Investments also uses derivatives in the form of exchange traded futures contracts to hedge overseas duration risk, in particular US$. Futures could also be used to manage the overall duration of the portfolio to ensure it stays within the limits set out in the Guidelines of the mandate. The economic exposure represents the notional value of stock purchased under future contracts and is therefore subject to market movements.

The derivatives held by Cumbria LGPS (shown in **Note 10**) can be summarised as follows including a prior year comparator:

	31 March 2020		
Reconciliation to Note 10	**Investment Asset / Unrealised Gain £'000**	**Investment Liability / Unrealised Loss £'000**	**Net Market Value £'000**
Total Derivatives			
Forward currency contracts	301	(2,095)	**(1,794)**
Futures	151	(274)	**(123)**
Derivative Contracts Gain/(Loss)	**452**	**(2,369)**	**(1,917)**

	31 March 2019		
Reconciliation to Note 10	**Investment Asset / Unrealised Gain £'000**	**Investment Liability / Unrealised Loss £'000**	**Net Market Value £'000**
Total Derivatives			
Forward currency contracts	106	(5,351)	**(5,245)**
Futures	162	(86)	**76**
Derivative Contracts Gain/(Loss)	**268**	**(5,437)**	**(5,169)**

The open forward foreign exchange contracts can be summarised as follows:

Currency Bought		Currency Sold		2019/20	
Currency	Local Value 000's	Currency	Local Value 000's	Unrealised Gain Sterling £'000	Unrealised Loss Sterling £'000
Settlement within one month					
GBP	4,757	USD	6,216	2	(255)
GBP	2,464	EUR	2,893	-	(98)
USD	889	GBP	729	6	(19)
EUR	212	GBP	192	1	(5)
Settlement one to six months					
GBP	196,251	USD	245,819	-	(1,718)
GBP	25,196	JPY	3,359,100	51	-
GBP	40,796	EUR	45,751	241	-
				301	**(2,095)**
Net forward currency contracts at 31 March					**(1,794)**

The open forward foreign exchange contracts as at 31 March 2019 can be summarised as follows:

Currency Bought		Currency Sold		2018/19	
Currency	Local Value 000's	Currency	Local Value 000's	Unrealised Gain Sterling £'000	Unrealised Loss Sterling £'000
Settlement within one month					
GBP	2,470	EUR	2,777	75	
GBP	4,075	USD	5,275	31	
Settlement one to six months					
GBP	330,343	USD	437,807		(4,304)
GBP	41,808	JPY	6,120,900		(731)
GBP	74,027	EUR	85,946		(316)
				106	**(5,351)**
Net forward currency contracts at 31 March 2019					**(5,245)**

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market Value at 31 March 2019 £'000	Economic exposure	Market Value at 31 March 2020 £'000
Assets					
UK Fixed Interest	Less than one year	9,832	162	9,261	151
Overseas Fixed Interest	Less than one year	-	-		-
			162		**151**
Liabilities					
Overseas Fixed Interest	Less than one year	(3,548)	(86)	(4,082)	(274)
			(86)		**(274)**
		Net Futures	**76**		**(123)**

Equity Protection Overlay Derivatives

A way for pension funds to reduce the risk of loss of value through adverse equity price movements is to purchase equity option contracts; this process is known as 'Equity Protection'.

From April 2018 to February 2020, the Fund held a suite of Equity Protection options designed to mitigate the risk of increased employer contributions at the 2019 valuation by protecting the value of the Fund's UK, US and European equity portfolios from a significant fall in the value of the equity market indices. These options are derivatives, however, as they were held by Legal and General Investment Management (LGIM) within a bespoke pooled vehicle (with Cumbria LGPS being the sole investor), they are included within unitised insurance policies in note 10(a). They are shown in the 2018/19 table only as they were no longer held as at 31 March 2020 (the options were exited in conjunction with a planned reduction of the Fund's listed equity holdings). The details are therefore disclosed below as a note only.

Outstanding Over-the-counter options held in the bespoke equity protection pooled fund are as follows:

Type	Expires	Put / call	Notional Holding £'000	Market Value at 31 March 2019 £'000	Notional Holding £'000	Market Value at 31 March 2020 £'000
Assets						
UK Equity	31st March 2020	Put	409,986	9,017	-	-
Overseas Equity	31st March 2020	Put	806,617	17,635	-	-
				26,652		**-**
Liabilities						
UK Equity	31st March 2020	Put	(556,352)	(1,713)	-	-
UK Equity	31st March 2020	Call	(409,986)	(8,646)	-	-
Overseas Equity	31st March 2020	Put	(1,094,579)	(4,228)	-	-
Overseas Equity	31st March 2020	Call	(806,617)	(26,308)	-	-
				(40,895)		**-**
			Net purchased / written	**(14,243)**		**-**

When an entity buys an options contract, it grants them the right, but not the obligation to buy or sell an underlying asset at a set price on or before a certain date. A call option gives the holder the right to buy stock, and a put option gives the holder the right to sell stock.

NOTE 10(d): PROFIT AND LOSSES ON DISPOSAL OF INVESTMENTS AND CHANGES IN THE MARKET VALUE OF INVESTMENTS

During the financial year the following purchases and sales of investments were made. Purchases and sales also include transfers of investments if appropriate, and cash transfers from and to the Administering Authority.

2019/20 has seen both the Nordea and Loomis Sayles global equity segregated portfolios transfer into the pooled Border to Coast Authorised Contractual Scheme (ACS) Global Equity Alpha fund. The Fund has also made strategic moves away from passive equity holdings, funding a higher allocation to defensive assets such as index-linked gilts and multi-asset credit (MAC) funds. Hence the year shows a high volume of sales from UK and Overseas equity, and the corresponding purchase of pooled vehicles.

The table below reconciles the movements in investments and derivatives ('Total net investments') for the current year.

10. THE PENSION FUND ACCOUNTS

2019/20:

Asset Class	Value at 1 April 2019 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Changes in value during the year £'000	Value at 31 March 2020 £'000
Fixed interest securities (Corporate Bonds)	170,911	13,481	(5,400)	(5,629)	173,363
Equities					
UK equities	37,614	3,147	(43,040)	3,112	833
Overseas equities	574,520	62,540	(700,016)	62,956	-
	612,134	65,687	(743,056)	66,068	833
Pooled investment vehicles	1,183,228	1,158,369	(731,960)	(168,436)	1,441,201
Unit Trusts	-	-	-	-	-
Managed funds	523,101	309,640	(80,213)	(178)	752,350
Property (See Note 10b)	161,280	12,408	(5,712)	(12,276)	155,700
Derivatives (forward foreign exchange contracts, futures)	(5,169)	97,960	(73,853)	(20,855)	(1,917)
	2,645,485	**1,657,545**	**(1,640,194)**	**(141,306)**	**2,521,530**
Cash	44,360			999	37,726
Amounts receivable for sales	5,820				1,525
Investment income accrued	4,330				3,326
Property rental debtors	780				1,927
Amounts payable for purchases	(708)				(47)
Property creditors	(2,466)				(2,981)
Total Net Investments	**2,697,601**			(140,307)	**2,563,006**

Analysis of gains/(losses) for the year	**2019/20 £'000**
Realised - Profit and losses on disposal of investments	270,468
Unrealised - Changes in the market value of investments	(410,775)
	(140,307)

10. THE PENSION FUND ACCOUNTS

The following table reconciles the movements in investments and derivatives for the previous year.

2018/19:

Asset Class	Value at 1 April 2018 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Changes in value during the year £'000	Value at 31 March 2019 £'000
Fixed interest securities (Corporate Bonds)	161,111	23,502	(13,359)	(343)	170,911
Equities					
UK equities	311,732	427,040	(687,835)	(13,323)	37,614
Overseas equities	503,151	182,893	(176,603)	65,079	574,520
	814,883	609,933	(864,438)	51,756	612,134
Pooled investment vehicles	913,729	352,028	(162,313)	79,784	1,183,228
Unit Trusts	6,539.00	-	(6,443)	(96)	-
Managed funds	393,715	150,427	(49,588)	28,547	523,101
Property (See Note 10b)	165,675	8,089	(11,229)	(1,255)	161,280
Derivatives (forward foreign exchange contracts, futures)	2,274	47,483	(25,964)	(28,962)	(5,169)
	2,457,926	**1,191,462**	**(1,133,334)**	**129,431**	**2,645,485**
Cash	80,849			(1,190)	44,360
Amounts receivable for sales	2,642				5,820
Investment income accrued	5,409				4,330
Property rental debtors	648				780
Amounts payable for purchases	(1,982)				(708)
Property creditors	(2,507)				(2,466)
Total Net Investments	**2,542,985**			128,241	**2,697,601**

Analysis of gains/(losses) for the year	**2018/19 £'000**
Realised - Profit and losses on disposal of investments	68,286
Unrealised - Changes in the market value of investments	59,955
	128,241

NOTE 10(e): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2019		31 March 2020	
		£'000	%	£'000	%
Investments Managed by Border to Coast Pensions Partnership Ltd					
Border to Coast UK Equity Fund	Equities	268,002	9.9%	223,894	8.7%
Border to Coast Global Equity Alpha Fund	Equities	-	-	472,433	18.4%
Border to Coast Cumbria LP	Infrastructure Funds	-	-	6,480	0.3%
Border to Coast Cumbria LP	Private Equity Funds	-	-	4,742	0.2%
	Managed by Pool	**268,002**	**9.9%**	**707,549**	**27.6%**
Investments Managed outside Border to Coast Pensions Partnership Ltd					
Legal & General Policy No. 1	Equities, bonds, cash	401,853	15.0%	103,227	4.0%
Legal & General Policy No. 2	Index-linked bonds	388,496	14.4%	497,344	19.4%
Legal & General Policy No. 3	Global equities	124,877	4.6%	144,303	5.6%
Legal & General Passive Currency	Currency overlay	(5,352)	-0.2%	(1,426)	-0.1%
Aberdeen Standard Investments	UK corporate bonds	178,252	6.6%	179,370	7.0%
Aberdeen Standard Investments	Direct property	163,091	6.0%	156,758	6.1%
JP Morgan	Infrastructure	121,907	4.5%	121,897	4.8%
CQS	Multi Asset Credit	-	-	100,000	3.9%
Apollo	Multi Asset Credit	-	-	90,195	3.5%
Partners Group	Private Market Credit	24,298	0.9%	52,133	2.1%
Partners Group	Infrastructure	49,954	1.9%	52,025	2.0%
Barings	Private Loan Fund	42,130	1.5%	45,746	1.8%
M&G	Property Fund	39,867	1.5%	40,022	1.6%
Aviva	Property Fund	37,960	1.4%	38,861	1.5%
Insight Investments	Fixed income/cash	60,029	2.2%	37,690	1.5%
Unigestion	Secondary Funds	31,144	1.2%	37,204	1.5%
Aberdeen SL Capital	Infrastructure	26,538	1.0%	33,398	1.3%
Strategic cash allocation	Cash	28,197	1.0%	29,354	1.1%
Aberdeen SL Capital	Secondary Funds	20,286	0.8%	22,262	0.9%
Pantheon	Private Equity Funds	13,913	0.5%	23,499	0.9%
Healthcare Royalty Partners	Royalties Fund	17,788	0.7%	21,564	0.8%
BlackRock	Alternatives	19,475	0.7%	17,130	0.7%
M&G	Real Estate Debt	12,897	0.5%	9,714	0.4%
Sales outstanding receivable	Infrastructure	2,370	0.1%	1,510	0.1%
Border to Coast Ltd	Share capital	833	0.0%	833	0.0%
Transition residual	Overseas/UK equities	45	0.0%	799	0.0%
Aberdeen Asset Management	Indirect property	546	0.0%	45	0.0%
Schroders Investment Management	UK equities	84	0.0%	-	-
Loomis Sayles	Global equities	333,604	12.4%	-	-
Nordea	Global equities	294,517	10.9%	-	-
	Outside Pool	**2,429,599**	**90.1%**	**1,855,457**	**72.4%**
Total Net Investments		**2,697,601**	**100.0%**	**2,563,006**	**100.0%**

Border to Coast Pensions Partnership Ltd (BCPP), the company created for the pooling of LGPS investment assets by twelve partner funds including Cumbria LGPS, launched its first investment funds in 2018/19. As shown above, the pool manages 27.6% of Cumbria's investments; i.e. the Border to Coast UK Equity Fund and the Border to Coast Global Equity Alpha Fund, and the pool also manages the Border to

Coast Cumbria Limited Partnership for alternative investments in infrastructure and private equity.

Cumbria LGPS transitioned from its actively managed global equity portfolios with Nordea and Loomis Sayles to receive units in the BCPP Global Equity Alpha Fund in October 2019.

Since 2012, the Fund has been increasing its investment into infrastructure and other alternatives in its strategic asset allocation. The drivers for this change are intended to reduce risk by improving diversification and to generate more stable and / or inflation protected income streams. Following a full Strategic Investment Review in 2019, the Fund has also introduced investments in multi-asset credit.

NOTE 10(f): INVESTMENTS REPRESENTING MORE THAN 5% OF THE NET ASSETS OF THE FUND

It is a requirement of the Pensions SORP and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The occurrences of this within the Cumbria Fund are the three unitised insurance policies held with Legal and General, and the Fund’s investments with the BCPP pool.

The Legal and General holdings are unitised, index-tracking funds and are used as an efficient liquid method of investing in the underlying asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity and as such are easily and readily convertible if required.

In October 2019, Cumbria LGPS purchased units in the Border to Coast Global Equity Alpha Fund, a pooled unquoted investment managed internally by the BCPP Pool.

Holding	31 March 2019 £'000	% of Total Net Investments	31 March 2020 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - UK Equity	268,002	9.9%	223,894	8.7%
Border to Coast Pension Partnership Ltd - Global Equity Alpha	-	-	472,433	18.4%
Investments managed by Border to Coast	**268,002**	**9.9%**	**696,327**	**27.1%**
Policy 1 Legal and General North America Index	177,996	6.6%	-	-
Policy 1 Legal and General Over 5 Yr Index-Linked Gilts Index	92,636	3.4%	94,860	3.7%
Policy 1 Legal and General UK Equity Index	28,839	1.1%	-	-
Policy 1 Legal and General Europe(Ex UK)Equity Index	39,693	1.5%	-	-
Policy 1 Legal and General Japan Index	24,100	0.9%	-	-
Policy 1 Legal and General Other Pacific Basin Index	20,338	0.8%	-	-
Policy 1 Legal and General Sterling Liquidity Fund	18,251	0.7%	8,367	0.3%
Policy 1 Total	401,853	15.0%	103,227	4.0%
Policy 2 Legal and General Over 5 Yr Index-Linked Gilts Index	155,433	5.8%	150,075	5.9%
Policy 2 Legal and General Bespoke	233,063	8.6%	347,269	13.5%
Policy 2 Total	388,496	14.4%	497,344	19.4%
Policy 3 Legal and General FTSE World Equity Index	124,877	4.6%	144,303	5.6%
Investments managed by Legal and General	**915,226**	**34.0%**	**744,874**	**29.0%**
	1,183,228	**43.9%**	**1,441,201**	**56.1%**

Investments managed by Aberdeen Standard Investments shown in Table 10(e) that exceed 5% and are not shown above, relate to segregated mandates where no one underlying holding (i.e. UK Corporate Bond or individual directly held property) is in excess of 5% of the total net assets of the fund.

NOTE 10(g): FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value.

Description of Asset/Liability	Valuation hierarchy	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds*	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives*	Level 2	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
UK and Overseas equity and bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments - UK & overseas equity and unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments - hedge funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Investment Properties: Freehold and leasehold properties and property funds	Level 3	The properties are valued at fair value at the year-end using the investment method of valuation by independent valuers CBRE Ltd in accordance with the *RICS Valuation Global Standards* (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Private/Unquoted equity (Pooled funds in Alternative Assets)	Level 3	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occuring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

* Futures, Derivatives and Options can be either Assets or Liabilities

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above for the Level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of Level 3 investments held at 31 March 2020.

Fair Value – Sensitivity of Asset values at Level 3

	Assessed valuation range (+/-)	Value at 31 March 2020 £'000	Value on increase £'000	Value on decrease £'000
Alternatives - Infrastructure	4.0%	213,800	222,352	205,248
Alternatives - Other	12.1%	538,550	603,715	473,385
Freehold and leasehold property	3.6%	155,700	161,305	150,095
Total		**908,050**	**987,372**	**828,728**

As previously stated at **Note 2.9 f)** in relation to Freehold and Leasehold property the COVID-19 pandemic had a material impact upon economic activity in March 2020. In recognition of this, CBRE has been directed by the Royal Institution of Chartered Surveyors (the RICS) to include a 'Material Uncertainty' clause in all property valuation reports as at 31 March 2020. Further details of this are set out in **note 22** to the Accounts (Critical judgements in applying accounting policies and the use of estimates and uncertainties).

Potential price changes are determined based on the observed historical volatility of the Fund's own asset class returns. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data, means that the period between January and March 2020 which included a significant portion of the volatility related to COVID-19 has been included in the 3 year period being assessed, to develop the volatility percentages. This volatility can be applied to the investment assets of the Fund at the period end in the above table to show the potential increase and decrease of value.

NOTE 10(h): FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair value. Transfers between levels are recognised in the year in which they occur.

To show the liquidity of the assets the Fund holds, under IFRS the valuation of investments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The aim being to show how much can be easily liquidated and thereby readily made available as cash if required with level 1 representing the most liquid and level 3 the most illiquid. This illiquidity assessment is subjective. As with any assessed additional investment risk investors should expect to be rewarded for illiquidity through higher investment returns.

The actuarial valuation of the Fund projects that liabilities exceed assets (**note 23**), therefore there is a need to generate excess returns on investments at an acceptable level of risk. To do this the Fund diversifies across asset classes, managers and products, making use of its strong covenant as an open Public Sector Pension Scheme. As such it can take advantage of the potentially higher returns offered for investing in more illiquid asset classes such as private equity and infrastructure. Thus the liquidity or how easily a financial asset can be quantified at a point in time does not automatically equate to the benefit of it to the Fund, merely how readily it can be realised as cash if required.

Level 1: 9% of Total Investments (2018/19: 31%)
Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 are mainly quoted equity shares, quoted fixed interest securities, quoted index linked securities, cash and unit trusts that can be freely traded in active markets.

These are considered the most reliably quantifiable and easily liquidated i.e. converted into cash, assets carrying the lowest valuation and liquidity risk.

The proportion of assets at level 1 has decreased in 2019/20 following the transition of the Nordea and Loomis global equity segregated portfolios into the Border to Coast Authorised Contractual Scheme (ACS) pooled Global Equity Alpha fund. This transition reduced quoted global equity (level 1), and increased pooled investment vehicles (level 2).

Level 2: 56% of Total Investments (2018/19: 44%)
Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value, the techniques used are based significantly on observable market data.

While these assets are not usually convertible into cash immediately they are still considered to be relatively liquid with easily verified and relatively certain asset pricing of the underlying stocks if not the pooled fund itself.

This includes pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. Though the funds themselves are not traded on active markets, they have pre-set, often weekly trading dates, such that liquidation is relatively easy with a short lead-in time.

Level 3: 35% of Total Investments (2018/19: 25%)
Assets and liabilities at level 3 are those where quoted market prices are not available and at least one input that could have a significant effect on the valuation is not based on observable market data.

For many of these assets prices are not readily quantifiable and they often prove to be the most illiquid. As such they hold both the highest liquidity and valuation risk.

Such investments include unquoted equity investments, limited partnerships and property, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. These estimation techniques are referred to in **Note 2** paragraph 2.9 (c), (d) and (f). The investment may be tied in for some time (in particular with private equity) and withdrawal would take longer than levels 1 or 2. The values of hedge funds are based on the net asset value provided by the fund manager. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Fund.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. Those current & long term assets/liabilities detailed in **Note 10 -** Investment Assets which are not measured at 'fair value through profit and loss' have not been included in this or the following table.

	31 March 2019				31 March 2020			
	Quoted market price	Using observable inputs	With significant unobservable inputs		Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss								
Equities - quoted	611,301	-	-	611,301	-	-	-	-
Equities - unquoted	-	-	833	833	-	-	833	833
Fixed interest securities-Corporate bonds - quoted	170,911	-	-	170,911	173,363	-	-	173,363
Pooled investments - quoted	4,829	-	-	4,829	-	-	-	-
Pooled investments - unquoted	-	1,183,228	518,272	1,701,500	-	1,441,201	752,350	2,193,551
Derivative contracts	-	268	-	268	-	452	-	452
Cash Deposits	47,124	-	-	47,124	45,372	-	-	45,372
Total Financial assets at fair value through profit and loss	**834,165**	**1,183,496**	**519,105**	**2,536,766**	**218,735**	**1,441,653**	**753,183**	**2,413,571**
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	161,280	161,280	-	-	155,700	155,700
Financial liabilities (Derivative contracts) at fair value through profit and loss	-	(5,437)	-	(5,437)	-	(2,369)	-	(2,369)
Total Investments at Fair Value	**834,165**	**1,178,059**	**680,385**	**2,692,609**	**218,735**	**1,439,284**	**908,883**	**2,566,902**
Percentage of Total Investments	**31%**	**44%**	**25%**	**100%**	**9%**	**56%**	**35%**	**100%**

NOTE 10(i): RECONCILIATION OF FAIR VALUE MEASUREMENT WITHIN LEVEL 3

The following table sets out the reasons for movement in the valuations within the Fund's assets categorised at level 3. More information regarding transfers is provided below the table as appropriate. Unrealised and realised gains and losses are recognised in the 'profit and losses on disposal and changes in market value of investments' line of the Fund Account.

10. THE PENSION FUND ACCOUNTS

Period 2019/20	Market value 1 April 2019 £'000	Transfers into level 3 £'000	Transfers out of level 3 £'000	Purchases during the year and derivatives payments £'000	Sales during the year and derivatives receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Market value 31 March 2020 £'000
Unquoted Equities	**833**	-	-	-	-	-	-	**833**
Private/Unquoted equity (Pooled funds in Alternative Assets)	**518,272**	-	-	308,205	(74,085)	9,926	(9,968)	**752,350**
Investment Properties	**161,280**	-	-	12,408	(5,712)	3,108	(15,384)	**155,700**
	680,385	**-**	**-**	**320,613**	**(79,797)**	**13,034**	**(25,352)**	**908,883**

NOTE 11: FINANCIAL INSTRUMENTS

Accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses, including fair gains and losses, are recognised. Investment property is not a financial instrument and as such does not feature in any but the first of the following tables. The following table analyses the fair value amounts of financial assets and liabilities by category, and the net gains and losses. No financial assets were reclassified during the accounting period.

The Net Assets of the Fund can be classified as Financial Instruments and Investment Property as follows:

	31 March 2019 £'000	31 March 2020 £'000
Financial Instruments	2,538,341	2,414,568
Statutory debts / liabilities & provisions	3,139	3,610
Investment Property	161,280	155,700
Net Assets of the Fund	**2,702,760**	**2,573,878**

NOTE 11(a): CLASSIFICATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The following table analyses the carrying amount of financial instruments by category and net asset statement heading. No financial instruments were reclassified during the accounting period to 31 March 2020.

10. THE PENSION FUND ACCOUNTS

	31 March 2019				31 March 2020			
	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CLASSIFICATION								
Financial Assets								
Investments								
Equities	612,134	-	-	612,134	833	-	-	833
Fixed interest securities (corporate bonds)	170,911	-	-	170,911	173,363	-	-	173,363
Pooled investment vehicles	1,706,329	-	-	1,706,329	2,193,551	-	-	2,193,551
Derivative contracts	268	-	-	268	452	-	-	452
Cash deposits	-	47,124	-	47,124	-	45,372	-	45,372
Investment receivables/debtors	-	10,930	-	10,930	-	6,778	-	6,778
Current & long-term assets	-	691	-	691	-	637	-	637
	2,489,642	58,745	-	2,548,387	2,368,199	52,787	-	2,420,986
Financial Liabilities								
Derivative contracts	(5,437)	-	-	(5,437)	(2,369)	-	-	(2,369)
Investment payables/creditors	-	-	(3,174)	(3,174)	-	-	(3,028)	(3,028)
Current/long-term liabilities	-	-	(1,435)	(1,435)	-	-	(1,021)	(1,021)
Total Financial Instruments	2,484,205	58,745	(4,609)	2,538,341	2,365,830	52,787	(4,049)	2,414,568
ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH								
Financial Assets	134,933	-	-	134,933	(125,662)	-	-	(125,662)
Financial Liabilities	(5,437)	-	-	(5,437)	(2,369)	-	-	(2,369)
Total Net Gains/(Losses)				129,496				(128,031)

The values shown in the above table for 'Assets at amortised cost' and 'Financial liabilities at amortised cost' are equivalent to the fair value.

NOTE 12(a): LONG TERM ASSETS

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31 March. The following table shows those expected to be realised more than twelve months from the Net Assets Statement date.

	31 March 2019 £'000	31 March 2020 £'000
Long Term Debtors		
Long term debtors - contributions	-	-
Long term debtors - employer exit	328	-
Total Long Term Assets	**328**	**-**

'Long-term debtors – employer exit' is the debt due from the Ministry of Justice in transferring the Cumbria Magistrates Courts to central government, and as these payments were received in ten annual instalments, the final instalment of £0.328m (received in April 2020) is shown within 'Employer exit from the scheme due < 1 year' (see Note 12(b)).

NOTE 12(b): CURRENT ASSETS

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2019 £'000	31 March 2020 £'000
Cash balances	**2,764**	7,646
Current Debtors		
Contributions due	2,796	3,649
Employer exit from scheme due < 1 year	328	328
Miscellaneous	1,168	963
Total Current Debtors	**4,292**	**4,940**
Total Current Assets	**7,056**	**12,586**

Cash balances held by the Administering Authority are variable as the need arises to have cash available for deployment into new investments.

Contributions due at 31 March vary from year to year, depending on the actual dates that payments are made by employers in respect of contributions and in settlement of invoices.

NOTE 13(a): LONG TERM LIABILITIES

The Fund had no long term liabilities in 2018/19 or 2019/20.

NOTE 13(b): CURRENT LIABILITIES

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2019 £'000	31 March 2020 £'000
Current Creditors		
Investment Managers fees	900	376
Tax payable	703	693
Interest provision on long-term debt	87	-
Miscellaneous	535	645
Total Current Liabilities	**2,225**	**1,714**

NOTE 14: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk. These risks are a function of investing and cannot be completely avoided. They are however closely monitored and where possible appropriate mitigation methods are used to limit the Fund's exposure.

The following table presents a summary of financial risks to provide an overview of the different types of risks that apply to the assets categories held by the Fund, with the corresponding values of those assets to provide context. The darkness of each marker against the asset categories indicates the varying degree to which the respective risk affects the different assets and thereby allow for comparison.

Summary of Financial Risks	Credit Risk	Market Risk				2018/19 £'000	2019/20 £'000
		Foreign Exchange	Interest rate	Liquidity	Other risks		
UK Equities	◐	◐	◐	○	◐	334,455	224,727
Overseas Equities	◐	●	◐	○	◐	966,352	616,736
UK Bonds	◐	◐	●	○	◐	164,494	166,503
Overseas Bonds	◐	●	●	○	◐	6,417	6,860
Index Linked Gilts	○	○	◐	○	◐	494,170	495,549
Property *	◐	○	◐	●	◐	161,280	155,700
Alternative Investments	◐	◐	◐	●	◐	518,272	752,350
Derivatives**	◐	●	○	○	◐	(23,706)	(1,917)
UK Cash	◐	○	◐	○	◐	49,313	132,815
Overseas Cash	◐	●	◐	○	◐	21,562	17,579
Total Investments at Fair Value						**2,692,609**	**2,566,902**

In the above table the risks noted effect the asset class either:

○ Minimally ◐ Partially ● Significantly

* Property is not a Financial instrument, it has been included above to provide a complete picture of investment assets.

** Derivatives shown above detailed in Note 10c together with associated accruals.

Overall Procedures for Managing Risk

The principal powers under which an LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016[1] and require an Administering Authority to invest any pension scheme money that is not needed immediately to make payments from the Fund. These regulations require the Fund to formulate a policy for the investment of its Fund money. Cumbria LGPS practices are outlined in the Fund Policy Document and can be found on-line on the Cumbria LGPS website under 'Key Cumbria LGPS Documents'.

With regards to investing, to minimise risks in this area the Administering Authority's risk management procedures focus on the unpredictability of financial markets, implementing operating restrictions on managers and diversification across the managers and asset classes within the portfolio.

The Fund annually reviews its policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. These are detailed in the Fund's Investment Strategy Statement which was last reviewed in March 2020.

The Investment Strategy Statement (ISS) and the Cash Investment Policy can both be found in the Fund Policy Document published on-line, on the Cumbria LGPS website under 'Key Cumbria LGPS Documents'.

The Fund keeps its Investment Strategy under continual review. Local Government Pension Schemes have a long term liability profile, and their investment strategy should be undertaken with a view to matching this. Switching asset allocations is expensive, resource intensive and time consuming. While annual review to keep abreast of trends in market conditions and liability profiles (e.g. discounted future pensions payments) is appropriate, a more detailed review, leading to material changes in asset classes should only be undertaken every 3-7 years.

The Fund had an 'equity protection' overlay in place from early April 2018. This was designed to mitigate the risk of increased employer contributions at the 2019 valuation. This objective was achieved and the protection was exited at the end of February 2020 in conjunction with a planned reduction of the Fund's listed equity holdings.

A full Strategic Investment Review was undertaken in 2019/20 following the results of the Triennial Actuarial Valuation of the Fund, which reported a 98.9% funding level (as at 31 March 2019). Undertaking this review ensures the Fund fully considers the risk being taken within the investment portfolio, and therefore challenges its ability to meet the Actuarial objectives of the Fund.

The other key elements considered in the Strategy Review, and in the design of the Fund's strategic asset allocation, were:

---

[1] Implemented in November 2016 to update the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009.

- Return generation – the Fund needs to continue to generate sufficient return to meet its liabilities.

- Stability for employers - a strategy needs to deliver both a return in line with the funding strategy and reduced volatility to help protect those employers with lower funding levels and are more vulnerable to sudden changes in employer contributions.

- Inflation risk – the Fund's inflation-linked discount rate means that it is largely protected against day to day inflation volatility, however the Fund requires assets that are linked to inflation e.g. long lease property, index-linked gilts and infrastructure equity/debt, to maintain its strong funding position.

- Volatility risk - equities are expected to produce good returns over the long term and provide a good source of liquidity, but are volatile and so the Fund favours assets with a similar expected return but less volatility.

- Illiquidity premium – the Fund is long-term and can lock up capital for longer to take advantage of the additional premium this offers. The Strategy seeks to increase the Fund's exposure to less liquid assets in order to benefit from the illiquidity premium.

The targeted investment asset allocation is specified in the Fund's Investment Strategy Statement, which has been agreed by the Pensions Committee, and also includes a section detailing the Fund's Investment Beliefs.

The Pensions Committee review the total Fund investment performance against its bespoke total benchmark return. Individual managers' performance is monitored by the Investment Sub Group and reported by exception to the Pensions Committee quarterly, enabling Committee time to focus on more strategic issues such as risk and wider governance. Performance of the external Investment Managers is compared to both benchmark and target returns, and against a wider set of metrics. The Investment Sub Group and associated governance processes have been developed and strengthened over the 7 years it has been in place. The process continues to evolve and allows the Fund to enhance its governance and monitoring while nimbly taking investment decisions facilitating the continued move towards new asset classes.

As a further control, a substantial amount of due diligence is performed at the appointment stage both by Officers and the Fund's independent investment advisors and / or consultants to ascertain managers' risk control, audit and monitoring procedures.

Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing. Consequently the risk of loss is implicitly provided for in the carrying values of the Fund's financial assets and liabilities. In addition to this, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund has had no experience of default or uncollectable deposits over recent years.

Through review of annual internal control reports from the Fund's external Investment Managers the Fund monitors its exposure to credit and counterparty risk. This review is aimed at ensuring that Managers exercise reasonable care and due diligence in its activities on behalf of the Fund.

All derivative transactions incorporate a degree of credit risk. The longer the term of a transaction, the greater the potential for change in market value, and the greater the credit risk. In relation to forward currency contracts and the stock lending programme there are two elements to this: counterparty risk and settlement risk.

The Fund's cash and cash-like holdings as at 31 March 2020 were £7.646m (2018/19: £2.764m) within current assets (see **Note 12(b)**), and £37.726m (2018/19: £44.360m) shown as cash within investments (see **Note 10**). In addition to this, in 2019/20 £105.022m (2018/19: £22.939m) of the Fund's holding in unitised insurance policies shown in **Note 10a** under pooled investments. These funds were held in cash awaiting drawdowns for new investments. The credit ratings of the accounts and funds were as follows:

Cash and Cash Equivalents	Rating at 31 March 2020	Balances as at 31 March 2019	Balances as at 31 March 2020
Money Market Funds			
SSGA GBP Liquidity Fund	AAA	15,708	14,099
SSGA EUR Liquidity Fund	AAA	15,862	234
SSGA USD Liquidity Fund	AAA	2,409	15,018
Legal & General Sterling Liquidity Fund	AAA	22,939	105,022
Aberdeen Standard Sterling Liquidity Fund	AAA	1,502	3,703
Federated Short Term Prime Fund	AAA	1,003	3,403
Standard Life Euro Liquidity Fund	AAA	111	-
Bank deposit accounts			
National Westminster Bank	A+	259	541
Bank current accounts			
State Street Bank & Trust	AA-	3,475	2,864
Barclays Bank	A+	3,497	2,112
Northern Trust	AA-	812	-
Short Term Deposit			
Cash Collateral Swaps		(110)	600
The Bank of New York Mellon call account	AA	3,408	2,798
Total		**70,875**	**150,394**

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk reflects interest rate risk, currency risk and other price risks.

The Fund is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Fund's assets failing to deliver the returns required to match the underlying liabilities of the Fund over the longer term.

To mitigate against market value risk, the Fund has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. Details can be found in the Fund's Investment Strategy Statement (ISS). The Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic / political regions within each asset class.

Mitigation against market risk is also achieved by diversifying across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

To increase diversification across the Fund and, amongst other things, further reduce the Fund's overall market risk, the Investment Strategy includes alternative asset classes (e.g. infrastructure, real estate debt, private equity secondary funds, royalties, private market loans) which the Fund is now investing in. In addition, to mitigate the risk of increased employer contributions at the 2019 valuation, the Fund implemented an 'equity protection' overlay in April 2018 as a temporary measure. The protection was exited before 31 March 2020 in conjunction with a planned reduction of the Fund's listed equity holdings.

Market Risk – Sensitivity Analysis

The Fund's funding position is sensitive to changes in equities (which affect the net assets available to pay benefits) and the Consumer Price Index (CPI) (which affect the value placed on the Fund's liabilities). The valuation of liabilities is based on a CPI+ model in the 2019 actuarial valuation.

Potential price changes are determined based on the observed historical volatility of the Fund's own asset class returns. Historical evidence suggests that 'riskier' assets such as equities are expected to display greater potential volatility than bonds as an example. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data, means that the period between January and March 2020 which included a significant portion of the volatility related to COVID-19 has been included in the 3 year period being assessed, to develop the volatility percentages. This volatility can be applied to the investment assets of the Fund at the period end in the following table to show the potential increase and decrease of value.

Market Risk - Sensitivity Analysis	2019/20 £'000	% Change	Value on Increase	Value on Decrease
UK Equities	224,727	14.0%	256,189	193,265
Overseas Equities	616,736	12.9%	696,295	537,177
Fixed interest securities (corporate bonds)	173,363	5.9%	183,591	163,135
Index Linked Gilts	495,549	17.8%	583,757	407,341
Alternatives - Infrastructure	213,800	4.0%	222,352	205,248
Alternatives - Other	538,550	12.1%	603,715	473,385
Property	155,700	3.6%	161,305	150,095
Cash	150,394	0.6%	151,296	149,492
	2,568,819		**2,858,500**	**2,279,138**

Foreign Exchange Risk

The Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31 March 2020, the Fund had overseas investments (excluding forward foreign exchange contract) of £928.188m and £17.579m cash denominated in currencies other than sterling.

To assess the risk the Fund is exposed to as a result of holding these currencies, taking into account information provided by Pensions & Investment Research Consultants Ltd (PIRC), it is considered that the movements shown below are a reasonable measure to apply to the currencies. The potential volatilities represent a one standard deviation movement in the volatility of currencies over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data means that the period between January and March 2020 which included a significant portion of the volatility related to COVID-19 has been included in the 3 year period being assessed to develop the volatility percentages.

The impact of these movements in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £68.948m, or 2.7% of the Fund's total value.

Foreign Exchange - Sensitivity Analysis	2019/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	568,040	8.5%	616,324	519,756
European currency denominated assets	210,324	6.3%	223,575	197,074
Other currency denominated assets	100,189	7.4%	107,602	92,775
UK assets within Global equity funds	67,214		67,214	67,214
	945,767		**1,014,715**	**876,819**

Foreign Exchange – Derivative Contracts

One way for pension schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is common for LGPS's to hedge 50% of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset.

The Cumbria Fund, in line with common practice across the LGPS, has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Fund's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

As at 31 March 2020, the Fund had both open over-the-counter forward foreign exchange contracts, and exchange traded futures contracts. See **Note 10(c)** for an analysis of these contracts.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates increased to 0.75% in August 2018, until, March 2020 when it became clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. The real interest rate risk is that rates will rise further, causing the value of bonds and bond funds to fall.

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Therefore a 0.50% change in interest rates will increase or reduce the Fund's return by £4.916m (2018/19 £4.416m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2019 £'000	31 March 2020 £'000
Fixed interest securities (including pooled investments)	665,081	668,912
Cash and cash equivalents	11,341	8,915
Money market funds and pooled cash vehicles	59,534	141,479
	735,956	**819,306**

Liquidity Risk

Liquidity Risk is the risk that the Fund will not be able to meet its financial obligations when they fall due.

The main liquidity risk for the Fund is not having monies available to meet commitments to make pension payments to members as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Fund to ensure its obligations can be covered.

As part of both the Triennial Valuation and the investment reviews, Fund membership and projected maturity profiles are reviewed. Currently the Fund is cash positive (i.e. it collects more in annual income from contributions and investment than it requires to fulfil all obligations).

In 2019/20, as in past years, the Fund experienced a contribution cash deficit, i.e. the income received from contributions from members and employers was less than payments paid to members, this is expected in years that are not at the start of the valuation cycle where 'up-front' contributions are often made by some of the larger employers.

On advice from the Fund's Actuary it is projected that the Fund will remain cash positive (including yield from investments) for the medium term. However this will be kept under active review and reassessed in the next Actuarial Valuation.

Note 10(h) explains the Fair Value hierarchy and how the Fund holds a large value of very liquid securities which could be promptly realised if required (levels 1 and 2). As at 31 March 2020 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £1,658.019m, i.e. 65% of net assets (31 March 2019 £2,012.224m, 75%). The value of the illiquid assets including investment properties was £908.883m which represented 35% of net assets (31st March 2019 £680.385m, 25%).

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Fund's investments are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

A maturity analysis for investment liabilities (all of which are derivatives) is shown in **Note 10(c)**. The current liabilities of the Fund (see **Note 13(b)**) are all due within 12 months from the Net Assets Statement date. The long term liabilities of the Fund (see **Note 13(a)**) consisted of the interest provision on the Ministry of Justice 'long term debtor – employer exit' until it matured in April 2020. The Fund has no long term liabilities over 12 months.

Counterparty Risk

The principal mitigation of the counterparty risk on a foreign currency trade is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by the managers' as part of their oversight of risks. Subject to overriding requirements as our fiduciary agent to demonstrate best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- previous dealing experience of the counterparty,
- level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks,
- the bank's position in the market for sourcing PFI, corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty.

As part of the managers credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis. In addition, more formal review takes place via quarterly meetings which can be convened at very short notice to meet any particular demands (as was the case, for example, in the Lehman crisis, when it met daily).

Settlement Risk

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Fund has delivered payment but before the counterparty has delivered its payment then there would be a small time-limited risk of payment versus non-payment. This occurs when a party faces possible loss between the time a settlement payment is made and a payment is received on the same business day. This risk is more frequent in exchange of different currencies. The manager applies operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

There is no movement of principal capital; the credit exposure to either party is represented by the profit or loss on the positions at that point in time i.e. £1.917m loss on the currency derivatives at 31 March 2020 (see **note 10c**).

As currency movements can be quite volatile positions can change from day to day quite significantly. It is difficult to approximate the size of the risk using historical currency movements, as these cannot be relied upon as a guide to future movements.

Unquoted Investments

The Fund holds significant amounts of unquoted securities, and has increased since the pooling of investment assets in the LGPS and the creation of the BCPP pool to do so. It is also due to the fact that the unitised insurance policy held by the passive manager, Legal and General, is invested in unquoted, unitised, index-tracking funds, used as an efficient liquid method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as bonds and equity.

As indicated in **Note 9** the Fund has been increasing its allocation to unquoted pooled investment vehicles including infrastructure, pooled property funds, private loan funds, opportunistic investments and other pooled investments. These provide an efficient method of accessing exposure to these assets for a fund of Cumbria’s size.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March. Unquoted pooled investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. The valuations are audited for each investment manager by their respective auditors and reported to the Fund as clients.

The unquoted investments held at 31 March 2020 are as follows:

Asset Class	2018/19 £'000	2019/20 £'000	Manager	Holding Details
Pooled investment vehicles				
Managed by Pool	268,002	696,327	Border to Coast	UK equity fund.
Unitised insurance policies	915,226	744,874	Legal and General	Index tracking funds.
Other managed funds	121,907	121,897	JP Morgan	Infrastructure fund.
	-	100,000	CQS	Multi Asset Credit
	-	90,195	Apollo	Multi Asset Credit
	24,298	52,025	Partners Grp	Private Market Credit
	49,954	52,133	Partners Grp	Infrastructure fund.
	42,130	45,746	Barings	Global private loan fund.
	39,867	40,022	M&G	Long-lease property fund.
	37,960	38,861	Aviva	Long-lease property fund.
	60,029	37,690	Insight	Fixed Income funds.
	31,144	37,204	Unigestion	Secondary private equity funds
	26,538	33,398	Aberdeen SLC	Infrastructure fund.
	20,286	22,262	SL Capital	Secondary private equity funds
	13,913	23,499	Pantheon	Private Equity funds.
	17,788	21,564	HRP	Healthcare Royalties Partners Fund.
	19,015	14,873	BlackRock	BlackRock in-house funds.
	12,897	9,714	M&G	Real estate debt funds.
	-	6,480	Border to Coast	Infrastructure Funds
	-	4,742	Border to Coast	Private Equity Funds
	546	45	Aberdeen	Overseas property funds (ex-BlackRock).
UK equity unquoted	833	833	Border to Coast	Company share capital.
	1,702,333	**2,194,384**		

NOTE 15: ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of three independent AVC scheme providers. To comply with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the transactions are treated separately to the Fund's accounts and therefore do not form part of these accounts.

The three providers offered are Prudential, Standard Life and Scottish Widows. The Fund gives no guarantee of investment performance of the providers and makes no contribution to the employees' funds. The previous scheme on offer to employees was the Equitable Life Assurance Society but in December 2000 it stopped accepting new business. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

The values of the three active schemes for Cumbria LGPS, along with the value of Equitable Life and Utmost Life, are shown below:

	2018/19 £'000	2019/20 £'000
Standard Life	1,003	895
Scottish Widows	1,128	919
Equitable Life	671	-
Utmost Life	-	577
Prudential	1,235	1,386
Total AVCs	**4,037**	**3,777**

AVC contributions of £0.528m were paid directly from employees pay to the providers during the year (2018/19: £0.685m).

Members have the option of contributing to the various Schemes offered by their chosen provider. The purpose of contributions paid by a member is the securing of a pension at retirement, usually by taking a lump sum payment, buying an annuity or transferring the investment into the main Scheme. The investment could be realisable earlier in the event of a member's death before retirement.

NOTE 16: RELATED PARTY TRANSACTIONS

In day-to-day operations the Fund has many transactions with Cumbria County Council as the Administering Authority of the Fund, including the pension contributions as an employer, payments on the Fund's behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The Fund has not, for example, invested in schemes of economic regeneration sponsored by any of the employing bodies including Cumbria County Council.

There are normal transactions with all the employers who have members in the Fund, who may be regarded as related parties, predominantly relating to employee and employer contributions. These transactions are reported as part of the income and expenditure statements.

Border to Coast Pension Partnership Ltd (BCPP)

As detailed in section 1(d) of the accounts, in 2017/18 the Fund became a partner in BCPP as its chosen route to pool investment assets across the LGPS. BCPP is the organisation set up to run pooled LGPS investments for the Fund and 11 other Pension Funds. The company is a private limited company limited by shares and its company number is 10795539. BCPP was incorporated in May 2017 and issued 12 £1 A

Ordinary shares. The shares have full voting rights, dividend and capital distribution rights. Cumbria County Council as Administering Authority for the Cumbria Local Government Pension Scheme holds £1 of A Ordinary share capital. For accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

There are no material transactions in respect of related parties requiring separate reporting for 2019/20.

Senior employees of the main Employer organisations within the Cumbria Local Government Pension Scheme (LGPS), Members of the Cumbria Pensions Committee and Cumbria Local Pension Board, and senior officers with significant influence on the Fund were asked to complete a declaration on related parties. An examination of the returns for 2019/20 reveals that there were no material transactions between the members/officers and their families affecting involvement with the Fund. Each member of the Pension Committee formally considers conflicts of interest at each meeting and the outcome is declared in the public minutes. Any transactions as have been identified are either non-material or are associated with the normal activities of the individuals in question.

Related parties returns are sent to the main employer organisations, and the aim is for receipt of returns to cover 85% of the active membership. This target has been achieved in 2019/20.

Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit (England) Regulations 2015) satisfy the key management personnel disclosure requirements of paragraph 17 of IAS 24. This applies equally to the accounts of Cumbria Local Government Pension Scheme.

The Fund does not employ any staff directly. Cumbria County Council employs the staff involved in providing the duties of the Administering Authority (excluding the pensions administration service which is provided by 'YPS') for the Fund. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers' remuneration disclosure in the notes to the Cumbria County Council Annual Financial Report 2019/20 (see **Note 13 to those statements**).

In the interests of transparency the Fund has incorporated disclosure of the remuneration of Senior Officers employed by Cumbria County Council and elected Members who have responsibility of the management of the Fund to the extent that they have power to direct or control the major activities of the Fund (in particular activities involving the expenditure of money) whether solely or collectively with other persons.

Notes on below table:

- Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.

- Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2019/20 the Council's mileage rate was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2019/20

- Cumbria County Council's Employer's Future Service Rate – LGPS 14.9% (current service cost).

- Time spent on LGPS – as noted above no officers are employed by Cumbria LGPS. The Fund is therefore charged by Cumbria County Council for the time spent by officers undertaking Scheme work. These percentages are the time spent by Senior Officers during 2019/20 on Cumbria LGPS specific work.

- During 2019/20, in addition to the Remuneration of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS, one officer (1FTE) (2018/19:1FTE) received remuneration in the £55,000 - £59,999 range however the remuneration of this Officer in respect of work undertaken on behalf of the Fund was less than £50,000 during the year.

- From May 2017, the Chair of the Cumbria Pensions Committee has been entitled to a special responsibility allowance. In 2019/20 this allowance was £7,158. This cost is charged to Cumbria LGPS.

- Other Members of the Pensions Committee and Local Pension Board are not remunerated for their attendance.

2019/20 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS:

Post Title	**Salary recharged to Cumbria LGPS** £	**Total Remuneration excluding pension contributions recharged to Cumbria LGPS** £	**Employer's Pension contributions recharged to Cumbria LGPS** £	**Total Remuneration including pension contributions recharged to Cumbria LGPS** £
Director of Finance (S151 Officer)	12,855	12,855	1,915	14,770
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)	49,853	49,853	7,428	57,281
	62,708	**62,708**	**9,343**	**72,051**

2018/19 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS:

Post Title	**Salary recharged to Cumbria LGPS** £	**Total Remuneration excluding pension contributions recharged to Cumbria LGPS** £	**Employer's Pension contributions recharged to Cumbria LGPS** £	**Total Remuneration including pension contributions recharged to Cumbria LGPS** £
Director of Finance (S151 Officer)	12,469	12,469	1,858	14,327
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)	48,135	48,135	7,172	55,307
	60,604	**60,604**	**9,030**	**69,634**

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund has given termination notice to end the Investment Management Agreement with Aberdeen Standard Investments for the Fund's corporate bonds portfolio. The exit from the portfolio will be underway following the year-end. There are no contingent liabilities or other outstanding contractual commitments at 31 March 2020.

NOTE 18: CONTINGENT ASSETS

Tax Reclaims

Cumbria Pension Fund has potential claims against HM Revenue and Customs and some European countries for tax withheld on foreign income dividends. A leading professional services firm, acting on behalf of the Cumbria Fund, has continued to pursue these claims during 2019/20. The estimated value of claims still outstanding is £4.029m (value in GBP at 31 March 2020, including MOD claim of £0.914m as mentioned below).

These claims are made on the basis that within the European Union all member states should enjoy the same status. In respect of tax, resident investors should not be treated differently from non-residents. There have been some notable court cases such as Manninen and Fokus, *EU Commission v Germany, Santander, and EU Commission v Portugal* that have added to the strength of the argument. There were no repayments during 2019/20 and progress has slowed for Fokus Bank (withholding tax) claims in France, Germany and Italy and for Foreign Income (FID) and Tax Credit (Manninen) Group Litigation whilst the application of and appeal against time limit decisions are debated. Following a recommendation from the professional services firm acting on our behalf, the Cumbria Fund took action to refresh the Italian claims to avoid the claim lapsing on a technicality after ten years with no response from the Italian Tax authorities, the refresh was successfully completed in February 2020. Whilst it is prudent for the Cumbria Fund not to make any assumptions, settlements previously received from other European countries lend some optimism as to the success of recovering additional income for the Fund in the future.

Claims have also been registered in the High Court for potential tax recovery from HMRC in respect of manufactured overseas dividends (MOD's) on equity stock lent out through the stock lending programme. The total claim value is in excess of £0.914m, although no accrual has been put in the accounts as the outcome is uncertain. Work was undertaken during 2019/20 to protect the Fund's MOD claims from being invalidated in the event of a "no deal" Brexit. The claim value is now protected should the UK fail to negotiate a deal with the European Union before 31 December 2020.

The fees incurred to date for all the above tax claims regardless of the outcome total £0.500m, and have been charged as expenditure to the fund account in the appropriate accounting period.

Class Actions

Where shareholder value has been eroded by wrongful action by company directors, sometimes it is possible for monies to be recovered via the courts by a shareholder class action against the company or its directors. The Fund uses Institutional Protection Services Ltd to monitor these class actions. The Fund will seek to recover any significant monies due where professional advice has been received detailing that the probability of success is believed to outweigh the additional cost of doing so.

NOTE 19: IMPAIRMENT LOSSES

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2019/20 are considered to be recoverable with no further impairment beyond the existing provision for credit losses or bad and doubtful debts.

There were no impairments of investments during 2019/20.

Financial Assets That Are Past Due As At 31 March But Not Impaired:

The Fund generally allows a payment period of 30 days. Included within the £4.940m (£4.292m at 31 March 2019) of current debtors (see **Note 12(b)**) is £0.016m of debtors aged between two and six months (£0.034m at 31 March 2019) and £0.075m of debtors aged greater than six months (£0.040m 31 March 2019).

NOTE 20: STOCK LENDING

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). The stock lending program is being wound down following the transition of the Fund’s active global equity to BCPP and the planned sale of the Fund’s corporate bond portfolio.

The value of securities on loan as at 31 March 2020 has reduced in comparison to prior years primarily following the transition of assets away from segregated mandates with Loomis Sayles and Nordea (where the Fund is the asset owner and can therefore stock lend) to a unitised holding of Global Equity with BCPP (where the Investment Manager is the asset owner). Within the BCPP UK and Global equity sub-funds that the Fund has subscribed to, BCPP do actively participate in stock lending and the income from this forms part of the return on that holding.

Securities on loan at the 31 March 2020 of £0.773m (2018/19: £9.232m) are included in the net assets statement to reflect the Fund’s continuing economic interest in the securities, and consist of £0.043m UK corporate bonds and £0.730m overseas corporate bonds (2018/19: £0.150m UK equities, £9.082m overseas equities). The related collateral totalled £0.812m (2018/19: £9.483m), consisting £0.745m overseas corporate bonds and £0.067m UK corporate bonds (2018/19: £9.326m overseas bonds, £0.157m UK equities).

For the year to 31 March 2020, the Fund earned income of £0.012m (2018/19 £0.090m) through stock lending of the various assets (as detailed in **Note 9**).

NOTE 21: EVENTS AFTER THE REPORTING DATE

The valuation of assets held within the Fund continued to be volatile after the end of the 2019/20 financial year as global markets responded to the on-going COVID-19 pandemic. This remains an ongoing issue and the impact on the Fund will continue to be assessed up until the publication of the audited accounts.

In May 2020, the merger of Northumberland Pension Fund and Tyne and Wear Pension Fund, two of the twelve partners in BCPP, was approved by Government (following a consultation issued by the Ministry of Housing, Communities & Local Government (MHCLG)). The statutory instrument to implement the changes was laid before Parliament on 14 May 2020 and came into force on 3 June 2020. The merger has required a number of actions by partner funds and by BCPP, including the repayment of share capital to Northumberland and the request for the remaining eleven shareholders (including Cumbria) to provide additional regulated capital. Work to complete this is currently underway. Pensions Committee were last updated on the progress of the merger in March 2020 and future significant updates will continue to be reported to Members.

There have been no other material events after the reporting date that are required to be taken into account in the financial statements.

The Fund's Investment Strategy is positioned to absorb downside risk as well as being targeted at achieving long-term stability and asset growth. This is achieved by diversification across the portfolio (e.g. between asset classes, sectors, risk appetite and geographic regions).

NOTE 22: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND THE USE OF ESTIMATES AND UNCERTAINTIES

In applying the policies, the Fund has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- the wider Local Government Pensions Scheme and specifically the Cumbria Fund will continue in operational existence for the foreseeable future as a going concern;
- No investments are impaired (further detail on the investment strategy and approach to managing risk in **Note 14**); and
- The impact of the COVID-19 pandemic on the valuation of the Fund's 'level 3' assets (as defined in **note 10(h)**).

10. THE PENSION FUND ACCOUNTS

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in **Note 2**: Summary of Significant Accounting Policies, and Fair Value narrative in **notes 10(g) and 10 (h)**.

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. Pension Fund Accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed in the following table:

Item	Uncertainties	Effect if actual differs from assumptions
Market Value of Investments	Investments at Level 1 & 2 - Valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. Investments have been valued at the IFRS accepted method of 'Fair Value' since 2008/09, this being the 'bid price' where possible and therefore there is not expected to be any material uncertainty of the valuation of these assets.	For every 1% increase in market value of all assets, the value of the Fund will increase by approx. £25.630m, with a decrease having the opposite effect. For further information on the Sensitivity of Asset values at Level 3 including property, refer to Note 10(g).
	Investments Level 3 – the hardest to value holdings often do not depend on market forces, but are subject to uncertainties unique to each holding. Valuations are mostly based on future cash flow so will depend on the expectations of the specific income streams and inflation linkage. Property – Fair Value (IFRS 13) valuations use the expected cashflow streams from current leases with reference also to the value of the property on the open market.	Level 3 investments including property – often income will be inflation linked e.g. RPI uplifts, based on throughput e.g. power production or infrastructure usage, or underlying company performance in the case of private equity. If actual outcomes for these variables differ greatly from expectations, valuations can be lower than expected and also higher too. Manager skill and experience is essential in predicting the variables, planning and controlling the outcomes. Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons. For each case the underlying factors would be considered before acceptance or otherwise of the sale.
Pensions Liability	Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases. For further information on the assumptions contained in the Actuarial valuation, and how sensitive the funding position is to changes in those assumptions, please refer to the published Actuarial Valuation report	The effects on the funding level of changes in the individual assumptions can be measured, but interact in complex ways. For instance: • a 1 year increase in life expectancy would result in a £75m increase in deficit shortfall; • a 0.25% reduction in the real investment return achieved would

Item	Uncertainties	Effect if actual differs from assumptions
	which is available on the Fund's website.	result in a £124m increase in the deficit shortfall, or; • a 25% reduction in Asset values would result in a £676m increase in the deficit shortfall; as determined at the 2019 valuation.

Investment in our asset pooling company – Border to Coast Pensions Partnership Ltd (BCPP)

BCPP is the organisation set up to run pooled LGPS investments for 12 Pensions Funds including Cumbria LGPS. The company is a private limited company limited by shares and its company number is 10795539. BCPP was incorporated in May 2017 and issued 12 £1 'A Ordinary' shares. The shares have full voting rights, dividend and capital distribution rights. Cumbria County Council, as Administering Authority for the Cumbria Local Government Pension Scheme, holds £1 of 'A Ordinary' share capital. For accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

This investment has been valued at cost on the basis that fair value as at 31 March 2020 cannot be reliably estimated. Management have made this judgement because:

- Border to Coast Pensions Partnership Ltd (BCPP) became licensed to trade in May 2018;
- The first year of financial accounts for the Company show the shareholder funds to be equivalent to the regulatory capital invested (at cost);
- There is no intention for the company to be profit making and therefore no dividend to shareholders has been declared and there is no expectation of a future dividend being projected.

Directly held property

The Fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants with a variety of rental periods. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 7 and the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on an accruals basis, over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease).

Impact of COVID-19 on the valuation of 'level 3' assets

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors, including property.

In response to this, the Fund's property valuer (CBRE Ltd) has been directed by the Royal Institution of Chartered Surveyors (the RICS) to include a 'Material Uncertainty' clause in all property valuation reports. This is the approach that is being directed nationally by the professional body responsible for promoting and enforcing the standards for property valuations for 2019/20; and this material uncertainty clause is applicable to the Fund's direct and indirect property (including pooled property funds) holdings.

The following explanatory narrative has been summarised from the CBRE Cumbria LGPS Valuation Report 31 March 2020:

> *As at the valuation date, we [CBRE] consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*
>
> *Our valuations are therefore reported on the basis of 'material valuation uncertainty' … Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. …*
>
> *The RICS have directed that the above 'Material Uncertainty' clause be included with all property valuation reports. These are only adopted when market circumstances at the date of the valuation have changed from the period when the comparable transactions on which the valuation is based were concluded. At present we have a situation where some transactions, agreed earlier in the month, are continuing, suggesting that the evidence they offer remains valid. Conversely, there are many transactions that have been either suspended, delayed or abandoned. There is very little indication of any new property being offered for sale in the latter part of March from which the market reaction and pricing can be gauged, hence the adoption of the 'Clause'.*
>
> *The downward trajectory of the stock market, the closure of most retail outlets and the general effect on the economy are leading some commentators to predict a global recession. Short term effect or a deeper malaise is unknown. What we can say however, is that with investors increasingly cautious, property cannot remain unaffected. Although there is no evidence of a fall in values there is sufficient circumstantial evidence for us to consider that the yield, and perhaps rental levels reached earlier [in March 2020] will not be replicated for some time. After consulting widely amongst our clients and competitors, a consensus view was reached that property valuations will need adjusting compared to the evidence as it stood earlier in the month. In the individual valuations … we have deducted one quarter's rent in respect of all retail and leisure properties, extended current and future void periods and adjusted most equivalent or initial yields.*

Valuations for Private Equity investments are usually received a quarter in arrears, but in recognition of the potential significance of market impact from the global pandemic, the Fund has taken steps to ensure these investment are valued at an estimate to the fair value at 31 March, as best as is available at the time of preparation. In light of the impact on economic activity of the lockdown position in many countries, the private equity funds have, where possible, sourced indicative estimates from the underlying fund managers, to produce a provisional March 2020 valuation for investors. Some underlying investments are by the nature of their revenues more resilient than others, e.g. healthcare versus consumer spending. Where estimates have not been available for underlying investments, the relevant managers (Aberdeen Standard and Pantheon) have provided investors with an estimated decrease in valuation due to COVID-19 reflecting an impact similar to that in the public market sector indices. All such estimated decreases are subject to a degree of uncertainty; it is a highly fluid situation and, whilst May saw a recovery of much of the decline in the public markets, returns are still volatile and the economic outlook remains uncertain.

Infrastructure investments have been impacted overall to a lesser degree by the global pandemic, as these include operational assets in renewable and contracted energy, power distribution and utilities. The largest private market investment held by the Fund, £121.897m in JPM Infrastructure Fund, has confirmed its valuation for March 2020 including audited valuations for each underlying portfolio company.

NOTE 23: ACTUARIAL POSITION OF THE FUND

The Fund Actuary assesses the valuation of the Cumbria Local Government Pension Scheme as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

The full Actuarial Valuation Report as at 31 March 2019 is available on the Cumbria LGPS website under 'Key Cumbria LGPS Documents'.

The Scheme Actuary is also required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) to present a statement detailing both the actuarial valuation result and the actuarial value of the Fund's past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26.

The calculation of the liabilities in compliance with IAS 19 uses different assumptions than those used for the valuation basis. For example;

- The IAS 19 valuation calculates growth on the basis of bond yields at balance sheet date. The actuarial valuation, whilst also based on bond yields at balance sheet date, will generally look to dampen the effect of any perceived short term market volatility on yields (i.e. it takes a 'smoothing' approach).
- The IAS 19 valuation calculation requires that all entities assume their pension Fund grows at a standard rate, whereas the actuarial valuation considers the expected investment return of the assets actually held by the Fund, (e.g. IAS 19 requires that all funds use a generic discount rate whereas the discount rate used by the Fund in the actuarial valuation basis reflects the expected investment return based on the unique combination of assets it holds).

10. THE PENSION FUND ACCOUNTS

The table below details the valuation of the assets and liabilities of the Fund using both the valuation basis and the IAS 19 methodology.

	31 March 2019 £'m	31 March 2020 £'m
Valuation Basis		
Present value of past service liabilities	(2,745)	(2,827)
Net assets of the Fund	2,703	2,574
Net liability (Valuation Basis)	**(42)**	**(253)**
IAS 19 Basis		
Present value of past service liabilities	(3,553)	(3,478)
Net assets of the Fund	2,703	2,574
Net liability (IAS 19 Basis)	**(850)**	**(904)**

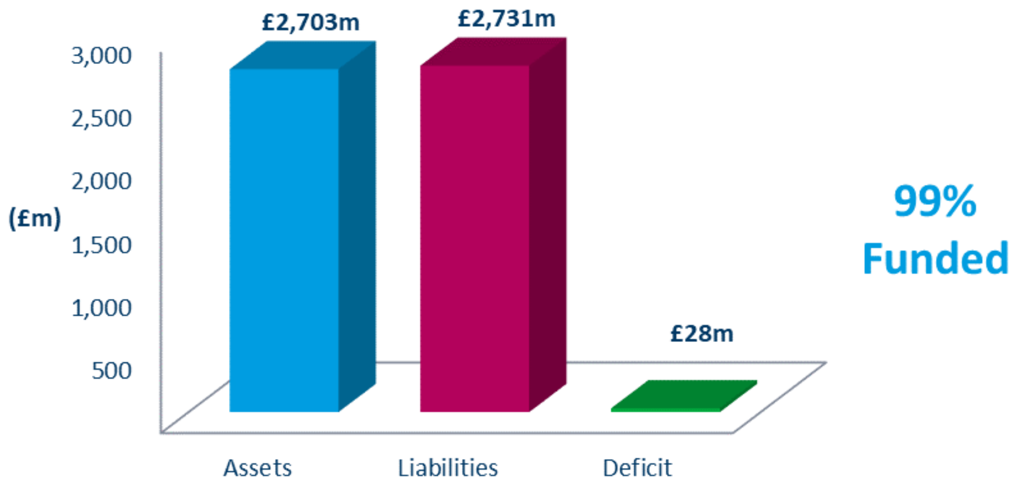
The statement from the Scheme Actuary as required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) and in compliance with IAS 26 and on the basis of IAS19 is presented below.

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Cumbria Local Government Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023. On the basis of the assumptions adopted, the Fund's assets of £2,703 million represented 99% of the Fund's past service liabilities of £2,731 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £28 million.



The valuation also showed that a Primary contribution rate of 18.6% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 12 years, and the total initial recovery payment (the “Secondary rate” for 2020/21) is an addition of approximately £6m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements in most cases) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	3.65% per annum	4.40% per annum
Rate of pay increases (long term)	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. Once the final remedy is known, the position and any potential impact will be reviewed by the Fund in light of the current funding strategy (which includes an implicit allowance for the estimated costs).

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include a specific allowance for the estimated cost of the McCloud judgment (although there is a margin within the assumptions that may be used to absorb costs arising). However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £23 million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum.

Impact of COVID 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

10. THE PENSION FUND ACCOUNTS

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases	3.7% per annum*	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* This was the long-term assumption. An allowance corresponding to that made at the 2016 actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year.   The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £3,553 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£86 million, and allowing for net benefits accrued/paid over the period increased the liabilities by c£35 million (this includes any increase in liabilities arising as a result of early retirements and GMP indexation – see comments elsewhere in this statement). There was also a decrease in liabilities of £196 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £3,478 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £9 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

John Livesey

Fellow of the Institute and

Faculty of Actuaries

Mark Wilson

Fellow of the Institute and

Faculty of Actuaries

Mercer Limited

June 2020

NOTE 24: ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Fund is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted.

Amendments to IAS 19 (Employee Benefits) related to Plan Amendment, Curtailment or Settlement were issued by the International Accounting Standards Board (IASB) in February 2018 but are not effective within the LGPS until 2020/21 and so are not incorporated into the 2019/20 accounts. The impact any changes may have in future cannot be assessed, as this would depend on the size of the relevant events (e.g. outsourcing, academy conversion) affected by the accounting standard amendments.

There have been no accounting standards issued that would materially impact on the 2019/20 financial statements.

NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND

As at 31 March 2020 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2020 (total 126)

Scheduled Scheme Employers (13)

Cumbria County Council
Allerdale Borough Council
Barrow Borough Council
Carlisle City Council
Copeland Borough Council
Eden District Council
South Lakeland District Council
Cumbria Chief Constable
Cumbria Police & Crime Commissioner
Furness College
Kendal College
Lake District National Park Authority
Lakes College (West Cumbria)

Scheduled Resolution Bodies (15)

Aspatria Town Council
Cleator Moor Town Council
Cockermouth Town Council
Cumbria Waste Management
Egremont Town Council
Grange Town Council
Kendal Town Council
Keswick Town Council
Maryport Town Council
Orian Solutions
Penrith Town Council
Ulverston Town Council
Whitehaven Town Council
Wigton Town Council
Workington Town Council

Scheduled Bodies - Academy employers (42)
(number of academies 63)

Appleby Grammar Academy
Arnside National CofE Academy
Bassenthwaite Academy
Broughton Primary Academy
Burton Morewood Primary Academy
Caldew Academy
Cartmel Priory Academy
Castle Carrock Academy
Chetwynd School Academy
Cockermouth Academy
Crosby on Eden Academy
Cumbria Academy for Autism (New)
Dallam Academy
Dearham Primary Academy
Eaglesfield Paddle Academy
Energy Coast UTC
Fairfield Primary Academy
Flimby Academy
George Hastwell School Academy
Ghyllside Academy
Great Corby Academy
James Rennie Academy
Kendal MAT - Castle Park Academy
Keswick Academy
Kirkbie Kendal Academy
Kirkby Stephen Academy

Scheduled Bodies - Academies (cont)

Northside Academy
Penny Bridge Academy
Queen Elizabeth Grammar Academy
Richard Rose Academies
Seaton Academy
Settlebeck High Academy
Stanwix School Academy
Stramongate Academy
The Queen Katherine School Academy
Trinity Academy
Walney Academy

Cumbria Education Trust (one employer)
- Caldew Lea Academy (New)
- Hensingham Primary (New)
- Longtown Academy
- Tebay Academy
- The Workington Academy
- Whitehaven Academy
- William Howard Academy
- Yanwath Academy
- Yewdale Academy

Furness Education Trust (one employer)
- Furness Academy
- Parkside GGI Academy
- Victoria Primary Academy
- Yarlside Primary Academy

Lunesdale MAT (one employer)
- Queen Elizabeth Academy
- Queen Elizabeth Studio School

The Good Shepherd MAT (one employer):
- Ambleside Primary Academy
- Braithwaite Primary Academy
- Dean Academy
- Gilsland Academy
- Lazonby Academy
- Lorton Academy
- Whitfield Academy
- Wreay School Academy (New)

West Lakes Academy (one employer)
- Arlecdon Primary Academy (New)
- Thornhill Primary Academy (New)
- West Lakes Academy

Scheduled Bodies No Actives (12)

Brampton Parish Council
Charlotte Mason College
Cumbria Institute of the Arts
Cumbria Primary Teacher Training
Cumbria Sea Fisheries
Dept Constit Affairs (Cumbria Magistrates)
Health Authority
Millom Town Council
Port of Workington
Practical Alternatives to Custody (Ltd)
Seaton Parish Council
Water Authority

Admitted Bodies Transferee (18)

Bulloughs - Solway
Carlisle Leisure Ltd
Carlisle Leisure Allerdale
Carlisle Mencap - Huntley Ave
Carlisle Mencap - Hart St
Caterlink - W/Lakes
Caterlink - WHT
FCC Environment
Greenwich Leisure (Copeland)
Greenwich Leisure (South Lakes)
Life Leisure
Mellors Catering - Appleby
Mellors Catering - Kirkby Stephen
Mellors Catering Services - Rockcliffe
People First
SLS (Cumbria) Ltd - QK
SLS (Cumbria) Ltd - StH
Tullie House Trust

Admitted Bodies Community (16)

Commission for Social Care Inspection
Cumbria Cerebral Palsy
Cumbria Deaf Vision
Eden Housing Association
Glenmore Trust
Harraby Community Centre
Higham Hall
Home Group (Copeland)
Kendal Brewery Arts Centre Trust Ltd
Lakeland Arts Trust
Longtown Memorial Hall Community Centre
Morton Community Centre
Oaklea Trust
Soundwave
South Lakes Housing
West House

Admitted Bodies No Actives (10)

Cumbria Training Partnership
Direct Training Services
Egremont & District Pool Trust
Henry Lonsdale Trust
Kendal Citizens Advice
Lake District Cheshire Homes
NRCS Ltd (Neighbourhood Revitalisation)
Project Homeless
Troutbeck Bridge Swimming Pool
Wigton Joint Burial Committee

10. THE PENSION FUND ACCOUNTS

Independent auditor's report to the members of Cumbria County Council on the pension scheme financial statements of Cumbria Local Government Pension Scheme

Opinion

We have audited the financial statements of Cumbria Local Government Pension Scheme (the 'pension scheme') administered by Cumbria County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Pension Fund Account for the year ended 31st March 2020, the Net Assets Statement as at 31 March 2020 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension scheme during the year ended 31 March 2020 and of the amount and disposition at that date of the scheme's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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 pension scheme's 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.

The impact of macro-economic uncertainties on our audit

Our audit of the pension scheme financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance (s151 Officer) and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a scheme associated with these particular events.

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 Director of Finance's (s151 Officer) use of the going concern basis of accounting in the preparation of the pension scheme's financial statements is not appropriate; or

the Director of Finance (s151 Officer) has not disclosed in the pension scheme's 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 the pension scheme for a period of at least twelve months from the date when the pension scheme's financial statements are authorised for issue.

In our evaluation of the Director of Finance's (s151 Officer) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension scheme financial statements shall be prepared on a going concern basis, we considered the risks associated with the scheme's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the scheme's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the scheme will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 22 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension scheme's property investments as at 31 March 2020. As disclosed in Note 22 to the financial statements, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors, including property.

In response to this, the Fund's property valuer (CBRE Ltd) has been directed by the Royal Institution of Chartered Surveyors (the RICS) to include a 'Material Uncertainty' clause in all property valuation reports. This material uncertainty clause is applicable to the Fund's direct and indirect property holdings. Our opinion is not modified in respect of this matter.

Other information

The Director of Finance (s151 Officer) is responsible for the other information. The other information comprises the information included in the Pension Scheme Annual Report, and the Cumbria County Council Statement of Accounts and Annual Governance Statement, other than the Cumbria Local Government Pension Scheme Financial Statements, our auditor's report thereon and our auditor's report on the Administering Authority's financial statements. Our opinion on the pension scheme's 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 pension scheme's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension scheme's financial statements or our knowledge of the pension scheme 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 pension scheme's 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.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension scheme's financial statements and our knowledge of the pension scheme the other information published together with the pension scheme's financial statements in the Statement of Accounts, Pension Scheme Annual Report, the Cumbria County Council Statement of Accounts and the Cumbria County Council Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension scheme's 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 Director of Finance (s151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance (s151 Officer). The Director of Finance (s151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the pension scheme's 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance (s151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension scheme's financial statements, the Director of Finance (s151 Officer) is responsible for assessing the pension scheme'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 pension scheme will no longer be provided.

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

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

Use of our report

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

Gareth Kelly

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

Glasgow

30 November 2020