Westmorland & Furness Council

Statement of Accounts for the year 2023/24

Contents

Narrative Statement

1. Introduction and Overview

1.1 The Statement of Accounts for Westmorland and Furness Council 2023/24 is the first ever set of accounts for the Council. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2023/24 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 faced during the year. It sets out information to help readers understand the Council's financial position and performance during 2023/24.

1.3 This is the first Statement of Accounts for Westmorland & Furness Council following Local Government Reorganisation in Cumbria.

1.4 On the 21 July 2021 the Secretary of State announced the outcome of the consultation for Local Government Reorganisation in Cumbria. The seven Councils covering Cumbria were replaced on 1 April 2023 by two new unitary councils – Westmorland & Furness Council covering the previous areas of Barrow, Eden and South Lakeland and Cumberland Council covering the previous areas of Allerdale, Carlisle and Copeland. In addition, Cumbria Fire and Rescue Service transferred to be governed by the Police and Crime Commissioner.

1.5 As this represents the first Westmorland and Furness Council Statement of Accounts, the audited closing balance sheet position from the three predecessor district and borough Councils have been aggregated along with relevant proportion of the legacy audited County Council balances that relates to Westmorland and Furness Council. These have been reported as the opening balance position throughout these statements. For other statements and notes to the accounts there are no comparative figures quoted as they are not available.

1.6 Westmorland and Furness Council started to provide services to residents, businesses and communities on 1 April 2023. The Council existed in shadow form following shadow elections in April 2022. The permanent Chief Executive and Director of Resources (Section 151 Officer) were appointed on the 31 December 2022 and an interim Chief Legal and monitoring officer remained in post to support the development of the new Council. A permanent Chief Legal and monitoring officer was appointed in March 2023 with all other officers joining the Council on the 1 April 2023.

1.7 The Shadow Council approved the Westmorland and Furness Council Plan and the 2023/24 Budget and MTFP in February 2023. The Council Plan set out the ambition, vision, values and priorities that would guide the council through the transition from the four previous councils which provided services in the Westmorland and Furness Council area and the period of transformation. The

Council Plan is supported by a more detailed Council Plan Delivery Framework and delivery of that is monitored through the performance, financial and risk management reporting frameworks. The first Council Plan Delivery Framework was approved by Cabinet in September 2023 and it set out how the Council will facilitate improved outcomes for residents, communities and businesses to make Westmorland and Furness a great place to live, work and thrive.

1.8 Following the approval of the Council Plan Delivery Framework the Council's Q1 performance position was reported to Cabinet in October 2023. The performance report was not at this stage directly linked to the Delivery Framework but it provided an overall position of performance that was in the context of significant organisational change, transition and stabilisation for the new Council.

1.9 The 2023/24 revenue budget and 2023-2029 Capital Programme and Medium Term Financial Plan set out the how the Council planned to use its financial resources to fund the activity required to deliver on the Council's vision and priorities. One of the Councils values is that it will be responsible socially, environmentally and financially. The Council has stated that it will make the best and most efficient use of its resources whilst making sustainable decisions and delivering on its priorities.

1.10 For each Directorate an annual revenue budget was established and a balanced budget for 2023/24 agreed by the shadow Council in February 2023. The 2023/24 revenue budget reflected the merger of the previous legacy council budgets into the new Directorates. This provided the budgets within which they operated and worked towards delivery of the Council's priorities, as set out in the Council Plan.

1.11 During 2023/24 a significant amount of due diligence work was undertaken on the Directorate and corporate budget position. In addition, Directorates were establishing their operational boundaries and responsibilities and involved in the huge task of aggregating and disaggregating both staff and activities across Directorates as the Council started to stabilise. This resulted in a number of budget amendments in year and when the first budget monitoring report (Q2 position) was reported to Cabinet in October 2023 a restated net Directorate Budget was presented and monitored against.

1.12 The 2022/23 outturn position for all of the legacy Councils was reported to Cabinet in July 2023. Subsequently all outstanding Statement of Accounts for the legacy Councils have been audited and published. This included 2021/22 and 2022/23 for Eden District Council, 2022/23 for South Lakeland District Council, Barrow Borough Council and Cumbria County Council and Cumbria Pension Fund. All received an unqualified opinion.

1.13 In addition, the closing balance sheet position for Cumbria County Council was split between Cumberland Council, Police and Fire Commissioner and Westmorland and Furness Council based on agreed principles confirmed within the Section 16 report that both new Unitary Councils approved prior to 1 April 2023. This provides Westmorland and Furness Council with an audited opening balance sheet position as at 1 April 2023. The Section 16 report set out the parties' intentions in relation to the identity of the relevant successor council to the property, rights and liabilities of the predecessor councils.

1.14 In addition to LGR consequences it continued to be a very challenging time for the public sector as a whole with ongoing constrained funding, continuing national inflationary pressures and global economic uncertainty. There was increasing pressure in respect of demand for Council services and in particular for care for the elderly and care for vulnerable adults and children but also in respect of supported accommodation and homelessness.

1.15 The Council continued to work collaboratively with many different partners including on Health and Social Care Integration and strengthening the community power approach through Locality Boards and with parish councils to support communities and individuals to live as Independent a life as possible and strengthen community resilience.

Vision for Westmorland and Furness

1.16 Westmorland and Furness Council was established on 1 April 2023. It is the third largest unitary local authority area in England and the most sparsely populated. Over 55% of the population live in rural areas. It covers 3,754 km^2 and its population is estimated to be 225,000.

1.17 Westmorland and Furness has a super-ageing population; by 2040 the population aged over 65 is expected to increase by 16,400 to 75,800. The working age population is 123,777.

1.18 In respect of the Westmorland and Furness economy, there are over 11,800 businesses providing 114,000 jobs. The Council is home to both some of the country's most stunning landscapes and its most hi tech businesses. The Council is in a great position with opportunities to capitalise on the productivity, innovation and enterprise potential and support the creation of thousands of new long-term jobs, transformative regeneration and nationally significant projects.

1.19 The Council has 122 primary schools, 20 secondary schools and 3 special schools. It also has 135 parish councils and 10 town councils.

1.20 The vision for Westmorland and Furness Council is:

A great place to live, work and thrive

As a **great place to live**, with strong local and community leadership, housing for all making best use of land and existing buildings, empowered places, proud and resilient, communities, a green and biodiverse environment, support for those that need it, when they need it, and opportunities for children and young people to live healthy, happy lives.

As a **great place to work**, with a sustainable, inclusive, diverse economy with a growing work force delivering opportunities for high quality jobs, learning, skills and enterprise, support to encourage business creation and improved infrastructure and connectivity.

As a **great place to thrive**, with opportunities for education, health, and wellbeing, a diverse visitor offer, and thriving cultural economy, support for all to start well, live well and age well, holistic early intervention to support people in need and excellent walking and cycling routes.

The plan outlines ***seven priorities,*** which will form a framework for the new Council to work towards.

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

1.21 Westmorland and Furness Council cares and believes everyone matters. Being a caring council is the golden thread that runs through everything it does. Its values are:

- Ambitious
- Inclusive
- Collaborative
- Outcome focused

1.22 The Council is ambitious and proud of its places and communities and is aiming high for everyone. It will make a difference by working with partners, communities and residents to deliver the best outcomes for all, intervening early and in an equitable way to leave no one behind and provide leadership in the drive to become carbon net zero and sustainable.

1.23 The 2023/24 Delivery Framework identified 10 strategic themes; Communities, Homes, Learning, Care, Health & Wellbeing, Connections, Environment, Culture, Growth and Service and sets out the related ambition for the themes as Mission Statements.

Strategic Themes	**Mission Statement**
Communities	Communities are welcoming, inclusive and provide a good quality of life. They are proud of and care for their local areas. They are empowered to make the right choices for them. They are resilient, and their voices are heard through local participation.

Strategic Themes	Mission Statement
Homes	Everyone can live in a place they call home, one which is affordable, clean, safe and warm, where they can build stable, independent, fulfilling lives and have access to schools, work and cultural activities.
Learning	Everyone has access to high quality education, where children, young people and adults are equipped with relevant tools, skills and aspiration to pursue the life they want to live and to access a rich and varied choice of local employment opportunities that contribute to a fulfilled and happy life.
Care	Children, young people and adults are supported to achieve a good life, safeguarded from harm, in the place they call home, with the people and things that matter most to them.
Health & Wellbeing	No matter where you are born or where you live, there is equal opportunity for everyone to live an active, happy, healthy life, and to feel empowered and confident to choose the best ways in which this is achieved for each individual and for every community.
Connections	Transport and infrastructure enables people and businesses to reliably and easily access the places and services that meet their needs, including online, in an environmentally sustainable way.
Environment	Our environment positively impacts on health, well-being and economy and together we build our resilience to climate change and take action to reverse biodiversity loss and to achieve carbon net zero.
Culture	Residents and visitors alike can enjoy a wide variety of cultural pursuits in all corners of Westmorland and Furness, taking advantage of the wonderful and unique natural environment on offer, the vibrant towns and villages and animating our places through an active and growing cultural economy.
Growth	Our economy is growing and providing people with access to a diverse range of good employment opportunities for them to be economically secure. Our businesses are more diverse and thriving, our large businesses continue to grow, and new investment is further increasing the contribution made to national growth and prosperity.
Service	The council understands the area and makes a real difference through listening to need and delivering services that work. It is modern, innovative, and collaborative with communities and customers at the heart of everything we do.

1.24 Improving value for money is at the heart of everything the Council does. The Council will work hard to ensure that value for money is achieved in all its services; challenging services to make sure costs compare well with others by identifying and challenging areas of high spend and regularly benchmarking costs with other local authorities.

1.25 Equality was also embedded throughout all of the Council's services. It was not an extra piece of work, but part of everything the Council did. Whenever a new service was created, reviewed or removed, an Equality Impact Assessment (EIA) was undertaken to ensure individuals were not discriminated against. An EIA helped to identify any potential discrimination or unfair treatment and put measures in place to mitigate these.

2 Leadership and workforce

2.1 The Council's Constitution set out the rules and procedures by which the Council operated and was available on the Council's website. The Council had 65 members (or 'councillors'), elected by the public to represent a particular local area, or 'Division'. Collectively they were 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.

2.2 The Leader of the Council was Cllr Jonathan Brook. Cllr Brook appointed a Cabinet, responsible for taking key decisions to manage the Council's business. Overview and Scrutiny committees held the Cabinet to account for the decisions made on behalf of the Council.

2.3 Employees ('officers') supported Cabinet and Council in their work and manage the Council's services and operations. The Chief Executive was the Head of Paid Service and led the most senior group of officers who advised councillors on policy, implemented councillors' decisions and were also responsible for Council performance.

2.4 As at 31 March 2024 the Council's staff complement stood at 2,748 FTE (full-time equivalent) posts, representing 3,502 employees. This excludes school based staff.

3 Performance

3.1 The Council's Q4 performance report for 2023/24 was reported to Cabinet in July 2024 and can be found on the Council's website.

3.2 The report suggested that an overall performance position was positive as the Council continued on a journey of change to realize the benefits of becoming a new unitary council and stabilise and integrate services.

3.3 During the first year as a new council, the quarterly Corporate Performance Report allowed scrutiny and oversight of core service performance for Westmorland and Furness Council and tracked progress towards achievement of the Westmorland and Furness Council Plan priorities.

3.4 For the 2023/24 year the Corporate Performance Report used a consistent set of 67 interim metrics aligned to the six Westmorland and Furness Council Plan priorities and focused on providing assurance against core service delivery and fulfilment of statutory responsibilities.

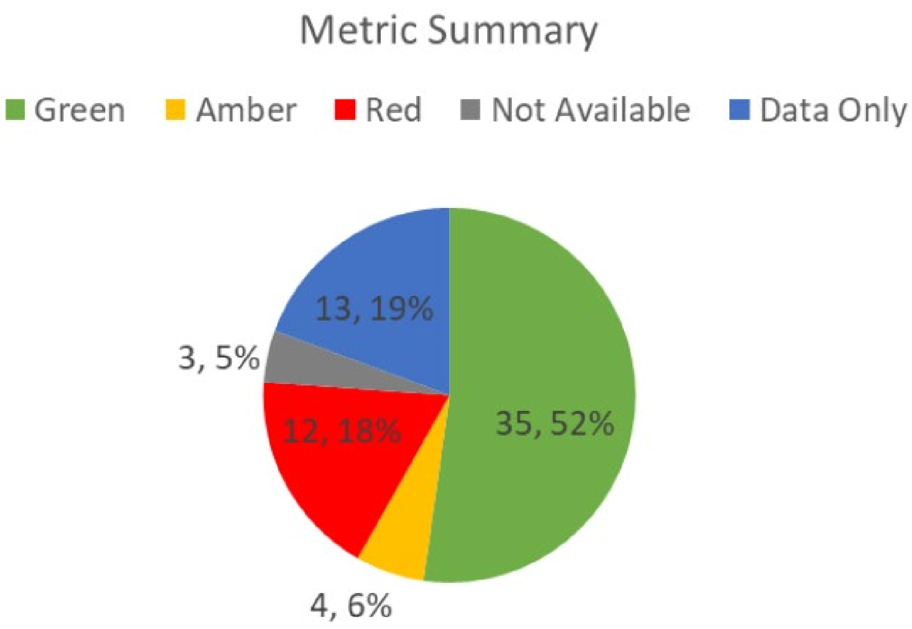
3.5 The 67 interim metrics in the 2023/24 reports provided an 'audit trail' from sovereign authorities to Westmorland and Furness Council, rather than focusing on more transformational objectives to achieve Westmorland and Furness Council Plan priorities.

Westmorland and Furness Council Plan Priority	Number of metrics
Climate	8
Communities	14
Customer	13
Economy & Culture	10
People	16
Workforce	6
Total	**67**

3.6 Across the 2023/24 year, Westmorland and Furness Council has worked alongside communities and partners to improve services, improve places, and manage its finances well to deliver a balanced budget and set the Council up for more success in the future. This has been done while progressing the complex transition from four councils into one and beginning our journey of change to realise the benefits of becoming a unitary authority.

3.7 A summary of the position of these indicators, RAG rated (red, amber, green) against progress at the end of Quarter 4 2023/24 is provided in the chart below.

3.8 The Performance Report shows that it has been possible to maintain key deliverables, despite the continuing complexities associated with the formation into a single new authority from 4 separate legacy authorities. The overall position by the end of Quarter 4 2023/24 is that the majority, 35 of the 67 (52%), of Westmorland and Furness Council Plan metrics were performing well, met or were on track to meet the planned milestone and rated green. A further 4 indicators (6%) were in progress and at risk of missing the milestone and rated amber. Finally, 12 indicators (18%) were expected to miss a key milestone or not fully deliver as intended and therefore rated red.



Climate

3.9 5 of the 8 (63%) climate metrics were performing well and rated green, 3 (38%) were 'data only' indicators (no target set).

3.10 Key Achievements includes the Social Housing Decarbonisation Fund which focuses on assisting Registered Providers (Housing Associations) to improve the energy performance of their stock. The registered providers involved in the project are Eden Housing, Lune Valley Rural Housing Association, Progress Housing, South Lakes Housing and Westfield Housing. The consortium continue with delivery and 368 properties have been finalised; Energy Efficiency measures installed include 30 Air Source Heat Pumps, 311 Solar PV systems and 220 Insulation measures; provisional figures reported to the Department for Energy Security and Net Zero (DESNZ) are that the consortium has spent the full grant allocation for year 1. The Consortium are planning for year 2 delivery, which includes submitting a second project change request to DESNZ.

Communities

3.11 7 (50%) of the 14 Communities' metrics were performing well or meeting target and rated green. 2 metrics (14%) were in progress and at risk of missing the milestone and rated amber. 3 (21%) of the metrics were reported to be below target and therefore rated red. Finally, 2 metrics (14%) had no target set at this stage, however it is still possible to determine a direction of travel.

3.12 Key Achievements includes the percentage of pupils attending an outstanding or good Primary school): 97.1% of pupils attended an outstanding or good Primary school which is 5.9 percentage points above the national percentage of 91.2%. The percentage of pupils attending an outstanding or good Secondary school is 88%, which is an increase from 85.3% at the end of Q3 and 4.4 percentage points above the national percentage of 83.6%.

3.13 The percentage of Disabled Facilities Grants (DFG) dealt with within 150 days was 97.2% in Q4 which is above the target of 95% and an increase from 93.6% in Q3.

3.14 Areas to watch include successful homeless prevention outcomes. This indicator refers to the prevention duty under the Housing Act 1996. The Council must provide advice and support to prevent people who are threatened with homelessness becoming homeless within 56 days. Of the homeless cases where a Prevention Duty applied 58.9% resulted in a successful outcome, a decrease from 77.4% in Q3. A new Homelessness and Rough Sleeping Strategy for 2024-2029 has been agreed which sets out how the Council will work with partners to prevent homelessness and the actions it will take to ensure people experiencing homelessness are supported to access accommodation that meets their needs.

Customer

3.15 7 (54%) of the 13 Customer metrics were performing well or meeting target and rated green. A further 4 (31%) metrics were reported to be below target and therefore rated red. 1 metric was unavailable, while the remaining indicator was ‘data only’ meaning there are no target values adopted, though it is still possible to determine a direction of travel and categorise it below.

3.16 Key Achievements included Major Planning applications determined within 13 weeks (%): 92.3% (12/13) of all major planning applications received in Q4 were determined within 13 weeks, which is above the 60% target and an increase from 90.9% in Q3.

3.17 Areas to Watch included the % of benefits processed within 14 days. In Q4 78.7% of benefits were processed within 14 days; this is below the target of 90%. Harmonising the Council Tax Reduction Scheme and other aspects of the determination processes have increased workload for the team. There continues to be some turnover within the service and a 33% reduction in capacity due to long-term sickness continued during January, which further impacted on delivery. Recruitment is underway and agency staff have been retained during Q4 as an interim measure. Revenues & Benefits are investigating ways to work across the multiple legacy systems to manage resources and capacity pressures going forwards.

3.18 Other areas to watch included the Number of days to process new claims for Housing Benefit / Council Tax Reduction claims. On average it has taken 33 days to process new Housing Benefit and Council Tax Reduction claims this period which exceeds the target of 23 days. As stated above the complexity of working across different legacy systems and recruitment issues has hindered this performance but mitigating actions are in place.

Economy and Culture

3.19 The majority, 6 of the 10 (60%) metrics assigned to the Economy and Culture priority were performing well and exceeding target therefore rated green. 2

items (20%) are 'data only' meaning there are no target values adopted, though it is still possible to determine a direction of travel and categorise them below. 2 metrics were unavailable.

3.20 Key Achievements include Employment rates of 16-64 year olds. The estimated employment rate was 82%, which is above the national average of 75.7% and is broadly similar to before the pandemic.

Adults and Childrens

3.21 9 (56%) out of the 16 People metrics were performing well or meeting target and rated green. 3 (19%) had fallen below target and rated red. The remaining 4 (25%) are shown to be 'Data Only' as a target value is still to be set. It is still possible to determine a direction of travel.

3.22 Key Achievements include reducing the number of people who, having been assessed, are not receiving Home Care services to meet their care need. There are 9 people who have been assessed and awaiting long term home care packages. The majority of these cases are receiving support at home through interim/intermediate care services such as Reablement and Hospital Homecare teams. There has been a significant increase in the number of homecare packages and hours delivered through framework arrangements. The increase in delivery has been supported by improved capacity becoming available through framework providers.

3.23 The percentage of Education, Health and Care Plans (EHCPs) issued within timescale was 84.5% (20 week timescale including permissible exceptions). This indicator has shown substantial and consistent improvement each quarter and is now above the national average for 2022 (which was 53.1%). It is RAG rated Green for the first time in 2023/24.

3.24 The number of identified support worker vacancies is also reducing. The number of support worker vacancies for Westmorland and Furness in Care Services decreased to 128 in Q4; a substantial improvement from 163 in Q3. This indicator has reduced each quarter in 2023/24 due to a successful approach to recruitment and retention within the services.

3.25 CQC ratings remain Good as a minimum across all registered services. Not all services have been reinspected under Westmorland and Furness' registration, those which have been inspected have retained their Good rating. All remaining services have retained their previous inspection rating of Good.

3.26 Areas to Watch include the rate of adults aged 18-64 whose long-term care needs are met by admission to residential and nursing care homes. A rate of 21.2 younger adults (aged 18-64 years) per 100,000 population were admitted to residential and nursing care homes in 2023/24 (27 out of a population of 127,460 persons). This rate has increased (shown worsening performance) from a rate of 13.1 per 100,000 in 2022/23.

Workforce

3.27 3.37 1 (17%) out of the 6 Workforce metrics were performing well or meeting target and rated green. 2 (33%) of the 6 Workforce metrics were in progress and at risk of missing the milestone and rated amber, while a further 2 (33%) fell below target and therefore rated red. One item (17%) did not currently have a target value set so was shown as 'Data Only'.

3.28 Areas to Watch include the % of complaints responded to within timeframe. Following LGR in April 2023, multiple policies have remained in operation where previous councils worked to different policies and standards. As a result, it has been challenging to report a single complaints performance for Westmorland and Furness as a single Unitary Council in the first year of its stabilisation phase. As outlined in the Customer Strategy agreed by Cabinet in April 2024, a key priority is to now align teams and processes and this has included work to create a single new complaints policy which began in April 2024. To improve performance, significant work has been undertaken to centralise the team and all work is being aligned to a single FOI management system with additional resources recruited and additional performance reporting in place involving the Council SIRO, so it is expected the Council will report a marked improvement for 2024/25.

3.29 Sickness Absence - Forecast annual number of working days lost per Full Time Equivalent (FTE). At the end of Q4, the year-end forecast is projecting an average of 15.5 working days lost per Full Time Equivalent (FTE), which is higher than the year-end forecast of 15.1 days at the end of Q3. During the first year of the Council, baselining work is ongoing to inform an appropriate target for this indicator informed by analysis of absence, seasonal variations and alignment of data from multiple legacy systems. Employee wellbeing is a key priority for the Council with a programme of initiatives in place and being further invested in to maximise our person centred approach to health and wellbeing.

4 Risk Management

4.1 The Council adopted a Risk Management Framework in the first quarter of 2023/24 and on a quarterly basis the strategic risk register and actions are reported to Audit Committee. The Strategic risks are considered by Risk Owners, Risk Owners Group, Directorate Management Teams, the Council's Corporate Management Team, informal Cabinet briefing and then reported to the Audit Committee.

4.2 At the end of 2023/24, there were 15 risks on the corporate risk register, 6 high risks and 9 medium risks. A summary of the high rated risks are listed in the table below.

Q4 Council High Rated Risks

Risk Number	Risk
2.	There is a risk that the Council does not have effective workforce engagement, capacity or skills to deliver our statutory duties, day to day service delivery as well as meet the ambitions defined within the new Westmorland and Furness Council Plan
9.	There is a risk the Council will experience a significant information security incident.
7.	There is a risk that within the currently available ICT workforce resources we are unable to create and develop a stable, integrated and effective ICT estate and will be unable to support the expected pace of organizational transformation and change
8.	There is a risk that the Council falls short of its duty to ensure sufficient arrangements for the assessment and authorisation of Deprivation of Liberty Safeguards (DoLS) for all who are eligible.
11.	There is a risk that despite significant investment and innovative actions being taken at a local, national and international level, the demand on adult social care resources cannot be met within current operational capacity, leaving customers with unmet assessed care needs.
12.	There is a risk that Westmorland & Furness has a failure in a ‘significant contract’.

4.3 For each of the risks identified there are key controls identified and a clear statement of further planned activity to manage the risk. Risk 9 had increased during the year recognising that cybercrime remains a probable threat to all Councils and across significant partners. An Independent ICT health check was undertaken on all legacy and developing ICT systems and the action plan is being delivered to enable the Council to apply for a new PSN certificate.

4.4 As part of the Annual Audit report 2023/24 from the External Auditor there was a recognition of the ongoing development of the strategic risk register and the demonstration of some good practice in its first year of operation. As part of continuing to improve risk management it recommended that the Strategic risk register should be reported to Cabinet alongside finance and performance monitoring. The Council agreed with this recommendation and from Q2 in 2024/25 the Strategic risk report has been reported to Cabinet with Audit Committee taking on the assurance role for the effectiveness of the overall risk management framework.

5 Financial Operating Model

5.1 The Council set its first revenue budget, Medium-Term Financial Plan (MTFP) and capital programme in February 2023 preceding the start of the financial year. It was approved by the then Shadow Council.

5.2 A Treasury Management Strategy, Pay Policy Statement and a risk assessment of the level of reserves and balances required, underpinned the budget. The risk assessment is reflected ultimately in the Section 151 Officer's Statement of Robustness, adequacy of reserves and budget risk presented to Council as part of the overall budget report. This is required to comply with the Section 25 of the Local Government Act 2003. A Capital Strategy for the Council was approved in June 2024.

5.3 Due to the Local Government Reorganisation the Council was not in a position to identify specific saving for the 2023/24 financial year. Both new Unitary Councils applied to Government for Exceptional Financial Support (EFS). For Westmorland and Furness Council £26m was approved and this was estimated to be used to partly to support delivery of a balanced budget and partly used to:

- fund £5m to develop the framework and delivery mechanism for Transformation
- £6.5m to support integration and improvement activity across prioritised service areas and increase capacity to support the development of key strategies
- £5m towards prioritised investments to deliver on the Council Plan priorities

5.4 The MTFP 2023-2029 set the framework for how the Council planned to use its financial resources to fund the activity to deliver on the Council's outcomes recognising that in future years it was likely that ongoing 'pivoting' of the budget would be required. In effect the 2023/24 budget was a combination of the previous legacy district council budgets and the disaggregated County Council element of the budget relevant to Westmorland and Furness. Limited due diligence on the budgets was available at the time and any historic anomalies or issues within those budgets are continuing to be worked through and corrected. The task of transitioning the first 2023/24 budget (based on legacy budgets primarily) into a Westmorland and Furness budget that can fully deliver on the Council Plan vision and priorities will take a number of years.

6 Revenue Financial outturn position

6.1 The Council's 2023/24 provisional outturn position for both revenue and capital was reported to Cabinet on 10 September 2024, the report can be found on the Council's website. The reported draft revenue underspend position at that date was estimated at £2.276m. It was recognised that further work was required to finalise the outturn position as part of developing these draft 2023/24 statement of accounts. The final outturn position was an underspend of circa £10m resulting in a total EFS of only £11m.

6.2 The previously noted Exceptional Financial Support (EFS) is in effect permission to use prudential borrowing to fund revenue costs. This means that the Council must pay the interest and principal repayment for that borrowing over future years. It is therefore financially prudent to reduce the level of EFS to the minimum required in order to limit the financial costs in future years. The Council has therefore monitored its requirement for EFS during the year and is currently finalizing with Government the value of the EFS that will be required for 2023/24.

6.3 Overall the Council will report a balanced budget position for the year end by reducing the EFS value to the minimum required. This was approved by Cabinet. Within that overall position there is a combination of net Directorate overspends against estimated budget offset by increased Treasury Management savings due to higher interest rates and internal borrowing for the capital programme.

6.4 Pressures in the year included:

- Increasing demand pressures in Adults Services - Residential & Nursing Care and Home Care, Supported Living and an increase in direct payments towards the end of 2023/24 that were mitigated by one-off funding and adjustments.

- Within Children services SEND and Home to School Transport continues to have an overspend position. Work has been ongoing to review the systems, processes and controls being used in the procurement, recording, and monitoring of transport routes. Whilst spend on Cared for Children was more than anticipated in the budget, the outturn was a minimal overspend position compared to the national position.

- Within Thriving Places parking income was less than anticipated in the budget and Waste and Environmental Services spend was more than anticipated in the budget.

- Across the Locality Boards there was more Highways spend than anticipated in the budget due to the number of significant weather events.

6.5 The overall Treasury Management portfolio position improved throughout the year due to higher interest earned in temporarily invested funds, and less external interest paid as the Council took out no new external and used existing cash balances to cash flow capital programme spend. This is in accordance with the Treasury Management strategy.

6.6 The Housing Revenue Account provisional position was a balanced outturn (net expenditure of £nil).

6.7 The budget position has been 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. Recognition must be given to the fact that this was year one of a new Council and that additional analysis and ongoing due diligence on all elements of the budget and spend was required and is still ongoing as the Council matures and usual data and information reporting is established. Some of this data was provided through a shared service arrangement hosted by Cumberland Council. Capacity and a combination of legacy systems being used resulted in delays in the allocation of income which meant that some of the usual in year due diligence work was not available for all of the year. Where possible this has been undertaken as part of the preparation of this draft Statement of Accounts.

6.8 The Expenditure and Funding Analysis - EFA(in Note 4) reports the Net Expenditure chargeable to General Reserves which is the reported outturn position. 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 EFA reports a £28.566m deficit position for the provision of services.

6.9 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 CIES when they are earned by employees rather than when the benefits are eventually paid as pensions.

6.10 Overall the CIES is reporting a higher net cost of continuing operations than the outturn position. The CIES balance takes into account other Income and Expenditure which includes all the Council Tax income received and non-specific grants. Other adjustments includes the re-measurement of the net defined benefit (pension) asset.

6.11 When the management accounts are converted into the annual financial statements the Council continues to shows that it is in a robust position. The Balance Sheet a positive Net Assets position of £709.519m this is due to the accounting required by International Accounting Standards IAS19 for its long term pension liabilities.

6.12 Pension liability figures are volatile and are dependent upon market conditions at the Balance Sheet date as well as specific pension member information for the employer body. This can result in significant shifts in value from one year to the next with the subsequent impact on the net Balance Sheet position.

6.13 The method of calculation of the liability for the Council is different to that applied in respect of the Triennial Valuation for the Cumbria Pension Fund, of which the Council is one of the 120 employers. The assumptions used by the Actuary for The Council’s accounting liability are prescribed in the International Accounting Standards, whereas for the valuation there is a degree of flexibility that employers can employ. However, the calculations for both individual employers and the Pension Fund are undertaken by the Fund Actuary.

6.14 The calculation of the future liabilities of the Pension Fund to be funded is calculated by the Fund Actuary every three years and is known as the Triennial Valuation and determines the contribution rates of each employer in the Fund.

6.15 The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026. On the basis of the assumptions adopted, the Fund's assets of £3,318m represented 110% of the Fund's past service liabilities.

6.16 Westmorland and Furness Council and Cumberland Council were notified by ACAS on 11 July 2023 that equal pay claims had been lodged with them against both Councils that related to the former Cumbria County Council. The Councils received the claims in October 2023 – Cumberland 471 and Westmorland & Furness 224.Both Councils are considering their response to the claims. As legal proceedings are ongoing it would not be appropriate for further details to be included at this stage.

7 Reserves

7.1 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).

7.2 Usable Reserves are separated into the Statutory General Fund (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.

7.3 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 for within the Statement of Accounts and act as a holding account for changes from one year to the next.

8 Capital

8.1 The Capital Programme sets out the Council's investment plans over the next five years to achieve the Council's priorities and vision. The Council approved a Capital Programme of £252.786m for 2023/24 to 2028/29 in February 2023. This included a budget for 2023/24 of £103.653m for Council delivered schemes and £0.511m for Accountable Body schemes.

8.2 During 2023/24 a significant amount of work and due diligence was undertaken on the capital programme recognising that it was the first year of amalgamating the legacy district and county council schemes. This resulted in a number of changes to the capital programme in year that were reported to Council and Cabinet. The Capital programme for 2023/24 reduced to £68.030m of directly delivered schemes and £5.339m for Accountable Bodies.

8.3 The outturn for 2023/24 is £68.208m for the directly delivered schemes resulting in an overspend variance of £0.178m.

8.4 A summary of the capital expenditure and how it was financed is shown in Note 19 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 2023/24 capital investment of £68.208m was financed as shown in the table below.

Table 4 - Capital Financing 2023/24

	£m
Government Grants and contributions	47.518
Revenue Contributions	5.572
Capital receipts	0.486
Prudential Borrowing	14.632
Total Capital Financing excluding exceptional financial support (EFS) *	**68.208**
Prudential Borrowing – EFS	11.000
Total Capital Financing including EFS	**79.208**

8.5 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.

8.6 *Exceptional financial support: in respect of the financial year 2023-24 the government provided support to the Council via the Exceptional Financial Support framework (EFS). This support was provided to manage exceptional financial pressures arising as a result of Local Government Reorganisation in Cumbria.

9 Basis of Preparation and Presentation

9.1 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.

9.2 The primary statements for 2023/24 are set out on pages 36 to 40 and bring together all the Council's financial statements for the year 2023/24 showing the financial position as at 31 March 2024. 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.

9.3 The 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.

9.4 The Statement of Accounts must provide a 'true and fair' view of the Council's financial position at 31 March 2024 and of its income and expenditure for the 2023/24 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.

9.5 For 2023/24 the draft statement of accounts includes all transactions that have been reported on the finance ledger for either legacy financial systems or the Westmorland and Furness ledger on the shared E5 system hosted by Cumberland Council. Following Local Government Reorganisation a number of transactions have been entered using journals in order to ensure that all of the information has been uploaded into the E5 ledger (the main accounting system).

9.6 All of the legacy Councils (Eden, South Lakeland, Barrow and Cumbria County Council) have audited 2022/23 Statement of Accounts. The Cumbria County Council closing balance sheet at 31 March 2023 has subsequently been disaggregated between Cumberland Council, Cumbria Fire and Rescue service and Westmorland and Furness Council using principles agreed within the Section 16 report approved by both Cabinet/ Executives and the Police and Fire Commissioner. This has also been audited by our external auditor.

9.7 From a materiality perspective all transactions during the year are being presented on a true and fair basis. As it is the first year of the new Unitary Council there are no opening comparator balances for many of the statements and notes. Where detailed analysis of the transactions has not been available in the time frame available to develop these first set of accounts the relevant disclosure notes have not been included. It is the Section 151 Officer's view that all material accounting policies and disclosure notes are included. The Council's materiality level is £8.3m.

9.8 External Audit have not been able to fully audit the cash balance position at year end but the finance team have reconciled the opening and closing cash and short term investment balances as well as undertaking all required bank reconciliations. This provides assurance on the opening and closing cash balances..

9.9 The Cumbria Pension Fund draft accounts have been audited and this has required a comprehensive audit of the various legacy ICT systems and also the Shared ICT systems. As these are the same systems that support the Council's draft statement of accounts preparation then some assurance on the robustness of the financial systems has been established. The management responses to the Audit Findings report will be monitored to ensure that all recommendations are actioned.

9.10 The level of usable cash reserves (£122.406m) are sufficient to ensure that the Council is able to continue to meet the cost of the provision of services over the medium term.

9.11 The accounts are prepared on a 'going-concern' basis which assumes that services will continue to be delivered by the public sector.

10 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 'usable 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 31 March 2024 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 'usable' and 'unusable' reserves.

Cash Flow Statement	This summarises the changes in cash and cash equivalents during 2023/24. 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.

11 Expenditure and Funding Analysis

11.1 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.

11.2 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.

12 Annual Governance Statement

12.1 The draft Annual Governance Statement (AGS) summarises the governance framework that was in place in the Council during 2023/24. The Statement provided a balanced reflection of the governance environment in operation within the Council. The Statement also considers the significant governance issues disclosed in the four legacy councils 2022/23 AGS.

12.2 The external auditor undertook an Annual Audit for Westmorland and Furness Council for 2023/24 and was positive in its overview of how far the Council had progressed in its first year as a unitary Council. It did raise a number of recommendations for improvements and they have been included in the Improvement plan for 2023/24. It is a comprehensive Improvement Plan and progress on implementing a number of the actions is already in place.

13 Pension Fund

13.1 The Council is the administering body for the Cumbria Local Government Pension Scheme (LGPS) which is managed by the Council on behalf of 120 employers, across the county, hence the Council's Statement of Accounts includes supplementary financial statements for Cumbria LGPS. Section 10 sets out the financial statements and relevant notes for the LGPS.

Cumbria LGPS

13.2 During the year to 31 March 2024 the value of the Cumbria LGPS increased by £245m from £3,163m (31/03/2023) to £3,408m (31/03/2024). The Fund returned 7.8% (net of fees) which was below the Fund's bespoke index performance benchmark for the year of 8.2%. The main detractors to performance during the year included assets with absolute or inflation-plus benchmarks including the Fund's UK property holdings and private market investments in infrastructure and private equity.

13.3 As a long-term investor, the Fund is primarily focused on longer-term performance and the Fund again outperformed its 10 year benchmark with average annual investment returns of 7.3% (net of fees) over the past 10 years (compared to a benchmark of 6.8%).

13.4 During the year the Fund continued the process of implementing the Fund's agreed asset allocation, with investment decisions being taken in a managed and responsive way in recognition of the volatility in investment markets. This included the selection of suitable investments for the Private Markets portfolio and active rebalancing to address larger underweight and overweight positions within the Fund that had developed through market movements during the year.

13.5 In addition, the Fund commenced a full Investment Strategy Review, including a review of its Investment Beliefs and its Responsible Investment policy. The key theme was 'evolution, not revolution' and the weightings in the main building blocks of assets (growth, fixed income, real assets) remains very similar to the previous strategy. Some revisions to sub-asset classes will be take place during 2024/25 to commence implementation towards the agreed new target allocations.

14 Events After The Reporting Period

14.1 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 24 February 2025 in respect of the draft unaudited Statement of Accounts for 2023/24.

14.2 Accounting rules define two types of events after the reporting period:

- Adjusting events: provide evidence of conditions that existed at the Balance Sheet date and, where material, the financial statements and notes in the statement of accounts are required to be amended to reflect the impact of the events.

- Non adjusting events: which are indicative of conditions that arose after the Balance Sheet date but where there is no requirement for the financial statements and notes in the statement of accounts to be amended to reflect the events, but additional explanatory notes may need to be added.

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

14.3 On the 9 January 2025 Westmorland and Furness Council Cabinet supported the Council to apply to join the Devolution Priority Programme and begin a process that could potentially lead to the creation of a Mayoral Strategic Authority covering the geography of Cumbria. It was confirmed that Cumbria would be in the Devolution Priority Programme and public consultation started on the 17th February 2025 closing on the 13th April 2025.

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 Resources).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Chief Executive and Directors' Responsibilities

- The Chief Executive and other 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 Resources.
- Each 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 Resources 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 Resources 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 Resources 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 2024 and its expenditure and income for the year ended the 31st March 2024.
Signed:
P Duke
Pam Duke
Director of Resources (S151 Officer),
25th February 2025

TO BE SIGNED AT THE CONCLUSION OF THE MEETING

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 Committee at its meeting held on 25th February 2025 have been approved by a resolution of this Committee.

Signed on behalf of Westmorland and Furness Council

F Daley

Independent Chair of Audit Committee

Date 25th February 2025

Independent auditor's report to the members of Westmorland & Furness Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Westmorland & Furness Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

In addition, the Authority was established on 1 April 2023 as a result of the Local Government Reorganisation in Cumbria, where four councils were dissolved and disaggregated on this date (the 'dissolution date'). This disaggregation provided the Authority with a share of the former Councils' balances as at the dissolution date. We have not been able to obtain sufficient appropriate audit evidence over these amounts as at 1 April 2023 and 31 March 2024, by the backstop date.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2024 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2024 by the backstop date.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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.

Opinion on other matters required by the Code of Audit Practice

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon.

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except on 5 September 2024, we identified:

- a significant weakness in the Council's governance arrangements. In 2023-24 the Council had weaknesses in internal controls relating to cyber security and disaster recovery, which could expose it to significant financial or service loss including fraud and cyber-attacks. We recommended that the Council should develop a Corporate IT Disaster Recovery Plan that should be documented and approved by Corporate Management Team. This should include a single list of critically ranked applications. This will ensure there is a clear plan and prioritisation of systems to restore should the need arise. The Council should test this plan in a practical exercise and refine it if needed. The Council should also review its systems and stop using those which present a high-risk threat to the Council's ICT security.
- a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. The Council's arrangements for procurement and contract management needed significant improvement in 2023-24.The Council had an out of date contracts register and there was no P-card transparency data available on the Council's website for 2023-24. On 27 March 2024, the Council's contracts register included 423 contracts. Of these 91 end dates were either blank or not known and 84 were expired. We recommended that the Council needs to improve its procurement and contract management arrangement by ensuring the contracts register is updated, monitored, complies with its own contract procurement rules relating to the use of waivers, ensuring it fully meets the Local Government requirements particularly around P card expenditure, having sufficient capacity and capability in its procurement and contract management, developing a procurement pipeline to improve planning, implementing a system to monitor real-time contract performance of its key contracts and putting in place a contract with Barrow Forward Ltd.

On 10 January 2025, we further identified:

- a significant weakness in the Council's governance arrangements. The statutory deadline for producing accounts for 2023-24 was not met and there was insufficient time available to undertake to the necessary audit procedures to issue an opinion ahead of the statutory backstop date of 28 February 2025. We recommended that the Council should ensure that the finance team has adequate capacity to prepare draft financial statements with supporting working papers in line with statutory timetables and respond to audit in a timely manner.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Westmorland & Furness Council for the year ended 31 March 2024 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 in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

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 85 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 D Mills

Gareth Mills, Key Audit Partner

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

Leeds

28 February 2025

Accounting Statements

Comprehensive Income and Expenditure Statement

		2023/24		
		Expenditure	**Income**	**Net**
	Note Ref	**£000**	**£000**	**£000**
Chief Executive and Assistant Chief Executive		5,527	(2,482)	3,045
Adult Services		133,705	(69,028)	64,677
Children's Services		242,020	(163,878)	78,142
Enabler Services		31,454	(6,494)	24,960
Thriving Places		93,485	(23,204)	70,281
Thriving Communities		55,377	(38,356)	17,021
Locality Boards		3,506	(49)	3,457
Resources (including Treasury Management)		68,949	(39,400)	29,549
Transformation, integration & improvement				0
Other Corporate Items		18,598	(183)	18,415
Cost of Services	**4**	**652,621**	**(343,074)**	**309,547**
Other Operating Expenditure	6	7,701	0	7,701
Financing and Investment Income and Expenditure	7	20,641	(15,842)	4,799
Taxation and Non-Specific Grant Income	8	0	(293,481)	(293,481)
Deficit on Provision of Services	**4.3**	**680,963**	**(652,397)**	**28,566**
(Surplus) or deficit on revaluation of Property, Plant and Equipment	32			(4,863)
Impairment Losses on Non-Current Assets Charged to Revaluation Reserve				0
(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				0
Re-measurement of the net defined benefit liability / (asset)	34			(1,644)
Other Comprehensive Income and Expenditure				**(6,507)**
Total Comprehensive Income and Expenditure				**22,059**

Movement in Reserves Statement

2023/24	Note Ref	General Fund Balance £000	Earmarked Reserves £000	Total Statutory General Fund £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2023	30/31/32	(22,469)	(63,894)	(86,363)	(14,869)	(20,277)	(121,509)	**(610,066)**	**(731,574)**
Movement in reserves during 2023/24									
(Surplus) or deficit on the provision of services		28,566	0	28,566	0	0	28,566	0	28,566
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	(6,507)	(6,507)
Total Comprehensive Income and Expenditure		**28,566**	**0**	**28,566**	**0**	**0**	**28,566**	**(6,507)**	**22,059**
Adjustments between accounting basis and funding basis under regulations	9	**(27,799)**	**0**	**(27,799)**	**(25)**	**(1,638)**	**(29,462)**	29,462	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves		**767**	**0**	**767**	**(25)**	**(1,638)**	**(896)**	**22,955**	**22,059**
Transfers (to) / from Earmarked Reserves	31	**(767)**	**767**	**0**	**0**	**0**	**0**	0	**0**
(Increase) or Decrease in 2023/24		**0**	**767**	**767**	**(25)**	**(1,638)**	**(896)**	**22,955**	**22,059**
Balance at 31 March 2024	30/31/32	**(22,469)**	**(63,127)**	**(85,596)**	**(14,894)**	**(21,915)**	**(122,405)**	**(587,111)**	**(709,515)**

Balance Sheet

1 April 2023 £'000	Notes		31 March 2024 £000
849,148	21	Property, Plant and Equipment	844,188
4,960	21.1	Heritage Assets	4,996
26,440	21.2	Investment Property	26,108
542		Intangible Assets	455
5,685	24	Long-Term Investments	5,525
2,897	24	Long-Term Debtors	2,807
889,672		**Long Term Assets**	**884,079**
89,555	24/25	Short-Term Investments	44,087
190		Assets Held for Sale	178
922		Inventories	764
54,905	23/24	Short-Term Debtors	96,875
30,554	24/27	Cash and Cash Equivalents	61,266
176,126		**Current Assets**	**203,170**
(8,173)	24	Short-Term Borrowing	(3,290)
(68,190)	24/28	Short-Term Creditors	(115,433)
(1,108)	29	Provisions	(3,340)
(17,443)	17	Grants Receipts in Advance – Revenue	(19,279)
(20,028)	17	Grants Receipts in Advance – Capital	-
(114,942)		**Current Liabilities**	**(141,342)**
(3,691)	24	Long-Term Creditors	(2,928)
(3,494)	29	Provisions	(4,042)
(186,514)	24/25/26	Long-Term Borrowing	(185,502)
(232)		Deferred Income	(232)
(20,310)	24/34.2	Net Pension Liabilities	(18,512)
(5,041)	17	Grants Receipts in Advance – Capital	(25,172)
(219,282)		**Long Term Liabilities**	**(236,388)**
731,574		**Net Assets**	**709,519**
(121,509)	30/31	Usable Reserves	(122,406)
(610,065)	32	Unusable Reserves	(587,113)
(731,574)		**Total Reserves**	**(709,519)**

Cash Flow Statement

	Note Ref	2023/24 £000
Net (surplus) or deficit on the provision of services		28,566
Adjustment to surplus or deficit on the provision of services for noncash movements		(76,564)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities		48,327
Net cash flows from operating activities	**35**	**329**
Net cash flows from investing activities	36	(37,137)
Net cash flows from financing activities	37	6,096
Net (increase) or decrease in cash and cash equivalents		**(30,712)**
Cash and cash equivalents at the beginning of the reporting period		30,554
Cash and cash equivalents at the end of the reporting period	**27**	**61,226**

Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its overall financial position as at 31st March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 2023/24 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. This is in accordance with IFRS15

- 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 judgement, 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 continued 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 Resources. Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Resources 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 three separate pension schemes designed to meet the needs of employees in particular services (further details are provided in the Notes to the Accounts). All three 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 Schools 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
Post Employment Benefits continued

b) 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.

c) 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 Westmorland & Furness 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 asset / 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.

vii. Employee Benefits continued

Post Employment Benefits continued

- ***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.

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 and Housing Revenue Account 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:

viii. Government Grants and Contributions continued

- 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).

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.

<u>Capital Grants and Contributions</u>
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.

<u>Revenue Grants</u>
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.

<u>The Council as Lessee (Leased In)</u>

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

ix. Leases continued

The Council as Lessee (Leased In) - *Finance Leases continued*

- 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.

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.

The Council as Lessor (Leased out)

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.

ix. Leases continued

The Council as Lessor (Leased out) continued

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.

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.

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

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued 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 current value at the year end. The Council implemented a transition to a three year rolling valuation programme with effect from 2021/22. 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.

xi. Property, Plant and Equipment continued

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.

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.

xi. Property, Plant and Equipment continued

Disposals and Non-Current Assets Held for Sale continued

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.

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.

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

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).

xi. Property, Plant and Equipment continued

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 50 years
Waste Disposal Sites	30 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.

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.

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

xi. Property, Plant and Equipment continued

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1st April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Senior Manager - Highways & Infrastructure using industry standards where applicable as follows:

Part of the Highways Network	**Useful Life (years)**
Carriageways	20
Footways and cycle tracks	25
Structures (Bridges, Tunnels and Underpasses)	80
Street Furniture	30
Traffic Management Systems	20

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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).

xi. Property, Plant and Equipment continued

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

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.

Borrowing

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.

Where premiums and discounts have been charged to the Housing Revenue Account, regulations state that the impact on the Housing Revenue Account Balance must be spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, restricted to a term of 10 years.

Creditors

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)

xv. Financial Assets continued

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).

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

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

As part of the statutory General Fund the Council maintains an unearmarked General Fund Balance 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 statutory General Fund is made up of:

- The unearmarked 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.

The Housing Revenue Account reserve is transacted by appropriations from and to the Housing Revenue Account Balance; the movements in year follow the same process as the General Fund.

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 or significant influence over the entity.

The Council has concluded that group accounts are not required. The Council's interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

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 that significantly affect

returns require the unanimous consent of the parties sharing control, and joint venturers have rights to the net assets of the arrangement.

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

Both Childrens Services and Adults Services, 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

The Council is a billing authority, collecting Council Tax and Business Rates on behalf of itself, the Cumbria Commissioner Fire & Rescue Authority, the Cumbria Police and Crime Commissioner and Central Government.

Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and Business Rates. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for Business Rates) share proportionately the risks and rewards that the amount of council tax and Business Rates collected could be less or more than predicted.

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

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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.

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. The rounding differences do not reflect any inaccuracy or error.

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. 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.

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.

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 2023/24 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.

The 2024/25 Code will introduce the following three areas of amendments, the first two of which are anticipated to have little or no impact on the Council's financial statements:

- IAS 1 Presentation of financial statements: Amendments to IAS 1 regarding non-current liabilities with covenants provide additional guidance on the disclosures in the accounts.
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: The IASB has issued 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
- IFRS 16 Leases: IFRS 16 Leases will replace IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease and other interpretations. The local authority code board CIPFA LASAAC has confirmed that local authorities will need to implement IFRS 16 Leases from 1 April 2024.

IFRS 16 Leases will lead to a substantial change in accounting practice for lessees, the current distinction between finance and operating leases will be removed. Instead, lessees are required to recognise assets and liabilities for all leases i.e., the lessee will recognise a right-of-use asset representing its right to use the leased asset; and a lease liability representing the lessee's obligation to make lease payments for the asset.
Lessees will have a single accounting model for all leases with two exemptions:

- Low-value assets
- Short term leases (lease term of 12 months or less)

Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

Authorities do have the option to adopt IFRS16 early i.e. before 2024/25. The Council has chosen not to adopt IFRS16 prior to 2024/25.

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.

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. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used. 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 three years. 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.

The Council's external Valuers use their judgement to determine the significant assumptions applied in estimating the carrying values, these are:

School Specific Assumptions
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.

Judgement is also required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council's external 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.

Pooled Budgets

The Council is partners in a number of Pooled Budgets, including the 'Better Care Fund' and the 'Youth Offending Service'. 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.

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 2024.

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	35	4	2	2	1	44	44	0
Voluntary Controlled (VC)	20	0	0	0	0	20	0	20
Voluntary Aided (VA)	36	0	0	0	0	36	0	36
Foundation	4	2	0	0	0	6	4	2
Total Maintained Schools	**95**	**6**	**2**	**2**	**1**	**106**	**48**	**58**
Academies	27	14	0	1	0	42	0	42
Total	**122**	**20**	**2**	**3**	**1**	**148**	**48**	**100**

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.

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 19 contains the details of the Council's finance and operating leases. Finance leases are on the Balance Sheet and have a net book value at 31st March 2024 of £6.005m. The future minimum lease payments for operating leases which are not on the Balance Sheet total £4.507m.

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 as at 31st March 2024 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 2024 for all of the Council's investment portfolio and approximately 65% 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 gross book value of the operational land and buildings valued on a DRC basis was £239m at 31st March 2024 (equivalent to 70.2% 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 £24m. 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.

Pensions Asset / Liability Estimation of the net asset / 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. Mercer Limited, 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 asset / liability of changes in individual assumptions can be measured. Note 35 includes a sensitivity analysis. In summary for all Pension schemes the effects are: 0.5% increase in the discount rate assumption would result in a decrease in the net pension surplus / deficit of £73.686m and vice versa. 0.25% increase in inflation would result in an increase of £38.930m in the net pension asset / liabilities. 1 year increase in life expectancy would increase net assets / liabilities by £24.169m. For the LGPS (the only scheme with assets) a 1% increase in the 2023/24 investment returns would increase the assets by £11.825m. Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31st March 2024 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil. Unfunded liabilities are excluded from the asset ceiling calculation and are recognised on the Balance Sheet (£10.919m). Further detail is provided in note 34.

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.

The Ministry of Housing, Communities and Local Government (MHCLG) made regulations regarding the accounting treatment of DSG deficits, affecting the financial years beginning on 1 April 2020, 1 April 2021 and 1 April 2022. These are the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, SI 2020 No 1212. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2022 extended the provisions in this regulation to cover the three years from 2023/24 to 2025/26.

These require that, where a local authority has a deficit in respect of its schools budget for a financial year beginning on 1 April 2020, the authority:

a. must not charge to a revenue account an amount in respect of that deficit, and
b. must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget.

Similarly, any further deficit incurred during the financial years beginning on 1 April 2021 to 1 April 2025 must be added to the account mentioned at b) above.

The Dedicated Schools Grant Adjustment Account was created by Cumbria County Council for that purpose in 2021/22. As part of local government reorganisation in Cumbria, the closing balance on the Account as at the demise of Cumbria County Council was split between Cumberland Council and Westmorland & Furness Council in accordance with accounting standards.

As at 31st March 2024 the Westmorland & Furness Dedicated Schools Grant Adjustment Account had an accumulated deficit of £13.926m excluding balances held within individual schools.

Note 4 - Expenditure and Funding Analysis continued

2023/24	Net Expenditure Chargeable to the General Fund Balance	Adjustment for DSG Reserve transfer to Unusable Reserves	Net Expenditure reported to Members	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Chief Executive and Assistant Chief Executive	3,038		3,038	8	3,046
Adult Services	65,561		65,561	(884)	64,677
Children's Services	61,081	5,185	66,266	11,878	78,143
Enabler Services	24,922		24,922	38	24,960
Thriving Places	37,940		37,940	32,341	70,281
Thriving Communities	13,001		13,001	4,020	17,021
Locality Boards	3,457		3,457	0	3,457
Resources (including Treasury Management)	30,114		30,114	(567)	29,547
Other Corporate Items	10,735		10,735	7,680	18,415
Net Cost of Services	**249,849**	**5,185**	**255,034**	**54,513**	**309,547**
Other Income and Expenditure	(249,082)		**(249,082)**	**(31,899)**	**(280,981)**
(Surplus) or Deficit on Provision of Services	**767**	**5,185**	**5,952**	**22,614**	**28,566**

Opening Statutory General Fund	(86,363)
Plus (Surplus) or Deficit on the Statutory General Fund for the Year	767
Closing Statutory General Fund	(85,596)

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 Statutory 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 statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- **For services,** this represents the minimum revenue provision, interest payable and receivable that are reported as part of service net expenditure during the year but for statutory accounting purposes they are part of Financing and Investment Income and Expenditure.

- **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.

2023/24	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Chief Executive and Assistant Chief Executive	0	(45)	53	8
Adult Services	2,295	(369)	(2,810)	(884)
Children's Services	7,965	(643)	4,555	11,877
Enabler Services	0	(153)	191	38
Thriving Places	32,074	(307)	574	32,341
Thriving Communities	4,741	(173)	(548)	4,020
Locality Boards	0	0	0	0
Resources (including Treasury Management)	(2,894)	(199)	2,526	(567)
Other Corporate items	10,297	537	(3,154)	7,680
Net Cost of Services	**54,478**	**(1,352)**	**1,387**	**54,513**
Other Income and Expenditure from the Expenditure and Funding Analysis	(28,740)	1,199	(4,358)	(31,899)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	**25,738**	**(153)**	**(2,971)**	**22,614**

Note 4.2 - Segmental Analysis of Income and Expenditure

2023/24	Revenues from External Customers	Adult Social Care Income	Depreciation and Amortisation	Interest Income and Expense
	£000	£000	£000	£000
Chief Executive and Assistant Chief Executive	(325)	0	0	
Adult Services	(72)	(22,941)	465	
Children's Services	(9,693)	0	3,780	
Enabler Services	(2,491)	0	0	
Thriving Places	(16,461)	0	30,039	
Thriving Communities	(14,404)	0	3,620	
Locality Boards	(49)	0	0	
Resources (including Treasury Management)	(5,125)	0	2,583	7,430
Transformation, integration & improvement		0	0	
Other Corporate Items	(426)	0	164	
Total Managed by Segments	**(49,046)**	**(22,941)**	**40,651**	**7,430**

Note 4.3 - Expenditure and Income Analysed by Nature

Nature of Expenditure or Income	2023/24 £000
Fees and charges	(49,046)
Adult Social Care service income	(22,941)
Interest and investment income	(15,746)
Income from local taxation	(214,680)
Government grants and contributions	(297,725)
Other income	(52,164)
Employee benefits expenses	231,899
Other service expenses	366,092
Depreciation, amortisation, impairments and (gains)/losses on revaluation of non-current assets	55,607
Net Interest payments	7,430
Precepts and levies	4,310
Changes in impairment loss allowance of financial instruments	3,483
Loss on Investments	114
Net (Gain) or loss on disposal of non-current assets	11,933
(Surplus) or Deficit for Year	**28,566**

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 £7.2m.

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.

- Cumberland Council - Inter Authority agreement for hosted services – expenditure £30.837m and income of £2.459m.
- Capitalisation Direction – in respect of the financial year 2023-24 the government provided support to the Council via the Exceptional Financial Support framework (EFS). This support was provided to manage exceptional financial pressures arising as a result of Local Government Reorganisation in Cumbria. The expected level of EFS required is £11m and this is included in the expenditure shown in the Comprehensive Income and Expenditure Statement. Under the EFS, the Council can use capital resources, to fund this expenditure. As such, the expenditure is transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account, so that there is no impact on the level of council tax.

Note 6 - Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

	2023/24 £000
Net (Gains)/losses on the Disposal of Non-Current Assets	2,414
Parish Precepts and Levies	4,310
Other	977
Total Other Operating Expenditure	**7,701**

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:

	2023/24 £000
Interest payable and similar charges	7,208
Net interest on the net defined benefit liability/(asset)	222
Interest receivable and similar income	(14,781)
Income in relation to investment properties	(1,240)
Expenditure in relation to investment properties	95
Investment properties changes in fair value	179
Changes in impairment loss allowance of financial instruments	3,483
Loss on Disposal of Academies	9,633
Total Financing and Investment Income and Expenditure	**4,799**

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:

	2023/24 £000
Council tax income	(156,551)
Non-domestic rates income and expenditure	(58,129)
Income from Local Taxation	**(214,680)**
Non-ringfenced government grants	(37,949)
Capital grants and contributions	(40,852)
Income from Non Specific Grants	**(78,801)**
Total Taxation and Non-Specific Grant Income	**(293,481)**

Further details of the non ring fenced government grants received are set out in note 17 Grant Income.

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.

2023/2024	**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)	154	0	0	(154)
Financial Instruments (transferred to (or from) the Financial Instruments Adjustments Account)	(79)	0	0	79
Council tax and NDR (transfers to (or from) the Collection Fund Adjustment Account)	3,449	0	0	(3,449)
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	(587)	0	0	587
In year deficit on DSG Reserve (transferred to (or from) DSG Adjustment Account)	(5,185)	0	0	5,185
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):				
Charges for depreciation of non-current assets	(46,398)	0	0	46,398
Amortisation of Intangible Assets	(118)	0	0	118
Net Revaluation Gains / (Losses) on Property, Plant & Equipment	(9,091)	0	0	9,091
Net Revaluation Gains / (Losses) on Investment Properties	(179)	0	0	179
Net Gains / (Losses) on Disposal of Property, Plant & Equipment	(11,933)	(425)	0	12,358
Revenue Expenditure Funded from Capital Under Statute	(21,285)	0	0	21,285
Grants on Revenue Expenditure Funded from Capital Under Statute	6,792	0	0	(6,792)
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Statement	37,070	0	2,144	(39,214)
Total Adjustments to Revenue Resources	**(47,390)**	**(425)**	**2,144**	**45,671**

2023/2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	188	(188)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	8,751	0	0	(8,751)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,870	0	0	(6,870)
Total Adjustments between Revenue and Capital Resources	**15,809**	**(188)**	**0**	**(15,621)**
Adjustments to Capital Resources				
Deferred Capital Receipts	0	52	0	(52)
Transfer to Capital Grant Unapplied Account	3,782		(3,782)	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	536	0	(536)
Total Adjustments to Capital Resources	**3,782**	**588**	**(3,782)**	**(588)**
Total Adjustments	**(27,799)**	**(25)**	**(1,638)**	**29,462**

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 four schools: Lindal and Marton Primary School, South Walney Junior School, Newbarns Primary and Junior School, and Cambridge Primary School converting during the year. This resulted in a reduction in gross income of £2.503m and expenditure of £2.533m. This transfer of responsibility also resulted in a reduction of £9.633m 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 East & North Cumbria Integrated Care Board and Lancashire & South Cumbria Integrated Care Board 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 the People directorate. 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 the Westmorland & Furness area. The purpose of the Youth Offending Service is to work with young offenders and reduce the level of offending and reoffending amongst young persons.

Youth Offending Service	**2023/24 £000**
Authority Funding	(388)
Partner Funding	(578)
Total Pooled Funding	(966)
Authority Expenditure	725
Partner Expenditure	146
Expenditure	871
Net (Surplus)/Deficit on the Pooled Budget	**(95)**
Authority Share of the Net (Surplus) / Deficit	**(95)**

Better Care Fund

Westmorland & Furness Council hosts The Better Care Fund in partnership with North East and North Cumbria ICB and Lancashire and South Cumbria ICB under section 75 of the Health Act 2006.

The pooled fund combines funding through the Better Care Fund, the Improved Better Care Fund and Hospital Discharge Grant. It creates a local single 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

Financial performance in the year to 31st March 2024 was as follows:

	Westmorland & Furness Council	North East & North Cumbria ICB	Lancashire & South Cumbria ICB	Private & Voluntary Sector	Total
	£'000	£'000	£'000	£'000	£'000
Contributions					
Disabled Facilities Grant Capital	(2,786)	0	0	0	(2,786)
Improved Better Care Fund	(1,830)	0	0	(7,474)	(9,304)
NHS Discharge Funding	0	(24)	(76)	(2,027)	(2,127)
Local Authority Discharge Funding	(1,054)	0	0	(250)	(1,304)
Minimum NHS Contribution	(9,063)	(1,427)	(4,555)	(4,459)	(19,504)
	(14,733)	(1,451)	(4,631)	(14,209)	(35,025)
Spending					
Assistive Technologies and Equipment	2,078	0	0	0	2,078
Care Act Implementation Related Duties	4,428	0	0	397	4,825
Carers Services	999	0	0	0	999
Community Based Schemes	379	539	1,720	5,532	8,170
DFG Related Schemes	2,786	0	0	0	2,786
Enablers for Integration	744	28	88	355	1,215
High Impact Change Model for Managing Transfer of Care	0	10	31	50	91
Home Care or Domiciliary Care	466	0	0	4,379	4,845
Home-based intermediate care services	2,841	0	0	0	2,841
Integrated Care Planning and Navigation	0	860	2,747	0	3,607
Residential Placements	0	0	0	3,496	3,496
Other	12	14	46	0	72
Total Pooled Fund	14,733	1,451	4,632	14,209	35,025

Note 12 - Members' Allowances

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

	2023/24 £000
Allowances	1,046
Expenses	33
Total Members' Allowances	**1,079**

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 Assistant Chief Executive, the Chief Legal Officer (Monitoring Officer and the Director of Public Health.

		Salary, Fees and Allowance £	Termination Costs £	Employer's Pension Contributions £	TOTAL £
Sam Plum, **Chief Executive**	2023/24	177,942	-	30,784	**208,726**
Alison Hatcher, **Assistant Chief Executive**	2023/24	115,830	-	20,053	**135,883**
Paul Robinson, **Director of Enabler Services**	2023/24	131,367	-	22,726	**154,093**
Pam Duke, **Director of Resources (S151 Officer)**	2023/24	131,367	-	22,726	**154,093**
Angela Jones, **Director of Thriving Places**	2023/24	145,193	-	25,118	**170,311**
Steph Cordon, **Director of Thriving Communities**	2023/24	131,367	-	22,726	**154,093**
Cath Whalley, **Director of Adult Social Care**	2023/24	134,550	-	23,277	**157,827**
John Readman, **Interim Director of Children's Services** (to 09/07/2023)	2023/24	56,660	8,539	270,165	**335,364**
Milorad Vasic, **Director of Children's Services** (from 10/07/2023)	2023/24	96,895	-	16,763	**113,658**
Katrina Stephens, **Director of Public Health**	2023/24	83,000	-	14,359	**97,359**
Linda Jones, **Chief Legal and Monitoring Officer**	2023/24	114,956	-	19,145	**134,101**
TOTAL		**1,319,127**	**8,539**	**487,842**	**1,815,508**

Notes

Interim Director of Children's Services – This post was filled by John Readman from 1st April 2023 to 9th July 2024. Mr Readman had previously been employed by one of the predecessor authorities to the Council (Cumbria County Council) as Executive Director – People. The post of Executive Director – People was made redundant on the demise of Cumbria County Council on 31st March 2023. As the post of Director of Children's Services had not been appointed to as at 1st April 2023, Mr Readman temporarily stepped into the role until recruitment could be completed. This took place in July 2023, with the appointment of Milorad Vasic. The employer's pensions contributions in the above table includes £261,370.07 pension strain costs.

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 2023/24 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 2023/24.

- **Employer's Current Service Pension Contribution** - LGPS 17.3%, and NHS Pension Scheme 14.38% - 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.

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

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

	2023/24		
	Number of Employees		
	School Staff	Other Staff	Total
£50,001 to £55,000	53	59	**112**
£55,001 to £60,000	36	47	**83**
£60,001 to £65,000	46	22	**68**
£65,001 to £70,000	21	30	**51**
£70,001 to £75,000	10	14	**24**
£75,001 to £80,000	4	14	**18**
£80,001 to £85,000	6	6	**12**
£85,001 to £90,000	4	1	**5**
£90,001 to £95,000	1	6	**7**
£95,001 to £100,000	1	2	**3**
£100,001 to £105,000	1	0	**1**
£105,001 to £110,000	0	0	**0**
£110,001 to £115,000	1	5	**6**
£115,001 to £120,000	0	0	**0**
£120,001 to £125,000	1	0	**1**
£125,001 to £130,000	0	2	**2**
Total	**185**	**208**	**393**

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 rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. Exit package payments include all redundancy costs, pension strain costs, payment in lieu of notice or any other departure costs.

The tables below gives further details 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 2023/24 was £1.346m for 20 employees, an average of £67k.

A number of the exit payments included in the below table have arisen as a result of the process of Local Government reorganisation in Cumbria.

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 (£)
	2023/24	**2023/24**	**2023/24**	**2023/24**
£0-£20,000	0	12	12	73,730
£20,001 - £40,000	0	3	3	85,866
£40,001 - £60,000	0	2	2	87,737
£60,001 - £80,000	0	0	0	0
£80,001-£100,000	0	0	0	0
£100,001-£150,000	0	0	0	0
£150,001-£200,000	0	0	0	0
£200,001-£250,000	0	0	0	0
£250,001-£300,000	0	0	0	0
£300,001-£350,000	0	1	1	340,016
£350,001-£400,000	0	1	1	350,998
£400,001-£450,000	0	1	1	408,137
Total	**0**	**20**	**20**	**1,346,484**

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 2023/24 the termination payments made to employees totalled £0.527m and related to 20 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:

	2023/24
	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	752
Fees payable in respect of other services provided by external auditors during the year	0
Total	**752**

The above fees for external audit services payable to Grant Thornton in relation to 2023/24 include the fee scale of £0.665m set by Public Sector Audit Appointments (the PSAA) for the audit of the 2023/24 Financial Statements. The PSAA has noted that this fee does not take into account:

- Additional fees for new audit work on revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The PSAA were unable to factor additional fees into the 2023/24 fee scale because they did not have a sufficient evidence base on the work needed at the time they were required to set the fee scale; and

- The impact on audit work of measures (‘The Accounts and Audit (Amendment) Regulations 2024’) introduced to address the backlog in the publication of audited accounts of local bodies in England by introducing backstop dates by which point local bodies must publish audited accounts.

In addition to the above, during the year the Council paid additional amounts to Grant Thornton in relation to the audit of prior year accounts of the legacy Councils.

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 2023. 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.

Details of the deployment of DSG receivable for 2023/24 are as follows:

DSG Receivable for 2023/24	**Central Expenditure £000**	**Individual Schools Budget £000**	**Total £000**	
Final DSG for 2023/24 before Academies and High needs recoupment			198,015	
Academy and High Needs figure recouped for 2023/24			(75,227)	
Total DSG after academy recoupment for 2023/24			**122,788**	
Plus Brought forward from 2022/23			0	
Less: Carry forward to 2024/25 (agreed in advance)			0	
Agreed initial budgeted distribution in 2023/24	**26,461**	**96,327**	**122,788**	
In year adjustments	0	173	173	
Final budget distribution for 2023/24	**26,461**	**96,500**	**122,961**	
Less: Actual central expenditure	32,552		32,552	
Less: Actual ISB deployed to schools		95,595	95,595	
Plus: Local Authority contribution for 2023/24	0	0	0	
In Year Carry forward to 2024/25	**(6,091)**	**905**	**(5,186)**	
Total DSG unusable reserve at the end of 2022/23				**(8,741)**
Addition to DSG Unusable Reserve at the end of 2023/24				**(5,186)**
Total DSG Unusable Reserve at the end of 2023/24				**(13,927)**

The reserve as at 31st March 2024 is a deficit of £13.927m, an increase to the deficit of £5.186m compared to the deficit balance of £8.741m as at 31st March 2023. The main reasons for the increase in the deficit on the DSG earmarked reserve are:

Overspend on High Needs Block	£6.343m
Underspend on other DSG funded budgets	(£1.157m)
Total	**£5.186m**

The overspend against the High Needs Block of £6.343m relates to individual pupils with special educational needs and disabilities (SEND) in mainstream, special schools and independent specialist providers. The number of pupils with SEND and the demand for placements together with the increasing complexity of SEND for individual pupils has risen significantly since 2017. This rise in demand and increase in complexity of need, as reported by Cumbria County Council in 2022/23 and in previous years, has resulted in significant pressure on the High Needs Block budget. A large proportion (29%) of the funding for SEND is based on historic actual expenditure in 2017/18 which does not recognise the rapid rise in demand for specialist placements following the SEND reforms. The High Needs budget pressure being experienced by Westmorland & Furness is in line with the national picture. Westmorland & Furness is part of the DfE’s Delivering Better Value in SEND programme and in accordance with the DSG conditions of grant a DSG management plan was submitted to the DfE in February 2024. The management plan sets out Westmorland & Furness’ forecast DSG income and expenditure for 2023/24 to 2029/30. The forecast includes both a mitigated and unmitigated deficit position with savings initiatives totalling £43.866m however despite these mitigations the DSG deficit is forecast to increase to £37.314m by 2029/30.

The underspend against other DSG budgets of (£1.157m) comprises of (£0.936m) against the Early Years Block which is mainly due to a difference between the actual take-up of 2, 3 and 4 year-old free-entitlement nursery provision compared to the provisional Early Year Block funding allocation for 2023/24 which is based on the previous year’s actual take-up of provision. A deduction will be made in July 2024 against the 2024/25 DSG allocation for the difference in funding due when the final Early Years block allocation for 2023/24 is confirmed. The remaining balance of (£0.221m) mainly relates to an underspend against the School Contingency Fund of (£0.258m) and other individually non-material variances across various budget lines totalling a net overspend of £0.037m.

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

	2023/24 £000
Social Care Grant	(17,494)
Revenue Support Grant	(8,451)
Rural Services Support Grant	(5,565)
Services Grant	(1,562)
Other Non-Specific Revenue Grants & Contributions < £1m	(4,877)
Total Revenue Grants and Contributions	**(37,949)**
Capital Grants & Contributions	**(40,852)**
Total	**(78,801)**

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.

	2023/24 £000
Dedicated Schools Grant	(123,090)
Dedicated Schools Grant - adjustment re previous year	128
Housing Benefits Subsidy	(32,853)
Adult Social Care - Improved Better Care Fund	(9,304)
Public Health Grant	(8,558)
Pupil Premium Grant	(3,986)
Household Support Fund	(3,046)
Sixth Form Funding	(2,902)
Mainstream Schools Additional Grant	(2,690)
Adult & Community Learning Grants	(2,138)
Adult Social Care - Market Sustainability	(2,565)
Market Sustainability & Improvement Workforce Fund Grant	(1,740)
Universal Free School Meals Grant	(1,738)
Primary PE & Sports Grant	(1,585)
UK Shared Prosperity Fund	(1,443)
Adult Social Care - Discharge Fund	(1,034)
Skills Bootcamp	(1,000)
Homes for Ukraine	(993)
Teachers Pay Grant	(904)
Other Grants & Contributions < £1m	(10,691)
REFCUS Grants	(6,792)
Total	**(218,924)**

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

- £37,470 Police and Crime Panel Grant from the Home Office in 2023/24. This grant is made to Westmorland and Furness Council, as the host authority, for the maintenance of the Police and Crime Panel for the Cumbria police area.

- 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.

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

	31st March 2024 £000
Revenue Grants Receipts in Advance < £1m	(15,224)
Revenue Contributions Receipts in Advance < £1m	(4,055)
Total	**(19,279)**

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:

	31st March 2024 £000
	£'000
Active Travel	(5,060)
DfE High Needs Fund	(4,587)
Barrow Town Deal - Learning Quarter	(4,542)
DfT Highways Block Grant	(1,984)
DfT Pothole Funding	(1,668)
DfT Safer Roads	(1,605)
DfT Highways & Flooding	(1,393)
Devolved Formula Capital	(1,367)
Barrow Town Deal - Community Wellbeing Hubs	(1,184)
Basic Need Grant	(722)
Other Grants & Contributions <£1m	(1,061)
Total	**(25,173)**

Note 18 - Capital Expenditure and Capital Financing

Capital Expenditure and Capital Financing	**31st March 2024 £000**
Opening Capital Financing Requirement	234,850
Capital Investment:	
Property Plant and Equipment	57,893
Intangible Assets	30
Revenue Expenditure Funded from Capital Under Statute	21,285
Total Capital Spending	79,208
Sources of Finance:	
Capital receipts	(514)
Government Grants and other contributions	(48,842)
Capital Grants Unapplied	(3,838)
Sums set aside from revenue:	
- Direct revenue contributions	(219)
- Minimum revenue provision	(8,751)
Total Sources of Finance	**(53,413)**
Closing Capital Financing Requirement	**251,894**

Explanation of movements in year	**31st March 2024 £000**
Decrease in underlying need to borrow (supported by government financial assistance)	(8,751)
Increase in underlying need to borrow (unsupported by government financial assistance)	25,795
(Decrease) / Increase in Capital Financing Requirement	**17,044**

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.

For 2023/24 the MRP was £8.751m.

The annual MRP charge as a percentage of the Capital Financing Requirement for 2023/24 is 3.47%.

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 and Vehicles, Plant, Furniture & Equipment.

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 2023/24 there were no contingent rents payable by the Council.

Authority as Lessee (leased in) - Finance Leases (on balance sheet)

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

	31st March 2024 £000
Other Land and Buildings	5,328
Vehicles, Plant, Furniture & Equipment	677
Total	**6,005**

Authority as Lessee (leased in) - Operating Leases (not on balance sheet)

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

	31st March 2024 £000
Not later than one year	585
Later than one year and not later than five years	825
Later than five years	3,097
Total	**4,507**

Authority as Lessee (leased in) - Operating Leases (not on balance sheet) continued

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:

	31st March 2024 £000
Minimum lease payments	951
Less: Sub lease payments receivable	(0)
Total	**951**

Authority as Lessor (leased out) - Finance Leases (on balance sheet)

The Authority has leased out property at Devonshire Arcade, Penrith on a finance lease, with 117 years remaining at 31 March 2024. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:

	31st March 2024 £000
Finance lease debtor (net present value of minimum lease payments):	
Current	0
Non-Current (Long Term Debtor)	500
Unearned finance income	1,937
Unguaranteed residual value of property	320
Total	**2,757**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease 31 March 2024 £'000	Minimum Lease Payments 31 March 2024 £'000
Not later than one year	21	21
Later than one year and not later than 5 years	84	84
Later than five years	2,652	2,332
	2,757	**2,437**

Under IFRS 9, the Council has to charge an expected loss allowance against finance lease receivable assets and can opt for a simplified method based on expected lifetime credit losses. Any losses are limited, as default on the lease would mean that the Council retains the asset. However, the length of the lease has an additional value. No charge for expected loss allowance have been deemed necessary for the financial year.

The minimum future 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 2023/24, no contingent rents were receivable by the Authority.

Authority as Lessor (leased out) - Operating Leases

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

	31st March 2024 £000
Not later than one year	3,525
Later than one year and not later than five years	5,848
Later than five years	120,806
Total	**130,179**

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 future minimum lease payments as at 31 March 2024 include £115.7m relating to the lease of the Penrith New Squares Scheme.

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 material contingent rents receivable by the Council in 2023/24.

Note 20 - Service Concession Arrangements

The Council currently has no PFI/PPP contracts. For further details of arrangements relating the provision of waste services please see the Narrative Statement.

Note 21 - Property, Plant and Equipment

Movements to 31 March 2024	Council Dwellings £'000	Land and Buildings £'000	HRA Other Land & Buildings £000	Plant / Vehicles / Equipment	HRA Plant / Vehicles / Equipment £000	Community	Surplus £000	Assets Under Construction £000	Total £000
Cost or Valuation									
at 1st April 2023	**89,715**	**354,236**	**2,627**	**44,748**	**594**	**11,079**	**10,022**	**17,309**	**530,330**
Additions	**2,672**	**8,250**	**14**	**1,540**	**0**	**109**	**46**	**16,187**	**28,818**
Accumulated Depreciation written out to Gross Carrying Amount	**(2,096)**	**(6,277)**	**(144)**	**0**	**0**	**(686)**	**(4)**	**0**	**(9,207)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	**2,898**	**1,514**	**301**	**0**	**0**	**673**	**(558)**	**0**	**4,828**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	**(913)**	**(8,128)**	**(7)**	**0**	**0**	**0**	**(30)**	**0**	**(9,078)**
Derecognition – disposals	**(420)**	**(10,370)**	**0**	**(9,725)**	**0**	**0**	**0**	**(180)**	**(20,695)**
Assets reclassified (to)/from Investment Property	**0**	**153**	**0**	**0**	**0**	**0**	**0**	**0**	**153**
Other movements	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
at 31st March 2024	**91,856**	**339,378**	**2,791**	**36,563**	**594**	**11,175**	**9,476**	**33,316**	**525,149**
Accumulated Depreciation and Impairment									
at 1st April 2023	**0.00**	**(4,179)**	**0**	**(21,569)**	**(181)**	**(686)**	**(34)**	**0**	**(26,649)**
Depreciation charge	**(2,105)**	**(6,992)**	**(144)**	**(3,671)**	**(82)**	**0**	**(46)**	**0**	**(13,040)**
Accumulated Depreciation written out to Gross Carrying Amount	**2,096**	**6,277**	**144**	**0**	**0**	**686**	**4**	**0**	**9,207**
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(5,865)**	**(5,865)**
Derecognition – disposals	**9**	**608**	**0**	**7,720**	**0**	**0**	**0**	**0**	**8,337**
at 31st March 2024	**0**	**(4,286)**	**0**	**(17,520)**	**(263)**	**0**	**(76)**	**(5,865)**	**(28,010)**
Net Book Value									
at 31st March 2024	**91,856**	**335,092**	**2,791**	**19,043**	**331**	**11,175**	**9,400**	**27,451**	**497,139**
at 31st March 2023	**89,715**	**350,057**	**2,627**	**23,179**	**413**	**10,393**	**9,988**	**17,309**	**503,681**

The Council carries out a rolling programme of asset revaluations. The former County Council assets have been valued by the Valuation Office Agency (VOA) on a three year rolling programme. The former District Council assets have been valued by Montague Evans and all such assets were revalued in 2023/24. The history of asset valuations is as follows:

Financial Year & Valuer	Council Dwellings	Other Land & Buildings	HRA Other Land & Buildings	Plant, Vehicles & Equipment	HRA Plant & Equipment	Infrastructure Assets	Community Asset	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£'000
2023/24 - Montagu Evans	91,856	125,026	2,790	-	-	-	-	3,681	-	223,353
2022/23 - Montagu Evans	-	321	-	-	-	-	-	-	-	321
2023/24 - Valuation Office	-	61,688	-	-	-	-	-	-	-	61,688
2022/23 - Valuation Office	-	121,221	-	-	-	-	-	3,338	-	124,559
2021/22 - Valuation Office	-	26,048	-	-	-	-	-	2,380	-	28,428
2020/21 - Valuation Office	-	-	-	-	-	-	-	-	-	-
2019/20 - Valuation Office	-	787	-	-	-	-	-	-	-	787
Assets carried at current value (MV-EUV, FV & DRC)	**91,856**	**335,091**	**2,790**	**-**	**-**	**-**	**-**	**9,399**	**-**	**439,136**
Assets carried at historical cost	-	-	-	19,042	330	347,052	11,175	-	27,451	405,050
Net Book Value as at 31 March 2024	**91,856**	**335,091**	**2,790**	**19,042**	**330**	**347,052**	**11,175**	**9,399**	**27,451**	**844,186**

For the VOA, the lead valuer is Frances Hay MRICS:

Non-specialised assets
Simon Croft, Daniel Moore, Hayley Anderson and James Gater carried out inspections and undertook research and valuations. All work was supervised by the report signatory at a detailed level. The valuations have been reviewed and verified by Simon Croft, Head of Local & Devolved Government Sector. All of the above are RICS Registered Valuers. Lucy Willis, Emily Baxendale, Thomas Willis and Cameron Wykes, all graduate valuers, also assisted with inspections, research and valuations.

Specialised assets valued on a DRC basis.
Malcolm Lytton, Jeffrey Grand and Andrew Thomas, Building & Mineral Surveyors, carried out inspections and undertook research and valuations of the specialised assets valued on a DRC basis. They also carried out the componentisation. Their work was supervised by the report signatory at a high level and quality assured by their senior team member James McLearon and Nick Merriman. Steven Beresford, Anthony Johnson, Cerys Evans and Qasim Dad, all graduate valuers, also assisted with inspections, research and valuations.

Andrew Lloyd, Plant & Machinery Specialist, carried out inspections and undertook research and valuations in respect of the plant and machinery at the Port of Workington.

For Montague Evans, the lead valuer is Scott Young, 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 current values are:

General Assumptions	**School Specific Assumptions**
Using existing buildings records make an allowance for age and obsolescence for the existing buildings on site from a functional, economic and physical perspective.	Determine what the Modern Equivalent Asset would comprise using the latest Government design guidance and/or service input.
Land value based on comparables costs to purchase or compulsory purchase land in the given location.	Estimate the number of pupils it would be built for using the council's pupil number records.
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.	Estimate the amount a school of the required size would cost to build using RICS BCIS and council build cost records.
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

The carrying value is reported or measured as follows:

Category	Basis
Council Dwellings	Existing use value for social housing (EUV-SH)
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)

Highways Infrastructure Assets

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

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

	2023/24
Net Book Value (modified historic cost) as at 1st April	345,468
Additions	29,076
Derecognitions	0
Depreciation	(27,492)
Net Book Value at 31st March	**347,052**

Reconciliation to Balance Sheet

	2023/24
Infrastructure Assets	347,052
Other Property Plant & Equipment Assets	497,136
Total Property, Plant & Equipment	**844,188**

The Council has determined in accordance with Regulation (30M England or 24L Wales) of the Local Authorities (Capital Finance and Accounting) (England/Wales)

(Amendment) Regulations 2022 that the carrying amount to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Note 21.1 – Heritage Assets

Heritage assets are assets that are held by the Council for their cultural, environmental or historical value. Tangible heritage assets include historical buildings, paintings, sculptures, archives and other works of art. Intangible heritage assets include sound and film recordings. The heritage assets held by the Council include various collections within the Council's archive collection, monuments, artefacts, paintings, sculptures and civic regalia.

The carrying value of Heritage Assets held by the Council as at 31st March 2024 was £4.996m.

Note 21.2 – Investment Properties

Each year the Council reviews its property portfolio to identify any properties that should be classified as Investment Properties. As at 31st March 2024 there are a total of 52 investment properties.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment Properties	**2023/24 £000**
Rental Income from Investment Properties	(1,240)
Direct Operating Expenses	96
	(1,144)

The movement in the value of investment properties are analysed below:

Investment Properties	**2023/24 £000**
Balance at start of year:	26,440
Additions	0
Net gains/(losses) from fair value adjustments	(179)
Transfer to Property Plant & Equipment	(153)
Balance at 31st March	**26,108**

All the Council's investment properties have been value assessed as Level 2 of the fair value hierarchy for valuation purposes. The fair value of investment property 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 values, the Council's investment properties have been valued at their highest and best use.

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 2024 was £9.399m.

Note 23 – Short Term Debtors

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

	31st March 2024 £000
Residential and non-residential care charges	9,577
Other Receivable Amounts	14,824
Central Government Bodies	16,382
Other Local Authorities	32,605
NHS Bodies	14,034
Public Corporations and Trading Funds	262
Local Taxation (council tax and non-domestic rates)	20,546
Other Prepayments	3,316
Provision for bad and doubtful debt	(14,671)
Total	96,875

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 31st March 2024 £000	Debtors 31st March 2024 £000	Total 31st March 2024 £000
Amortised cost	0	2,807	**2,807**
Fair Value through profit or loss	3,934	0	**3,934**
Measured at cost	1,591	0	**1,591**
Total financial assets	**5,525**	**2,807**	**8,332**

	Current Financial Assets			
	Investments 31st March 2024 £000	Debtors 31st March 2024 £000	Cash 31st March 2024 £000	Total 31st March 2024 £000
Cash not falling into the following categories	0	0	58,825	**58,825**
Amortised cost	44,087	29,697	0	**73,784**
Fair value through profit and loss	0	0	2,441	**2,441**
Total financial assets	**44,087**	**29,697**	**61,266**	**135,050**
Non-financial assets	0	67,178	0	**67,178**
Total	**44,087**	**96,875**	**61,266**	**202,228**

	Non-Current Financial Liabilities			
	Borrowings 31st March 2024 £000	Creditors 31st March 2024 £000	Other long-term liabilities 31st March 2024 £000	Total 31st March 2024 £000
Amortised cost:				
Public Works Loans Board	(172,279)	0	0	**(172,279)**
Market Loans	(13,224)	0	0	**(13,224)**
Other	0	0	(493)	**(493)**
Creditors	0	0	0	**0**
Total financial liabilities	**(185,503)**	**0**	**(493)**	**(185,996)**
Non-financial liabilities	0	0	(2,434)	**(2,434)**
Total	**(185,503)**	**0**	**(2,927)**	**(188,430)**

	Current Financial Liabilities		
	Borrowings	Creditors	Total
	31st March 2024 £000	31st March 2024 £000	31st March 2024 £000
Amortised cost			
Public Works Loans Board	(3,180)	0	**(3,180)**
Market Loans	(110)	0	**(110)**
Other	0	(137)	**(137)**
Creditors	0	(45,264)	**(45,264)**
Total financial liabilities	**(3,290)**	**(45,401)**	**(48,691)**
Non-financial liabilities	0	(92,651)	**(92,651)**
Total	**(3,290)**	**(138,052)**	**(141,342)**

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:

	31st March 2024	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net losses on:		
• financial assets measured at amortised cost	3,483	0
Total net losses	**3,483**	**0**
Total interest revenue	**(14,781)**	**0**
Interest expense	**7,208**	**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 126/24 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.

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 and 2023/24 all fair value measurements were based on level 2 inputs, with no Level 1 or 3 for either year.

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

	31st March 2024	
Financial Liabilities	**Carrying Amount £000**	**Fair Value (Level 2) £000**
Financial Liabilities held at Amortised Cost:		
Public Works Loans Board	(175,459)	(139,415)
Market Loans	(13,334)	(12,650)
Other	0	0
Total Loans & Borrowings	**(188,793)**	**(152,065)**
Finance lease liabilities	(630)	(630)
Total	**(189,423)**	**(152,695)**

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

Financial Assets	31st March 2024 Carrying Amount £000	Fair Value (Level 2) £000
Amortised Cost (Investments)	44,087	44,087
Cash and Cash Equivalent: Other	2,441	2,441
Cash and Cash Equivalent: Fair value through profit and loss	58,825	58,825
Long-Term Debtors	2,807	2,807
Total	**108,160**	**108,160**

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 50% of the Company's capital, with the other 50% being owned by Cumberland Council) are carried at a cost of £1,591,500 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.

Further details of the investment are in note 38 – Related Parties.

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 rene w 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 2024 are detailed below:

Deposits with Banks and Financial Institutions	Fitch Rating	Amount at 31st March 2024 £000
Cash and Cash Equivalents		
FEDERATED LIQUIDITY MMF	AAA	20,000
ABERDEEN STANDARD MMF	AAA	20,000
DEUTSCHE PLATINUM MMF	AAA	18,000
LLOYDS BANK CALL ACCOUNT	A+	4,700
	Sub Total	**62,700**
Short Term Investments		
CENTRAL BEDFORDSHIRE	AA-	5,000
LONDON BOROUGH OF WALTHAM FORREST	AA-	5,000
HELEBA	A+	20,000
LLOYDS BANK CORPORATE MARKETS	A+	5,000
NATWEST FIXED TERM DEPOSIT	A+	5,000
	Sub Total	**40,000**
Other non-specified investments (Pooled Funds)		
CCLA BETTER WORLD CAUTIOUS FUND	n/a	967
	Sub Total	**967**
	Total	**103,667**

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 2024 that this was likely to crystallise.

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 2023/24 the impairment losses 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
<u>Interest Rate Risk</u>
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 Council's Treasure Management Strategy sets an upper limit on borrowing in variable rate loans (c.25% in 2023/24). 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 2023, 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 £1.470m. The impact of a 1% fall in interest rates would be a net decrease in income of £1.470m.

Price Risk
The Council only holds long term investments for strategic purposes including the CCLA Property Fund. The CCLA property fund and CCLA Better World Cautious Fund are held at FV-P&L and subject to the statutory over-ride which defers the impact of value fluctuations on the general fund.

Foreign Exchange Risk
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.

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

Liquidity Risk	**31st March 2024 £000**
Less than one year	1,000
Between one and two years	9,000
Between two and five years	17,000
More Than 5 Years	6,850
More Than 10 years	152,652
	186,502

Balance Sheet	**31st March 2024 £000**
Short Term Borrowings	1,000
Long term Borrowings	185,502
	186,502

Lender	**31st March 2024 £000**
Public Works Loans Board	172,279
Market Debt	13,223
Other	0
	186,502

In the more than 10 years category there are £13m 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.

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 are included as cash and cash equivalents in Current Assets, at 31st March 2024 these amounted to £4.591m. Short term deposits, which totalled £56.675m as at 31st March 2024, 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.

	31st March 2024 £'000
Cash and Bank Balances	4,591
Short term investments	56,675
	61,266

Note 28 – Short Term Creditors

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

	31st March 2024 £000
Employee Leave Accrual	(6,161)
Lease Creditors	(137)
Accounts Payable Control	(3,755)
Accruals	(437)
Capital Payables	(10,372)
Other Payables	(25,404)
Sub Total	**(46,266)**
Central Government	(23,125)
Other Local Authorities	(37,430)
NHS Bodies	(3,217)
Public Corporations & trading funds	-
Local Taxation (Council Tax & Non-domestic rates)	(5,395)
Total Creditors	**(115,433)**

Note 29 - Provisions

Current Provisions

2023/24	Insurance - Motor and Fire £000	MMI Provision £000	Voluntary Redundancies £000	Other Provisions £000	Total £000
Opening Balance	(56)	(24)	(368)	(660)	(1,108)
(Increase) / decrease in provision during year	(72)	9	0	(3,000)	(3,063)
Utilised during year	0	0	368	463	831
Closing Balance	**(128)**	**(15)**	**0**	**(3,197)**	**(3,340)**

Long Term Provisions

2023/24	Insurance - employers and public liability £000	Business Rates Appeals £000	Total £000
Opening Balance	(2,561)	(933)	(3,494)
(Increase) / decrease in provision during year	19	(1,500)	(1,481)
Utilised during year	0	933	933
Closing Balance	**(2,542)**	**(1,500)**	**(4,042)**

Total Provisions	**31st March 2024 £000**
Opening Balance	(4,602)
Increase in provision during year	(4,544)
Utilised during year	1,764
Closing Balance	**(7,382)**

Insurance Provision
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 (£2.542m for employers and public liability and £0.128m for motor and fire) represents the sum estimated to meet claims identified and also claims incurred but not reported at 31st March 2024. The estimate is based on the advice of consulting actuaries 'Marsh'. The balance of funding is held in an insurance reserve (£8.435m note 32) to support the ongoing self-insurance programme for the period to 31st March 2024.

Municipal Mutual Insurance (MMI)
Municipal Mutual Insurance Ltd (MMI) was the insurer for Westmorland & Furness Council's legacy Councils until the early 1990s. 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 each of the legacy Councils. As part of the dissolution of the legacy Councils their MMI liabilities were consolidated into one liability for Westmorland and Furness Council.

Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against the former policies with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. The Council retains a provision as at 31 March 2024 of £0.015m for known MMI liabilities.

In January 2020, Gallagher Insurance Brokers Ltd (the administrators for MMI) issued a report noting that they do not expect liabilities to be any more than 50% of all claims. Consequently, the Council consequently holds a reserve of £1.193m (at 31 March 2024) based on it potentially being liable for 50% of total MMI liabilities attributed to the former legacy Councils.

Other Provisions
The Council is required to make provisions for any contractual issues that it is aware of at the Balance Sheet date that may result in additional costs being incurred. However, at this there are still uncertainties about the timing and or the amount. The other provisions relate mainly to these areas of contractual issues.

Business Rates
Since the introduction of Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates. Therefore, a provision has been recognised for the best estimate of the amount that

businesses have been overcharged up to 31st March 2024. The provision is based on lodged appeals only. The provision as at 31st March 2023 is £1.5m.

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:

Usable Reserves	31st March 2024 £000
General Fund Balance	(22,470)
Earmarked Reserves	(63,127)
Total Statutory General Fund	**(85,597)**
Capital Receipts Reserve	(14,894)
Capital Grants Unapplied	(21,915)
Total Usable Reserves	**(122,406)**

General Fund Balance

The General Fund Balance at the 1st April 2023 was £22.469m. Given the continuing levels of inflationary pressures General Fund Reserves need to be robust. It is prudent and appropriate to retain General Reserves where possible, to be able to effectively respond to unanticipated pressures and this period of sustained uncertainty.

Earmarked Reserves

The details of earmarked reserves and the movements thereon are set out in Note 31 Transfers to / from Earmarked Reserves.

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	31st March 2024 £000
Balance 1st April	(14,869)
Capital Receipts in year	(613)
Deferred capital receipts	52
Capital Receipts used for financing	536
Balance 31st March	**(14,894)**

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	31st March 2024 £000
Balance 1st April	(20,277)
Capital grants recognised in year	(3,782)
Capital grants utilised in financing	2,144
Balance 31st March	**(21,915)**

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 31st March 2023 £000	Tfrs Between Reserves 2023/24 £000	Tfr In 2023/24 £000	Tfr Out 2023/24 £000	Balance at 31st March 2024 £000
DSG Funded Reserves - Schools ring fenced Reserves	(3,182)	0	0	2,732	(450)
Capital Earmarked reserves	(7,600)	(100)	(438)	2,980	(5,158)
Ring Fenced Earmarked Reserves:	(9,828)	0	(2,176)	1,192	(10,812)
Earmarked Reserves	(33,808)	100	(14,300)	10,061	(37,947)
Total General Fund Earmarked Reserves	**(54,418)**	**0**	**(16,914)**	**16,965**	**(54,367)**
Housing Revenue Account	(5,710)	0	0	729	(4,981)
Major Repairs Reserve	(3,766)	0	(2,332)	2,320	(3,778)
Total HRA Earmarked Reserves	**(9,476)**	**0**	**(2,332)**	**3,049**	**(8,759)**
Total Earmarked Reserves	**(63,894)**	**0**	**(19,246)**	**20,014**	**(63,127)**
Net Transfer (to) / from Earmarked Reserves			**(767)**		

DSG Funded Reserves
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.

As at 1st April 2023 the net surplus balance on maintained schools was (£3.182m), there has been a net decrease during 2023/24 of £2.732m. The table below shows a breakdown of these figures separately by surpluses and deficits excluding academies irrespective of whether the asset is on the Council's Balance Sheet or not.

	31st March 2024	
Schools Earmarked Reserves	**No.**	**£000**
Schools in surplus	73	(4,243)
Schools in deficit	33	3,793
	106	**(450)**

The decrease in earmarked reserves is shown by individual school in the supporting data and can be explained by the following:

- Four schools converted to academy status during the year, their opening balances totalling £0.520m surplus plus in-year movement has transferred to the new Academy Trusts.
- Of the remaining schools, there is an overall decrease in balances of £2.212m**.** The number of schools in surplus has fallen from 83 to 73 and the net value of schools in surplus has decreased by £0.639m. The number of schools in deficit has risen from 23 to 33 with the net value of schools in deficit increasing by £1.573m.

The total funding available for those schools that were maintained as at 31 March 2023 and 31 March 2024 was £114.280m representing an increase of £7.313m (6.8%) compared to 2022/23. This increase comprised of new grants (mainstream schools additional grant, teachers' pay additional grant, teachers' pension employers contribution grant) totalling £3.578m, other grant increases and national funding formula inflationary increases totalling £3.439m and schools in financial difficulty funding of £0.296m.

Total net expenditure was £116.492m against funding of £114.280m giving an in-year deficit of £2.212m. The 2 main pressures on school budgets related to an increase in staff and energy costs. Staff costs increased by £7.898m (8.2%) compared to 2022/23 due to the teachers' pay award, increase in the teachers' pension employers' contribution rate and non-teaching pay awards. Energy costs increased by £0.408m (11.7%) mainly due to the energy crisis. This was offset by a reduction in spend against premises of (£0.143m) (-2.2%), supplies and services (£0.242m) (-1.5%), other spend totalling (£0.133m) (-48.3%) and schools own generated income of (£0.774m) (-9.1%).

Dedicated Schools Grant (DSG) Reserve
The deficit brought forward at 1st April 2023 was £8.741m, the in year deficit for 2023/24 is £5.185m. The DSG Adjustment Account is detailed in Note 32 Unusable Reserves.

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 2024 is £33.638m.

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 £2.685m (long term £2.542m and short term £0.143m, note 30) represents the sum estimated to meet claims identified at 31st March 2024. The estimate is based on the advice of consulting actuaries 'Marsh'.

The balance of funding is held in an insurance reserve to support the ongoing self-insurance programme. As at 31st March 2024 the reserve is £8.435m.

Financial Volatility Reserve
The Financial Volatility reserve provides robustness to the financial sustainability of the Council, given the uncertainty relating to the ongoing financial resilience and sustainability of the Council. The total reserve at 31st March 2024 was £7.490m.

Local Government Reorganisation Implementation Reserve
On 1st March 2022 a single Local Government Reorganisation (LGR) Implementation Reserve was created which was hosted by Cumbria County Council and was jointly funded by the County Council and 6 Cumbrian Districts Councils. The purpose of the Reserve was to fund the implementation of the LGR Programme to ensure that the two new unitary authorities and Cumbria Fire and Rescue Service could provide safe and legal services from 1st April 2023. The total reserve was £18.920m and spend in 2021/22 and 2022/23 totalled £15.735m to give a balance of £3.185m as at 31st March 2023. This reserve was fully utilised during 2023/24 on behalf of both new unitary councils.

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.

	31st March 2024 £000
Revaluation Reserve	(147,803)
Capital Adjustment Account	(476,262)
Deferred Capital Receipts	(1,881)
Financial Instruments Adjustment Account	244
Pooled Investment Adjustment Account	(122)
Pension Reserve	18,512
DSG Adjustment account	13,926
Collection Fund Adjustment Account	(191)
Accumulated Absences Account	6,464
Total	**(587,113)**

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.

Revaluation Reserve	**31st March 2024 £000**
Balance 1st April	(147,850)
Upward revaluation of assets	(26,883)
Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	22,020
(Surplus) or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	**(4,863)**
Difference between fair value depreciation and historical cost depreciation	2,832
Accumulated gains on assets sold or scrapped	1,603
Amount written off to the Capital Adjustment Account	**4,435**
Other movements to the Surplus or Deficit on Provision of Service	**475**
Balance 31st March	**(147,803)**

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.

Capital Adjustment Account	31st March 2024 £000
Balance 1st April	(498,998)
Charges for depreciation and impairment of non-current assets	46,398
Revaluation losses on non-current assets	9,090
Amortisation of intangible assets	118
Revenue expenditure funded from capital under statute	21,285
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	12,357
Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	**89,248**
Adjusting Amounts written out of the Revaluation Reserve	(4,435)
Net written out amount of the cost of non-current assets consumed in the year	**84,813**
Use of Capital Receipts Reserve to finance new capital expenditure	(536)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(46,084)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,751)
Capital expenditure charged against the General Fund and HRA balances	(6,792)
Capital financing applied in year:	(62,163)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	179
Loans repaid in year and loss allowances charged	382
Other adjustments through Revaluation Reserve	(475)
Balance 31st March	**(476,262)**

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets, but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	31st March 2024 £000
Balance 1st April	(1,447)
Deferred Capital Receipts in year	(853)
Transfer to the Capital Receipts Reserve upon receipt of cash	419
Balance 31st March	**(1,881)**

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.

Financial Instruments Adjustment Account	31st March 2024 £000
Balance 1st April	280
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	(36)
Balance 31st March	**244**

Pooled Investment Adjustment Account

This reserve holds the fair value changes for pooled investment funds that are accounted for as Fair Value through Profit and Loss (FV-P&L), including the CCLA Property Fund. These would normally be revenues within the general fund, a time limited statutory over-ride is in place which means that changes in the fair value of these instruments does not impact on the general fund until the instrument is derecognised.

Pooled Investments Adjustment Account	31st March 2024 £000
Balance 1st April	(237)
(Upward) / downward revaluation of investment	115
Balance 31st March	**(122)**

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.

Pension Reserve	31st March 2024 £000
Balance at 1st April	20,310
Remeasurements of the net defined benefit (liability)/asset	(1,644)
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	24,959
Employer's pensions contributions and direct payments to pensioners payable in the year	(25,113)
Balance 31st March	**18,512**

Dedicated Schools Grant Adjustment Account

Regulations effective from 1st April 2020 require that a Schools Budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the Secretary of State for Education to fund the deficit from the General Fund. They also require that where a local authority has a deficit on its Schools Budget relating to its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, it must not charge the amount of that deficit to a revenue account, but instead record any such deficit in a separate account. This has been extended for a further three years through to 31st March 2026. The Dedicated Schools Grant Adjustment Account was created for that purpose.

As at 1st April 2023 the Dedicated Schools Grant (DSG) had an accumulated deficit of £8.741m excluding balances held within individual schools. As at 31st March 2024 the deficit is £13.927m, an increase of £5.186m since 1st April 2023.

DSG Adjustment account	31st March 2024 £000
Balance 1st April	8,741
In Year Deficit on DSG	5,185
Balance 31st March	**13,926**

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.

The amounts paid to the General Fund are fixed on the basis of forecast income as at the start of the financial year. Neither the timing nor the amount of these payments can be revised within the year. If there is under- or over-collection of local taxes in a given year against the forecast income, this difference is realised in councils’ general funds in the following financial year as a surplus/deficit on the Collection Fund. Until then it is held in the Collection Fund Adjustment Account.

Collection Fund Adjustment Account	31st March 2024 £000
Balance 1st April	3,258
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	(3,449)
Balance 31st March	**(191)**

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.

Accumulated Absences Account	31st March 2024 £000
Balance 1st April	5,877
Settlement or cancellation of accrual made at the end of the preceding year	(5,877)
Amounts accrued at the end of the current year	6,464
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	587
Balance 31st March	**6,464**

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 2023/24, the Council paid £11.091m to Teachers' Pensions Scheme in respect of teachers' retirement benefits. The employer contribution rate is 23.68%.

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 2023/24, the Council paid £0.039m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay.

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 5 years, measured on the actuarial assumptions used for IAS19 purposes. The duration profile for all schemes used to determine the assumptions is "mature - retiree".

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 on page 153 and 154 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 £1.148m in 2023/24.

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.

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 2022 valuation) at a level intended to balance the pensions liabilities with investment assets by 2033.

Nature of LGPS Scheme

The LGPS is a funded defined benefit final salary scheme. The value of an individual's pension benefits depends on how long they are an active member 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 Westmorland & Furness Council as Administering Authority of the Scheme. Westmorland & Furness Council has appointed a Pensions Committee (comprised of eight Westmorland & Furness Councillors, three Cumberland Councillors and two employee representatives) to manage the Scheme.

Additionally, the Cumbria Local Pension Board is responsible for assisting the Council is securing compliance with regulations, legislation and the requirements of the Pensions Regulator to ensure the effective and efficient governance and administration of the Cumbria LGPS. The Board is comprised of three employer representatives (one for Westmorland & Furness Council, one for Cumberland Council and one for other employers in the Fund) and three scheme member representatives.

Advice is given by Westmorland & Furness Council's Director of Finance (s.151 Officer), the Council's finance team and by two independent advisors. The role of the independent advisors is to assist and support members of the Pensions Committee in their understanding and challenge of either Pension Fund service providers or officers of the Council.

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.

The latest triennial valuation of the Fund took place in 2022/23 with the resultant employers' contribution rates being effective from 1st April 2023. The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31st March 2022 to determine the contribution rates with effect from 1st April 2023 to 31st March 2026. On the basis of the assumptions adopted, the Fund's assets of £3,318m represented 110% of the Fund's past service liabilities.

Historic Cumbria County Council liabilities have been allocated between the successor authorities based on the payroll of the active Cumbria County Council members transferring to each employer. This is Westmorland 43.1%, Cumberland 55.7%, Fire 1.2%. Liabilities relating to the legacy Districts have been allocated to the respective successor authority.

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. The Fund seeks to manage its exposure to currency risk by investing in a diversified portfolio of assets using active management, holding the majority of its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes, and maintaining an unhedged public equity exposure (to provide diversification during extreme markets movement).

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

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. The sensitivity to changes in these assumptions is set out on pages 153 and 154. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

Employment Tribunal - McCloud / Sargeant

In what is often referred to as the McCloud / Sargeant cases, the Court of Appeal has ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constitute unlawful age discrimination. As stated in the Actuarial Certificate accompanying the Pension Fund accounts, the triennial actuarial valuation as at 31 March 2022 allowed for the impact of the judgement based on the proposed remedy.

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 transfer of employees out of the Fund (e.g. new academies), 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:

Comprehensive Income and Expenditure Statement	**LGPS £'000**	**2023/2024 Teachers Pension Schemes £'000**	**Total £'000**
Service cost comprising:			
Current service cost	22,069	0	22,069
Past service cost	32	0	32
Loss from curtailments	1,659	0	1,659
Loss from settlements and / or transfers	0	0	0
Other Operating Expenditure:			
Administration expenses	977	0	977
Financing and Investment Income and Expenditure			
Net interest expense / (income)	(12)	384	372
Total charged to (Surplus) and Deficit on Provision of Services	**24,725**	**384**	**25,109**

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement		**2023/2024**	
Re-measurement of the net defined benefit asset / liability comprising:			
Return on plan assets (excluding the amount included in the net interest expense)	(40,824)	0	(40,824)
Actuarial (gains) and losses - experience	7,956	71	8,027
Actuarial (gains) and losses arising on changes in demographic assumptions	(13,107)	(122)	(13,229)
Actuarial (gains) and losses arising on changes in financial assumptions	(15,814)	0	(15,814)
Change in Asset Ceiling	160,779	0	160,779
Total charged to Other Comprehensive Income and Expenditure Statement	**98,990**	**(51)**	**98,939**
Total charged to the Comprehensive Income and Expenditure Statement	**123,715**	**333**	**124,048**

Movement in Reserves Statement	**LGPS £'000**	**2023/2024 Teachers Pension Schemes £'000**	**Total £'000**
Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services	**(24,725)**	**(384)**	**(25,109)**
Actual amount charged against the general fund balance for pensions in the year:			
Employers' contributions payable to scheme	23,965	0	23,965
Retirement Benefits Payable to Pensioners	0	1,148	1,148
Total Employers' Contributions and Retirement Benefits Payable	**23,965**	**1,148**	**25,113**

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.

Asset Ceiling
Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14.

At 31st March 2024 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil.

The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

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:

	2023/2024		
	LGPS £'000	**Teachers Pension Schemes** £'000	**Total** £'000
Present value of the defined obligation	(1,037,896)	(7,592)	(1,045,488)
Fair value of plan assets	1,187,756	0	1,187,756
Subtotal	**149,860**	**(7,592)**	**142,268**
Effect of Asset Ceiling	(160,779)	0	(160,779)
Net (liability) arising from the defined benefit obligation	**(10,919)**	**(7,592)**	**(18,511)**

34.2a Movement in the Value of Scheme Assets

	2023/2024		
	LGPS £'000	**Teachers Pension Schemes** £'000	**Total** £'000
Opening fair value of scheme assets	**1,105,637**	**0**	**1,105,637**
Interest income	52,817	0	52,817
Re-measurement gain / (loss):			
Return on plan assets, excluding the amount included in the net interest expense	40,824	0	40,824
Contributions from employer	23,965	1,148	25,113
Contributions from employees into the scheme	7,896	0	7,896
Benefits / transfers paid	(42,406)	(1,148)	
Administration expenses	(977)	0	(977)
Assets Extinguished on Settlement	0	0	0
Closing value of scheme assets	**1,187,756**	**0**	**1,187,756**

34.2b Movement in the Value of Scheme Liabilities

	2023/2024		
	LGPS	**Teachers Pension Schemes**	**Total**
	£'000	**£'000**	**£'000**
Opening fair value of scheme liabilities	**(1,021,413)**	**(8,407)**	**(1,029,820)**
Current service cost	(22,069)	0	(22,069)
Interest cost	(48,198)	(384)	(48,582)
Contributions from scheme participants	(7,896)		(7,896)
Re-measurement gain / (loss):			
Actuarial gains / (losses) - experience	(7,956)	(71)	(8,027)
Actuarial gains from changes in demographic assumptions	13,107	122	13,229
Actuarial gains / (losses) from changes in financial assumptions	15,814	0	15,814
Past service cost	(32)	0	(32)
(Losses) on curtailments	(1,659)	0	(1,659)
Benefits / transfers paid	42,406	1,148	43,554
Liabilities extinguished on settlements	0	0	0
Lump Sum Deficit Repayment	0	0	0
Closing value of scheme liabilities	**1,037,896**	**7,592**	**1,045,488**

34.3 LGPS - Pension Scheme - Assets (Fair value as at 31st March 2024) comprised of:

	Quoted	**Unquoted**	**Total**
	£000	**£000**	**£000**
Cash and cash equivalents	**20,192**	**0**	**20,192**
Equity Instruments			
UK Equity Pooled	55,825	0	55,825
Global Equity Pooled	339,698	0	339,698
Overseas Equity Pooled	64,139	0	64,139
Subtotal Equity Instruments	**459,662**	**0**	**459,662**
Bonds			
UK Government Indexed Pool	0	156,784	156,784
Subtotal Bonds	**0**	**156,784**	**156,784**
Property			
UK Property	0	54,637	54,637
Property Funds	0	33,257	33,257
Subtotal Property	**0**	**87,894**	**87,894**
Other Investment Funds			
Private Debt Funds	0	87,894	87,894
Private Equity Funds	0	108,086	108,086
Infrastructure Funds	0	167,474	167,474
Real Estate Debt Funds	0	0	0
Healthcare Royalties	0	21,380	21,380
Multi Asset Credit	0	78,392	78,392
Subtotal Other Investment Funds	**0**	**463,226**	**463,226**
Total Assets	**479,854**	**707,904**	**1,187,758**

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, and the Teachers Discretionary Benefits have been assessed by Mercer Ltd, an independent firm of actuaries. The estimates for the Council being based on a roll forward* from the last the full valuation of the schemes. For the LGPS this is 31st March 2022.

* Historic Cumbria County Council liabilities have been allocated between the successor authorities based on the payroll of the active Cumbria County Council members transferring to each employer. This is Westmorland 43.1%, Cumberland 55.7%, Fire 1.2%. Liabilities relating to the legacy Districts have been allocated to the respective successor authority.

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:

		2023/24
Mortality assumptions		
Longevity at retirement for current pensioners		
	Men	21.5
	Women	23.9
Longevity at retirement for future pensioners		
	Men	22.8
	Women	25.7
Other assumptions		
	Rate of inflation	2.7%
	Rate of increase in salaries	4.2%
	Rate of increase in pensions	2.8%
	Rate for discounting scheme liabilities	4.9%

Impact of assumptions on the LGPS obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
(24,169)	Longevity change by 1 year	24,169
(38,930)	Rate of inflation change by 0.25%	38,930
(5,558)	Rate of increase in salaries change by 0.25%	5,558
73,686	Rate for discounting scheme liabilities change by 0.5%	(73,686)
11,825	Investment returns change by 1%	(11,825)

34.4b Teachers Pension Scheme

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

	Teachers Pension Schemes	2023/24
Mortality assumptions		
Longevity at retirement for current pensioners aged 65		
	Men	21.5
	Women	23.9
Longevity at retirement for current pensioners aged 75		
	Men	13.1
	Women	15.0
Other assumptions		
	Rate of inflation	2.7%
	Rate of increase in pensions	2.8%
	Rate for discounting scheme liabilities	4.9%

Impact of assumptions on the Teachers Pension obligation:

Increase in Assumption £000	Assumption	Decrease in Assumption £000
394	Longevity change by 1 year	(394)
103	Rate of inflation change by 0.25%	(103)
(202)	Rate for discounting scheme liabilities change by 0.5%	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 2022 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 10 years from 1st April 2023. The resultant contribution rates from this valuation are effective from 1st April 2023 to 31st March 2026. Funding levels are monitored on an annual basis.

The pension contributions expected to be made by the Council in the year to 31st March 2024 are:

- Local Government Pension Scheme £22.321m.
- Teachers Discretionary Benefits Scheme £1.148m.

Note 35 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

	31st March 2024 £000
Interest received	(13,517)
Interest paid	7,104
Total	**(6,413)**

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

	31st March 2024 £000
Depreciation	(46,398)
Impairment and downward valuations	(9,090)
Amortisation	(118)
(Increase) in creditors	(48,530)
Increase in debtors	42,989
Increase/(decrease) in inventories	(158)
Movement in pension liability	154
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(12,357)
Other non-cash movements charged to the surplus or deficit on provision of services	(3,056)
Total	**(76,564)**

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

	31st March 2024 £000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	683
Capital Grants	47,644
Total	**48,327**

Note 36 - Cash Flow from Investing Activities

	31st March 2024 £000
Purchase of property, plant and equipment, investment property and intangible assets	57,920
Purchase of short-term and long-term investments	240,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(183)
Proceeds from short-term and long-term investments	(286,782)
Capital Grants & other capital receipts	(48,092)
Net cash flows from investing activities	**(37,137)**

Note 37 - Cash Flow from Financing Activities

	31st March 2024 £000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	96
Repayments of short-term and long-term borrowing	6,000
Net cash flows from financing activities	**6,096**

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.

<u>Government</u>

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 2024 are shown in Note 17.

<u>Members</u>

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2023/24 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 2023/24 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.

<u>Officers</u>
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 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.

<u>Other Public Bodies</u>

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 Pensions Partnership Ltd (BCPP Ltd)
BCPP Ltd is the organisation set up to run pooled LGPS investments for 11 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 each of the 11 Pension Funds holds one of the eleven £1 'A' Ordinary shares in the company. The shares have full voting rights, dividend and capital distribution rights. Westmorland & Furness Council as Administering Authority for the Cumbria Local Government Pension Scheme holds one £1 'A' Ordinary share capital. For Accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

<u>Entities Controlled or Significantly Influenced by the Council</u>
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 £1.591m representing a 50% shareholding in Cumbria County Holdings Ltd (CCHL), a private limited company (company number 08259197). The other 50% shareholding is held by Cumberland Council, with whom the Council shares joint control, as such this arrangement is a Joint Venture. CCHL is a holding company. As at 31 March 2024 it owned 100% of Orian Solutions Ltd which provides cleaning & catering services (Company number 8237164). At 31 March 2024 Orian Solutions Ltd owned 100% of South Lakes Services (Cumbria) Ltd (9957315) which provides cleaning services. Copies of the accounts can be obtained from The Company Secretary, Stocklund House Castle Street Carlisle Cumbria CA3 8SY.

The Council is the sole shareholder and parent body of barrow Forward Limited which was incorporated in the United Kingdom on 26 April 2021. The company provides leisure services to the Council and commenced trading on 1 February 2022.

The results of Cumbria County Holdings Group and Barrow Forward are set out in the table below.

Company Name	Nature of Business	Shareholding %	2023/24 (Unaudited Accounts) Retained Profit / (Loss) for the year Continuing Operations £000	Discontinued Operations £000	Total £000	Net Assets £000
Cumbria County Holdings Ltd Group (08259197)	Waste Disposal Services, Cleaning / Catering Services	50% owned by Westmorland & Furness Council	384	216	600	8,901

Company Name	Nature of Business	Shareholding %	2023/24 (Unaudited Accounts) Retained Profit / (Loss) for the year £000	Total members' funds £000
Barrow Forward Limited (13358547)	Operation of Barrow Park Leisure Centre	100% owned by Westmorland & Furness Council	(211)	(237)

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 120 at 31st March 2024) are jointly and severally liable for these liabilities. As the Council comprises approximately 36% of the Pension Scheme, the Council would be liable for approximately 36% of any resulting liabilities.

Municipal Mutual Insurance Ltd
Municipal Mutual Insurance Ltd (MMI) was the insurer for Westmorland & Furness Council's legacy Councils until the early 1990s. 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 each of the legacy Councils. As part of the dissolution of the legacy Councils their MMI liabilities were consolidated into one liability for Westmorland and Furness Council.

Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against the former policies with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. The Council retains a provision as at 31 March 2024 of £0.015m for known MMI liabilities.

In January 2020, Gallagher Insurance Brokers Ltd (the administrators for MMI) issued a report noting that they do not expect liabilities to be any more than 50% of all claims. Consequently, the Council consequently holds a reserve of £1.193m (at 31 March 2024) based on it potentially being liable for 50% of total MMI liabilities attributed to the former legacy Councils.

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 2024 has been assessed as £3.061m, the Council's share is £1.5m. 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 Trust Funds are not included in the Council's accounts as the Council acts as an agent for these transactions.

Trust Funds for which the Council acts as Trustee include:

Name of Trust	Charity Number
Archibald Carmichael Trust	208386
Holehird Trust	235345
Miller Riches Trust	250568
Mayor's Relief Fund - Charity	503263
Furness Maritime Trust	519627
The Alston with Garrigill Educational Foundation	526861
Kirby Archives Trust	700513
Barrow-in-Furness Science and Technology Educational Trust	1064721
Ramsden Hall Trust	1064867

For further information on the above Trusts, please see the Charity Commission for England and Wales website: https://www.gov.uk/government/organisations/charity-commission

Note 41 - Accountable Body Funds

The Council is the Accountable Body for a number of projects, including those listed below.

The Accountable Body funds are not included in the Council's accounts as the Council acts as an agent for these transactions.

- Growing Places Fund (also known locally as the Cumbria Infrastructure Fund (CIF))
- Business Growth Hub
- UKSPF
- Social Enterprise
- Barrow Town Deal
- Team Barrow

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 16th January 2025 in respect of the unaudited Statement of Accounts for 2023/24.

Accounting rules define two types of events after the reporting period:

- Adjusting events: provide evidence of conditions that existed at the Balance Sheet date and, where material, the financial statements and notes in the statement of accounts are required to be amended to reflect the impact of the events.
- Non adjusting events: which are indicative of conditions that arose after the Balance Sheet date but where there is no requirement for the financial statements and notes in the statement of accounts to be amended to reflect the events, but additional explanatory notes may need to be added.

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

On the 9 January 2025 Westmorland and Furness Council Cabinet supported the Council to apply to join the Devolution Priority Programme and begin a process that could potentially lead to the creation of a Mayoral Strategic Authority covering the geography of Cumbria. It was confirmed that Cumbria would be in the Devolution Priority Programme and public consultation started on the 17th February 2025 closing on the 13th April 2025.

Housing Revenue Account and Expenditure Statement

7.1 Introduction

The HRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the movement on the Housing Revenue Account statement.

		2023/24	
	Note	**£'000**	
Expenditure			
Repairs and maintenance		4,701	
Supervision and management		3,180	
Rents, rates, taxes and other charges		274	
Depreciation, impairment and revaluation of dwellings	4	2,093	
Depreciation and revaluation of other HRA property	5	226	
Debt management costs		12	
Movement in the allowance for bad debts		118	
Total Expenditure			**10,604**
Income			
Dwelling rents		(10,397)	
Non-dwelling rents		(573)	
Charges for services and facilities		(1,014)	
Total Income			**(11,984)**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			**(1,380)**
HRA services' share of Corporate and DRC			262
HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services			0
Net (Income)/Expenditure for HRA Services			**(1,118)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Gain or (loss) on sale of HRA non-current assets	8		-
Pension administration expenses			9
Interest payable and similar charges			890
Pensions interest cost and expected return on pension assets			131
(Surplus) or deficit for the year on HRA services			**(88)**

Movement on the HRA Statement

The overall objectives for movement on the HRA statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA income and expenditure statement and reconciles it to the surplus or deficit for the year on the HRA balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2023/24	
	£'000	
Balance on the HRA at the end of the previous year		**(1,000)**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(88)	
Adjustments between accounting basis and funding basis under statute	817	
(Increase) or decrease in the year on the HRA		**729**
Transfer to or (from) earmarked reserves		(729)
Balance on the HRA at the end of the current year		**(1,000)**

The adjustments between the accounting basis and funding basis under statute for the HRA are set out in Note 9 to the Main Accounting Statements.

Notes to the Housing Revenue Account

1. Dwelling Stock

The dwelling stock held by the Authority consists of:

	31 March 2023	Movements	31 March 2024
1 bed house	142	0	142
2 bed house	348	11	359
3+ bed house	798	17	815
Total houses	**1,288**	**28**	**1,316**
1 bed flat	930	(2)	928
2 bed flat	300	31	331
3+ bed flat	6	0	6
Total flats	**1,236**	**29**	**1,265**
Dwelling stock	**2,524**	**57**	**2,581**

2. HRA Non-current Assets

The Housing Revenue Account non-current assets held by the Authority consist of:

	31 March 2024
	£'000
Council dwellings	91,806
Land and buildings	2,790
Equipment	330
	94,926

3. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. For the North West this is 40%. As a consequence, the Council recognises dwellings at a value of £91.806m on the Balance Sheet. At vacant possession the same dwellings would have a value of £229.915m with the difference of £137.709m being the cost of providing Council housing at less than open market rents. The reduced Balance Sheet value for Council dwellings also reflects the secure tenancy rights which differ from other tenancies, including the Right to Buy and the right to assign the property or apply for a transfer.

	31 March 2024
	£'000
Balance Sheet value EUV-SH	91,806
Difference of EUV-SH and EUV-VP	137,709
Value of dwelling stock at EUV-VP	**229,915**

4. Depreciation and Revaluation of Dwellings

The depreciation and revaluation of dwellings for the year consists of:

	31 March 2024
	£'000
Revaluation loss	-
Reversal of previous revaluation loss	-
Depreciation for current year	2,093
	2,093

5. Depreciation and Revaluation of Other HRA Property

The depreciation and revaluation of other HRA property for the year consists of:

	31 March 2024
	£'000
Depreciation for current year	226
	226

6. HRA Capital Financing Requirement

The movements in the HRA capital financing requirement for the year consist of:

	31 March 2024
	£'000
Opening Capital Financing Requirement	**15,571**
Capital Investment:	
Council dwellings	2,685
Other properties	14
Sources of finance:	
Major Repairs Reserve	-
Voluntary Revenue Provision – towards the repayment of HRA Debt	(817)
Closing Capital Financing Requirement	**17,441**
Explanation of movements in year	
Decrease in underlying need to borrow (unsupported by Government financial assistance)	(817)
Increase/(Decrease) in Capital Financing Requirement	**(817)**

7. Item 8 Credit and Item 8 Debit (General) Determination

The actual charges for capital in the HRA are known respectively as the "Item 8 Debit" (of part II) and the "Item 8 Credit" (of part I of schedule 4 of the Local Government and Housing Act 1989). A general determination of the Item 8 credit and Item 8 debit was issued for 2012/13 onwards. A change in the general determination was established for April 2017 onwards; the end of self-financing transitional arrangements concerning the major repairs allowance.

Although the calculation was originally performed to arrive at the subsidy charges for capital, the determination remains in force and the calculation for 2023/24 is set out in the following table:

	2023/24	
	£'000	**£'000**
Item 8 Credit		
Reversal of previous year revaluation loss - dwellings	-	
Reversal of previous year revaluation loss – non dwellings	-	**-**
Item 8 Debit		
Interest payable on external loans	741	
Depreciation of dwelling	(2,093)	
Depreciation of non-dwellings	(226)	
Interest payable on notional cash balances	62	
Debt management expenses	12	
Revaluation loss - dwellings	-	
Revaluation loss – non dwellings	-	**1,504**
		1,504

8. HRA Non-Current Asset Disposals

The HRA non-current asset disposals for the year consist of:

	31 March 2024
	£'000
Carrying value of dwellings sold	-
Sale proceeds from dwellings	-
Net gain on disposals	**-**

9. Major Repairs Reserve

The Major Repairs Allowance (MRA) represents the capital cost of keeping the Authority's dwelling stock in its current condition. Authorities have the flexibility to spend MRA resources outside of the financial year in which they are allocated, enabling the more efficient planning of works or repayment of debt. The Major Repairs Reserve (MRR) represents balances carried forward.

	31 March 2024
	£'000
MRR transfers in year	
From HRA for dwellings depreciation	(2,093)
Difference between MRA and dwellings depreciation	-
MRA for the year	**(2,093)**
Increase for depreciation of non-dwelling assets	(163)
Capital expenditure financed by MRR	-
Balance brought forward	**3,763**
Balance carried forward	6,084

10. Rent Arrears

At 31 March 2024 the HRA rent arrears and the provision in respect of credit losses was:

Movement in Reserves Statement	**31 March 2024**
	£'000
Arrears at year end	1,284
Allowance for impairment	1,072
Percentage of provision	**83%**

The amounts for credit losses are re-assessed each year and adjustments made where necessary.

11. HRA Balance

The financial reserves required by the HRA have been reviewed and a HRA fund balance together with a separate general earmarked reserve has been agreed as the most appropriate method for holding the financial reserves.

The general earmarked reserve will contain the funds available to the HRA for restructuring costs, service development costs, insurance premiums, uninsured losses, one-off items of spend that meet the Reserves and Balances Policy, budget support and budget volatility.

	31 March 2024
	£'000
HRA fund balance	1,000
HRA earmarked reserves	3,982

The Collection Fund

8.1 Introduction

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

	2023/24		
	Council Tax	Business Rates	Total
	£'000	£'000	£'000
Income			
Income from Council Tax	(191,259)	(79,824)	(271,083)
Transitional Protection Payment	-	(6,627)	(6,627)
Income Collectable from Business Ratepayers	(430)	-	(430)
Total Income	**(191,689)**	**(86,451)**	**(278,140)**
Expenditure			
Precepts and Demands			
• Westmorland & Furness Council	156,610	-	156,610
• Cumbria Police, Fire & Crime Commissioner	26,059	-	26,059
Business Rates	7,942	-	7,942
• Central Government			
• Westmorland & Furness Council	-	41,275	41,275
• Cumbria Police, Fire & Crime Commissioner	-	40,450	40,450
• Cumbria Police, Fire & Crime Commissioner – Fire & Rescue Service (FRS)	-	825	825
Charges to Collection Fund			
• Write-Offs of Uncollectable Amounts	(152)	(72)	(224)
• Increase/ (Decrease) in Provision for credit loss	435	219	654
• Increase/ (Decrease) in Provision for Appeals	-	607	607
• Renewable Energy Retention	-	264	264
• Cost of Collection Allowance	-	537	537
Total Expenditure	**190,894**	**84,105**	**274,999**
Surplus/Deficit (-/+) During the Year	**(795)**	**(2,346)**	**(3,141)**

Collection Fund balances:

	2023/24		
	Council Tax	Business Rates	Total
	£'000	£'000	£'000
Balance brought forward at 1 April	**1,236**	**6,048**	**7,284**
Distribution of previous year (surplus) / deficit	(463)	(4,093)	(4,556)
(Surplus) / deficit for the year (as above)	**(795)**	**(2,346)**	**(3,141)**
Balance carried forward at 31 March	22	(391)	(369)
Allocated to:			
• Central Government	-	(196)	(196)
• Westmorland & Furness Council	18	(172)	(154)
• Cumbria Police, Fire & Crime Commissioner	3	-	3
• Cumbria Police, Fire & Crime Commissioner (FRS)	1	(23)	(22)
Balance Carried Forward at 31 March	**22**	**(391)**	**(369)**

8.2 Notes to the Collection Fund

1. Collection Fund General Note

The Authority has a statutory requirement to operate the Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund, therefore, is to isolate the income and expenditure relating to the Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Authority's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Authority's Balance Sheet.

The amounts for credit losses shown in the following notes are re-assessed each year and adjustments made where necessary.

2. Income from Business Ratepayers

The Council collects National Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central Government.

The scheme allows the Authority to retain a proportion of the total NNDR received; the Authority's share is 49% with the remainder paid to central Government (50%) and to Cumbria Police and Fire Commissioner (1%) for Cumbria Fire & Rescue service.

The business rates payable for 2023/24 were estimated before the start of the financial year as £41.275m to Central Government, £0.825m to the Cumbria Police and Fire Commissioner for Cumbria Fire & Rescue service and £40.450m to this Authority. These sums have been paid in 2023/24 and charged to the collection fund in year.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2024. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in the proportion of the precepting shares. There was an increase in the provision charged to the collection fund for 2023/24 that has been calculated at (£0.607m).

The total non-domestic rateable value at the 31 March 2024 was £244.037m.

The national non-domestic rate multiplier for 2023/24 was 51.2 pence in the pound (51.2 pence in the pound for 2022/23). A small business rate relief scheme was also introduced on the 1 April 2005 whereby, providing certain conditions are met, occupiers of properties with a rateable value of less than £15k pay a reduced rate of 49.9 pence in the pound (49.9 pence in the pound for 2022/23) and can also qualify for rate relief.

3. Bad and Doubtful Debts

Provision has been made for the potential credit losses of the Collection Fund. The arrears at the yearend together with the aggregate Balance Sheet provision and overall percentage provisions are:

	31 March 2024
	£'000
Council Tax	
Arrears	14,171
Provision for possible credit losses	(6,512)
Percentage of provision	46%
Business ratepayers	
Arrears	7,300
Provision for possible credit losses	(3,658)
Percentage of provision	50%

The business ratepayer arrears included in the provision exclude a significant backdated liability of £9.340m that was paid in full at the beginning of April 2024 and it was therefore unnecessary to include this in the provision for potential loss.

The bad and doubtful debt balances relate to the total Collection Fund transactions for the year. The council tax and business rate transactions are apportioned between the precepting authorities and form part of the debtor for Cumbria Police, Fire and Crime Commissioner and Central Government with the Authority's share contained in the relevant Balance Sheet headings.

The Council's share of the balances are:

	31 March 2024
	£'000
Council Tax	
Arrears	11,662
Provision for possible credit losses	(5,359)
Percentage of provision	46%
Business ratepayers	
Arrears	3,577
Provision for possible credit losses	(1,793)
Percentage of provision	50%

4. Council Tax Base

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken by the Authority for the forthcoming year and dividing this by the Council Tax base.

The Council Tax base is the number of properties against which the Council Tax can be collected. All properties on the valuation list are split into eight bands, A to H, and each band is given a standard factor to convert it to a band D equivalent. The total of the band D equivalent, net of discount and adjustments, is then multiplied by an assumed collection rate to give the tax base for the area.

The Council Tax base for 2023/24 was 87,714.75. The tax base for 2023/24 was approved by Council on 7 March 2023. The collection rate was assumed to be 99% for 2023/24. The Council Tax base for the year was set as:

Band	Standard Factor	2023/24 Band D equivalent number of chargeable dwellings
A	6/9	12,865.06
B	7/9	14,557.67
C	8/9	17,301.00
D	9/9	15,720.71
E	11/9	13,896.85
F	13/9	8,478.20
G	15/9	5,218.19
H	18/9	563.04
Equivalent chargeable dwellings		88,600.75
99% of which gives the Council Tax base		**87,714.75**

The total of the precepts and demands on the collection fund is divided by the tax base to arrive at the band D Council Tax, and by applying the standard factor to each band the tax figures are calculated. The following table contains the council tax bandings for the main preceptors for 2023/24.

	2022/23	2023/24		
	TOTAL	Core Spending	Adult Social Care precept	TOTAL
		2.99%	2.00%	
Increase:				
Band A (up to £40,000)	£1,105.43	£33.05	£22.11	£1,160.59
Band B (£40,001 to £52,000)	£1,289.68	£38.56	£25.79	£1,354.03
Band C (£52,001 to £68,000)	£1,473.91	£44.07	£29.48	£1,547.46
Band D (£68,001 to £88,000)	£1,658.15	£49.58	£33.16	£1,740.89
Band E (£88,001 to £120,000)	£2,026.62	£60.60	£40.53	£2,127.75
Band F (£120,001 to £160,000)	£2,395.11	£71.61	£47.90	£2,514.62
Band G (£160,001 to £320,000)	£2,763.58	£82.63	£55.27	£2,901.48
Band H (£320,001 and over)	£3,316.29	£99.16	£66.33	£3,481.78

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.

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.

MHCLG
Ministry of Housing, Communities and Local Government, the UK government department with responsibility for Local Government. Formerly called the Department of Levelling Up, Housing and Communities ("DLUHC").

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.

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.

THE PENSION FUND ACCOUNTS

CONTENTS

FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2022/23		2023/24	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		89,588		96,083
Transfers in from other pension funds	4		11,348		6,236
			100,936		**102,319**
Benefits paid	5		(99,033)		(114,305)
Payments to and on account of leavers / employer exit	6		(7,061)		(5,414)
Net additions / (deductions) from dealings with members			**(5,158)**		**(17,400)**
Management expenses	7 & 8		(18,477)		(22,420)
Net additions / (deductions) including fund management expenses			**(23,635)**		**(39,820)**
Returns on investments					
Investment Income		49,542		61,635	
Taxes on Income		(67)		(8)	
Net investment income	9	49,475		61,627	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(d)	(180,240)		222,989	
Net return on investments			**(130,765)**		**284,616**
Net increase (decrease) in the net assets available for benefits during the year			**(154,400)**		**244,796**
Net assets at the start of the year			**3,317,715**		**3,163,315**
Net assets at the end of the year			**3,163,315**		**3,408,111**

NET ASSETS STATEMENT AS AT 31 MARCH 2024

	Notes	31 March 2023 £'000	31 March 2024 £'000
Long-term Investments	10	1,182	1,182
Investment assets	10	3,161,293	3,399,115
Investment liabilities	10	(3,466)	(2,882)
Total net investment assets		**3,159,009**	**3,397,415**
Long term assets		-	-
Current assets	12	6,496	12,544
Long term liabilities		-	-
Current liabilities	13	(2,190)	(1,848)
Net assets of the Fund available to fund benefits at the period end		**3,163,315**	**3,408,111**

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" or "Cumbria Pension Fund") is a contributory defined benefit scheme to provide pensions and other benefits for all members of the Fund.

The Fund was administered by Cumbria County Council until 31 March 2023. As a result of Local Government Reorganisation, from 1 April 2023, Cumbria County Council and the six District Councils within the geographical boundary of Cumbria ceased and were replaced by two Unitary Councils: Cumberland Council and Westmorland & Furness Council. As part of this reorganisation, the Administering Authority for Cumbria Pension Fund vested from Cumbria County Council to Westmorland and Furness Council in statutory legislation.

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 2024 the total membership of the Fund was 65,570 (2022/23: 62,278) and consisted of 22,430 contributors/actives (2022/23: 20,453), 23,344 deferred members (2022/23: 22,878) and 19,796 pensioners (2022/23: 18,947). The 2023/24 active membership numbers include scheme members who are not actively contributing into the scheme. This may be due to a break in service or potentially in the process of being transferred to deferred leaver status.

At 31 March 2024 there were 120 (31 March 2023: 125) employer bodies in the Cumbria LGPS (for the full list see **Note 25**). The movement in scheme employer membership was largely influenced by Local Government Reorganisation within Cumbria which saw the former Cumbria County Council and six District Councils leave the Fund and two new Unitary Authorities (Cumberland Council and Westmorland & Furness Council) and the Cumbria Commissioner Fire & Rescue Authority join the Fund. In addition to this, two other employers joined the Fund during the year, two existing employers merged (an Academy joined a Multi Academy Trust), and two other employers left the Fund.

Basis of Preparation:

The Statement of Accounts for Cumbria LGPS is presented in its entirety and separately from the General Fund in Westmorland and Furness Council's Accounts. Although the Council is the Administering Authority, the Fund covers a number of other scheduled, and admitted bodies. These Accounts (financial statements and certain sections) are included in Westmorland and Furness Council's Annual Accounts.

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2023/24 and the position at the year-end date, 31 March 2024. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) 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 2023/24

The financial year 2023/24 was mostly focussed on inflationary pressures, the continuing Russian invasion of Ukraine, China's relaxation of its zero-Covid policy, and the impact artificial technology had on boosting technology stocks. The wider global markets remained resilient despite concerns over high inflation, base rate actions, and the prospect that developed economies could enter into recession.

One-year returns in listed equities were positive for the 2023/24 period, with the MSCI All Country World Index recording a return of 20.6% for the twelve months. The UK FTSE All Share index recorded a return of 8.4%, just ahead of emerging markets but trailing most developed indexes. Europe's greater proximity to Russia and Ukraine and its potential to be impacted more seriously by the economic fall-out of the conflict, resulted in the region underperforming the US for the twelve months but still delivering a positive return (Europe ex-UK 13.8% vs North America 26.8%).

The impact on other asset classes was varied. Government bond yields rose as higher inflation and increasing interest rates drove bond values downwards through the year, with the UK Over-5 year index-linked gilts index showing a -6.8% return. The declines in UK real estate capital values moderated over 2023 however property was still impacted by the higher inflation and interest rates, with the MSCI index (UK pension funds below £250m) showing a -0.5% return for the year. Private market assets (i.e. private equity, private debt and infrastructure funds) were relatively stable at protecting capital but, with single digit returns, failed to match the returns from public equities.

NOTE 1 (c): FUND PERFORMANCE 2023/24

As at 31 March 2024 the unaudited value of the Fund's net assets was £3,408.111m (an increase of £244.796m from £3,163.315m as at 31 March 2023). The Fund's Actuary has estimated that the Cumbria LGPS was approximately 110% funded as at 31 March 2024. This was calculated by revising the results of the actuarial valuation as at 31 March 2022 to include an update to the real discount rate, reflecting changes in real yields since the valuation and the correlation of the Fund's holdings to those yields.

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 meant that, whilst it was affected by the market movements described at 1(b) above, the impact on performance was reduced. Overall, the Fund made a positive return on its investments of 8.5% (net of fees) for the year-ended 31 March 2024.

As a long term investor, the Fund is primarily focussed on longer-term performance. It has outperformed its 10 year benchmark, matched the 5 year benchmark and marginally lagged the 3 year benchmarks. The Fund's performance (net of fees) to 31 March 2024 in relation to the Fund's bespoke benchmark over these timeframes is shown in the table below.

	Cumbria Pension Fund Performance	Bespoke Benchmark	Variance to Benchmark
1 year performance	8.5%	8.2%	+ 0.3%
3 year performance (per year)	4.4%	4.5%	- 0.1%
5 year performance (per year)	5.4%	5.4%	+ 0.0%
10 year performance (per year)	7.3%	6.8%	+ 0.5%

The process of implementing the Fund's agreed strategic asset allocation has been ongoing since 2019, with the associated investment decisions being taken in a managed way. Key changes made in 2023/24 included:

- The continuation of capital drawdowns to previously agreed commitments to infrastructure, private equity and private debt funds;
- Rebalancing to address larger underweight and overweight positions within the Fund that had developed through market movements during the year. This was accomplished by reducing equity and reinvesting these proceeds into index-linked gilts;
- The selection of suitable investments for the Private Markets portfolio in March 2024, including new investment commitments made to Border to Coast Pensions Partnership Ltd (BCPP) private markets funds to be launched following the year-end (£50m to Border to Coast Infrastructure 2024 and £75m to Border to Coast Private Credit 2024); and
- The selection of two new investments being launched by BCPP from April 2024, that have specific aims and objectives, and will be invested across a number of asset classes. These commitments were £60m to the Climate Opportunities 2024 Fund and £30m to the UK Opportunities Fund.

During 2023/24, the Fund commenced a full Investment Strategy Review, including a review of its Investment Beliefs and its Responsible Investment policy. The Pensions Committee agreed revised Investment Beliefs and a Responsible Investing Policy in December 2023 and March 2024 respectively. In June 2024, the Committee approved a revised Investment Strategy, including the target investment asset allocation, along with the required changes to the Fund's Investment Strategy Statement. The key theme was 'evolution, not revolution' and the weightings in the main building blocks of assets (growth, fixed income, real assets) remains very similar to the previous strategy. Some revisions to sub-asset classes will be take place during 2024/25 to commence implementation towards the agreed new target allocations.

NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS

2023/24 Business Plan:

All targets set within the 2023/24 Business Plan have been achieved during the year with key tasks either completed, or ongoing work that is on track for completion. Key highlights of this work are summarised below.

- **Continual improvement activities**

  Continual improvement programme for the quality of data held by the Fund. Work undertaken by the Fund and the Fund's pensions administration provider (Local Pensions Partnership Administration, ("LPPA")) has continued to see high levels of common and conditional data scores reported to the Pensions Regulator.

- **Major annual pieces of work**

  Preparation of the Annual Report and Accounts. The 2022/23 Financial Accounts and Annual Report were compiled in accordance with CIPFA's example accounts requirements. The accounts were audited by Grant Thornton, who found that the accounts had been produced to a very high standard. An unmodified opinion was given with no recommendations arising. The auditor formally signed off the accounts on 13 February 2024 and the 2022/23 Annual Report (including draft financial statements) was published on 1 December 2023 in line with regulatory timeframes.

- **Undertake a full Investment Strategy Review and seek suitable investment options to implement the Investment Strategy approved by Pensions Committee.**

  The Fund undertook a full review of its investment strategy in 2023/24. In September 2023, Pensions Committee reviewed the Fund's investment beliefs and, in March 2024, approved a new Responsible Investment policy having undertaken wide engagement with scheme employers, scheme members and other interested parties. The investment beliefs and responsible investment policy informed a review of the Investment Strategy with the revised strategy approved by Pensions Committee in June 2024.

- **Liaison with Border to Coast Pensions Partnership Ltd (BCPP) to ensure that suitable opportunities were available within the pool for the Fund to transition to its amended investment strategy.**

  The Fund continued to be active in influencing the range of sub-funds that BCPP provide with the aim of being reflective of the majority of Investment Strategy asset classes.

  New investment commitments to BCPP private markets funds were agreed by Pensions Committee in March 2024 including commitment to a UK Opportunities Fund and Climate Opportunities Fund. Additionally, during the year the Fund undertook due diligence on the proposed UK Real Estate sub fund that led to the decision to transition the Fund's direct property portfolio to BCPP, with the transition scheduled for late 2024.

- **Continue to improve pension administration arrangements for the benefit of scheme members and employers within the Fund.**

The Fund continued to work with its pension administration provider, LPPA, to improve pension arrangements. LPPA performance was reported to the Pensions Committee with the Local Pension Board providing specific scrutiny to the performance of the pension administrator.

The Fund has worked with LPPA to consider the impact of and implement any required changes to the Scheme arising from new regulations. For example, the McCloud resolution (the resolution to an age discrimination finding across public sector pension schemes) came into effect on 1 October 2023. The Fund and LPPA liaised with employers to ensure that all available data was retained to support the required calculations for the 11,265 scheme members identified as being in scope for an “underpin” calculation to assess if their pension will be increased as a result of the resolution.

- **Address any issues associated with the pensions administration of the Cumbria Pension Fund resulting from Local Government Reorganisation (LGR).**

Local Government Reorganisation in Cumbria resulted in a number of actions, rights and decisions being triggered for members subject to TUPE transfer to the new Councils and Fire and Rescue Authority. This included the right to transfer-in pension benefits held with other providers as well as combining any deferred pension benefits held within the Fund with active records. Additionally, members were able to separate their pension benefits at 31 March 2023, creating a deferred and active record.

Officers have supported LPPA in ensuring that around 14,500 pension records were transferred to the appropriate new Council or Cumbria Fire and Rescue Authority from 1 April 2023.

- **Review of governance arrangements in response to financial, regulatory and structural changes.**

The implementation of the McCloud resolution from 1 October 2023 was the main change to LGPS regulations in 2023/24. The Fund has liaised with all employers to ensure that that all available data has been submitted to LPPA to support the required calculations and the Pensions Committee and Local Pension Board have been appraised of the resolution, its complexity and the work being undertaken by LPPA and the Fund to implement the resolution.

In addition, the Pensions Regulator’s new General Code of Practice came into effect from 27 March 2024. The Fund continues to await other announcements including the outcome of the Good Governance Review.

In addition to the 2023/24 Business Plan, originally approved in March 2023, the Fund has had to respond to unforeseen activities throughout the year. These activities included:

- Enhanced levels of work to review the Fund’s investment beliefs and engage with stakeholders on the Fund’s Responsible Investment policy;

- monitoring the continued appropriateness of the Fund's Investment Strategy in light of sustained high levels of inflation in the first half of the year; and
- staffing vacancies within the team managing the Fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies have been reviewed in line with good practice. There have been no changes to accounting policies in 2023/24.

Fund Account – revenue recognition

2.1. Contribution Income

Future service 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.

Other Employers' contributions including pension strain costs 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. There are no such long-term debtors at 31 March 2024.

Where an employer leaves the scheme, any contributions required or exit credit payable on closure is accrued 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 **Note 4 and Note 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. In pooled funds with accumulation units, the Fund does not receive investment income directly from dividends or bonds, as this is received by the pooled fund and increases the value of the unitised holdings.

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 Council's pensions 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.

This section also includes the cost of Local Pensions Partnership – Administration who provide the technical pension administration function for the Fund through a Delegation of Functions agreement with Lancashire County Council.

2.7. Investment management expenses (Notes 7, 8 and 8a)

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 Fund has reviewed any fee information received from managers prior to the cut-off date for the 2023/24 accounts and used this to include in the Management Fees disclosed in the Accounts. Where fee information was not available from the manager, officers have estimated these fees based on the market value of the investments and respective investment manager mandate.

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). However, the deadline for the returns was 30 June 2024 so the majority of the returns were received from managers after the cut-off date for inclusion within these Accounts. The cost transparency templates are assessed as they are received and will inform additional disclosures of investment costs in the Fund's 2023/24 Annual Report to be published by 1 December 2024. 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 transparency of 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 Council's Pensions team are charged direct to the Fund. Staff and on-costs apportioned to this activity are charged as oversight and governance expenses.

The expenses for those charged with the governance of the Fund (e.g. training, travel and allowances) and the cost of obtaining investment advice from external investment consultants and advisors is included in oversight and governance costs. This section also includes 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

Northern Trust Corporation, as independent Custodians to the Fund, value any directly held 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 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) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:

- 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. Where the valuations are not audited as at 31 March 2024, the valuation is reported based on known transactional movement from the previous audited position. 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 generate any material profit and as the financial accounts for the Company show the shareholder funds to be equivalent to the regulatory capital invested (at cost). Consequently, the shares are valued at cost. At 31 March 2024, these are valued at £1,181,818 as detailed in **Note 22**.

- 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.

b) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. All valuations are performed in accordance with the appropriate Uniform Standards of Professional Appraisal Practices ("USPAP") and International Valuation Standards ("IVS") or provides an IPEVC (International Private Equity and Venture Capital) (or other recognised industry standard) compliant valuation as applicable. 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. The Fund reviews the Annual Reports of the partnerships which have been independently audited.

c) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March 2024. 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.**

d) Freehold and leasehold properties: The properties are valued at fair value at 31 March 2024 by an independent valuer, CBRE Ltd, 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), i.e. "the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's-length transaction", is effectively the same as "Market Value", which is defined in the Red Book 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 grants.

Further detail on Investment Properties is set out in **Note 10(b).**

e) Financial Assets measured at amortised cost: These are recognised on the Net Asset Statement when the Fund 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 i.e. principal amount adjusted for any interest payable / receivable at the year-end date and may be referred to as Investment receivables or trade/other debtors.

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. Northern Trust Corporation 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 2024.

2.11. Derivatives

The Fund may use 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. There were no derivatives as at 31 March 2024.

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 would be valued using the WM/Reuters 4pm closing spot/forward foreign exchange rates.

Fair value of Exchange Traded Futures contracts would be 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 Assurance Company, 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. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

Employees' AVCs are paid over to one of the four 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 these 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 Net Assets Statement 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, if any, are included in the Net Assets Statement to reflect the Fund's continuing economic interest in the securities. BCPP has an active stock lending programme, where it is permissible and as lenders of stock do not generally retain voting rights on lent stock, there are procedures in place to enable stock to be recalled prior to a shareholder vote if considered necessary from a responsible investment perspective. The Fund's passive global equity holding is managed by Legal and General who also operate a stock lending programme in selective overseas equity markets under strict conditions.

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 2023/24 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 2023/24 are as follows:

- Employees - range from 5.5% to 12.5% of pensionable pay dependent on the full-time salary of the member (these rates are halved for those employees opting for the flexibility of the 50:50 section of the LGPS).

- Employers - range from 13.7% to 34.5% of pensionable pay for future service, plus a lump sum payment for deficit recovery contributions where appropriate. 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:

By Category	2022/23 £'000	2023/24 £'000
Employee contributions to the fund	22,062	24,085
Employer contributions to the fund:		
Normal contributions	64,503	71,386
Deficit recovery contributions	3,023	612
Total Employer contributions	67,526	71,998
Total Contributions receivable	**89,588**	**96,083**
By Employer Type	**2022/23 £'000**	**2023/24 £'000**
Administering Authority	51,852	30,393
Other Scheduled bodies	36,541	64,615
Admitted bodies	1,195	1,075
	89,588	**96,083**

As noted previously, from 1 April 2023, Local Government Reorganisation within Cumbria saw the cessation of Cumbria County Council and the creation of two unitary Councils – Cumberland Council (a new scheduled body) and Westmorland and Furness Council which became the administering authority for the Cumbria Pension Fund. As shown in the above table, the administering authority's contributions in 2023/24 were £30.393m from Westmorland and Furness Council. The prior year comparator is shown for Cumbria County Council as the Administering Authority for £51.852m in 2022/23.

In addition to future service contributions and historic deficit 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 towards 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: Details of this are contained in the full Actuarial Valuation Report as at 31 March 2022, which is available on the Cumbria Pension Fund website. All other Cumbria LGPS employer policies that are relevant to the 2023/24 financial year are available under 'Forms and Publications / Policies'.

NOTE 4: TRANSFERS IN FROM OTHER PENSIONS

Transfers into the Fund have been made by individual members, where they decide to move pension benefits accrued from previous employment into their LGPS pension. These are variable year to year depending on choices made by individual members.

	2022/23 £'000	2023/24 £'000
Individual transfers	11,348	6,236
	11,348	**6,236**

NOTE 5: BENEFITS

Pension benefits within the LGPS are based on final pensionable pay or career average, and duration 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 April 2008 to 31 March 2014	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.

In addition to the pension and lump sums payable as detailed above, the pension fund also pays a death grant if a scheme member dies before drawing their pension or, in certain circumstances, within 10 years of starting to draw their pension. Such payments are in accordance with LGPS regulations and are dependent upon the dates in which the scheme member was a member of the Fund.

The following table analyses the amount of total benefits paid in the year, by category and by employer type:

By Category	2022/23 £'000	2023/24 £'000
Pensions paid	82,764	92,586
Lump sums on retirement	13,778	18,957
Lump sums on death	2,491	2,762
	99,033	**114,305**
By Employer Type	**2022/23 £'000**	**2023/24 £'000**
Administering Authority	54,487	14,826
Scheduled bodies	35,684	89,452
Admitted bodies	8,862	10,027
	99,033	**114,305**

As shown in the above table the Administering Authority (Westmorland and Furness Council) benefits paid for 2023/24 were £14.826m. This comprises of pension payments of employees of Barrow Borough Council, Eden District Council, South Lakeland District Council and the new Westmorland & Furness Council.

The prior year is shown for Cumbria County Council as the Administering Authority as £54.487m in 2022/23. For information, the benefits paid in 2023/24 relating to legacy Cumbria County Council pensioners was £59.268m and is included in 2023/24 in the Scheduled bodies category.

NOTE 6: PAYMENTS TO AND ON ACCOUNT OF LEAVERS / EMPLOYER EXIT

Transfers out from the Fund have been made by individual members, where they have decided to take pension 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.

	2022/23 £'000	2023/24 £'000
Refund of member contributions	194	175
Individual transfers out to other Schemes	6,326	5,204
Group transfer out to other Schemes	541	35
	7,061	**5,414**

NOTE 7: MANAGEMENT EXPENSES

Officers undertaking the day to day management and administration of the Cumbria Pension Fund are employed by the Administering Authority with their associated costs e.g. salaries, office space and information technology being charged to the Fund. In addition, the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pension administration services, provided by delegation of function to Lancashire County Council, through Local Pensions Partnership - Administration (LPPA), 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:

	2022/23 £'000	2023/24 £'000
Administrative costs	1,872	1,980
Investment management costs	15,811	19,561
Oversight and governance costs	794	879
	18,477	**22,420**

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency and comparability, the Council has opted 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 2023/24 is provided for information in the next note.

Administrative costs were £0.108m (5.8%) higher in 2023/24 than the previous year. For further details refer to **Note 8**.

Investment management costs were £3.750m (23.7%) higher in 2023/24 than the previous year. For further details refer to **Note 8 and 8(a)**.

Oversight and governance costs were £0.085m (10.7%) higher in 2023/24 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 2023/24 is provided below.

	2022/23 £'000	2023/24 £'000
Administrative costs:		
Pensions Administration	1,499	1,611
Employee costs	349	358
Legal advice	23	8
Other	1	3
	1,872	1,980
Investment management costs: See Note 8 (a)		
Management fees	11,762	14,934
Performance fees	4,016	4,595
Custody fees	33	32
	15,811	19,561
Oversight and governance costs:		
Employee costs	378	432
Pensions Committee	26	36
Pensions Board	18	40
Investment consultancy fees	48	57
Performance monitoring service	41	43
Shareholder voting service	10	11
Actuarial fees	156	67
Audit fees	31	99
Legal and tax advice	20	64
Other (including bank charges)	66	30
	794	879
	18,477	**22,420**

Variations on expenditure between years include:

- Pension Administration costs increased in 2023/24 due to increased numbers of Scheme Members in the Fund as well as higher costs within LPPA arising from additional scheme complexity, enhanced technology and improved customer service processes.

- Investment Management Costs – Investment management costs increased in 2023/24 from £15.811m to £19.561m. In accordance with the CIPFA guidance, disclosure note 8(a) has been included below to provide more detailed disclosure of Investment Management fees.

- Oversight and Governance costs – The principal increase was in respect of Audit fees related to additional fees for prior year audits and the changes relating to new audit requirements. Actuarial fees reduced during 2023/24 as no costs were incurred associated with the actuarial valuation of the Fund (which is undertaken every three years).

NOTE 8(a): INVESTMENT MANAGEMENT EXPENSES ADDITIONAL INFORMATION

As detailed above, in accordance with CIPFA Guidance this note provides more detailed disclosure of investment management fees across the more specific asset class headings for the Fund's pooled investment holdings. The investment management fee values for 2022/23 are also provided for comparison purposes.

<u>2023/24 Investment Management Expenses:</u>

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2023/24 £'000
Asset Classes				
BCPP Asset Pool				
Pooled equity investments with BCPP	2,168	-	253	2,421
Pooled multi-asset credit with BCPP	394	-	-	394
Governance & development costs of BCPP	1,041	-	-	1,041
Pooled passive investments	25	-	-	25
	3,628	-	253	3,881
Private markets				
Infrastructure funds	3,445	2,315	-	5,760
Private equity funds	3,883	1,381	-	5,264
Private debt funds	1,988	899	-	2,887
Multi asset credit funds	642	-	-	642
Property funds	541	-	-	541
	10,499	4,595	-	15,094
Directly held property	554	-	-	554
Cash		-	-	-
	14,681	4,595	253	19,529
Custody fees				32
Total Investment Management Expenses				**19,561**

- Total investment management expenses of £19.561m equate to 0.57% of the year-end asset value of £3.4 billion.

- BCPP asset pool – the 2023/24 fees represent the cost for the pooled equity funds and the pooled Multi Asset Credit fund. In addition, there are the annual charges from the pool in relation to the operational and governance costs and ongoing development of the company and related investment management projects to increase capacity.

- Private Markets - the objective of the Fund's strategic investment allocation to private markets is to select a portfolio of private market assets which aids cash flow and increases diversification and stability. The significant growth in the portfolio values together with additional investments in private market funds has led to increased management fees. In accordance with the CIPFA guidance, management fees and performance fees that have been deducted from within the private market funds during the year have been estimated and included in the table.

  The management fees on private markets were £10.499m in 2023/24 which was an increase on the previous year (£7.808m in 2022/23). There was an increase in the value of performance fees to £4.595m (£4.016m in 2022/23). However, it is recognised the levels of these fees are not consistent year on year, as the performance varies over the life cycle of the investment and is specific to the individual value of each investment. In the context of the year-end valuation of these assets at £1,261m, the management and performance fees of £15m equate to around 1.2% of the asset value (1.0% for 2022/23).

- Transaction and Entry costs – there were transactions costs paid directly from investments during 2023/24 due to trading out of pooled equity funds.

Note 8(a) 2022/23 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2022/23 £'000
Asset Classes				
BCPP Asset Pool				
Pooled equity investments with BCPP	1,950	-	-	1,950
Pooled multi-asset credit with BCPP	378	-	-	378
Governance & development costs of BCPP	901	-	-	901
Pooled passive Investments	48	-	-	48
	3,277	-	-	3,277
Private Markets				
Infrastructure funds	2,365	2,396	-	4,761
Private equity funds	2,086	1,376	-	3,462
Private debt funds	1,403	244	-	1,647
Multi asset credit funds	1,383	-	-	1,383
Property funds	571	-	-	571
	7,808	4,016	-	11,824
Directly held Property	671	-	-	671
Cash & FX contract costs	6	-	-	6
	11,762	4,016	-	15,778
Custody fees				33
Total Investment Management Expenses				**15,811**

NOTE 9: NET INVESTMENT INCOME

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £61.627m net of £0.008m irrecoverable tax on dividends (2022/23 £49.475m, net of £0.067m irrecoverable tax on dividends) can be analysed as follows:

	2022/23 £'000	2023/24 £'000
Income from equities	91	624
Infrastructure funds income	14,635	12,770
Private equity funds income	10,164	13,909
Private debt funds income	4,918	12,211
Multi-asset credit funds income	8,463	7,758
Property funds income	2,274	3,191
Rents from directly held property	7,221	8,115
Interest on cash deposits	1,709	3,049
	49,475	**61,627**

The Fund does not receive investment income directly from equity dividends, as this is received by the pooled fund and increases the value of the unitised holdings. The Fund, however, continues to receive class action income several years after its direct ownership of shares, and this is shown above as income from equities.

The majority of income earned relates to the Fund's private market portfolio (infrastructure, private equity, and private debt funds). The increase in amounts received between 2022/23 and 2023/24 is due to the underlying investments maturing to varying degrees in each year. Overall, the Fund is committed to more investment in private markets. Timing of income is 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 the payment of pensions.

NOTE 10: INVESTMENT ASSETS

	Notes	31 March 2023 Total £'000	31 March 2023 Total £'000	31 March 2024 Total £'000	31 March 2024 Total £'000
Long-Term assets					
Unquoted Equities (shares in BCPP Ltd)			**1,182**		**1,182**
Investment Assets					
Pooled investment vehicles					
Pooled equity/fixed income (active):					
- UK equities		149,663		160,748	
- Global equities		682,461		797,033	
- Overseas equities		152,081		183,770	
- Fixed income funds		146,913		160,667	
		1,131,118		1,302,218	
Unitised insurance policies (passive):					
- Global equities		172,833		177,054	
- UK index-linked securities		444,547		445,233	
		617,380		622,287	
Other pooled funds and limited partnerships:					
- Infrastructure funds		414,735		480,712	
- Private Equity funds		309,840		370,640	
- Private Debt funds		221,060		253,073	
- Multi Asset Credit / Fixed Income funds		142,479		63,468	
- Property funds		86,442		93,762	
		1,174,556		1,261,655	
Pooled investment vehicles & managed funds total			**2,923,054**		**3,186,160**
Investment properties	10(b)		**156,540**		**157,675**
Derivative contracts			**-**		**-**
Cash & cash equivalents			**79,636**		**53,575**
Amounts receivable for sales *			**-**		**-**
Investment income accrued *			**406**		**372**
Property rental debtors *			**1,657**		**1,333**
			81,699		**55,280**
Subtotal investment assets			**3,161,293**		**3,399,115**
Investment liabilities					
Derivative contracts			**-**		**-**
Amounts payable for purchases *			**-**		**-**
Property creditors *			**(3,466)**		**(2,882)**
Subtotal investment liabilities			**(3,466)**		**(2,882)**
Total Net Investments			**3,159,009**		**3,397,415**

* These current and long term assets / liabilities are not valued at 'Fair Value through profit and loss' and are therefore excluded from **Note 10(g)** - Fair Value Hierarchy.

Note 10(a) analyses the investments by Investment Manager.

Note 10(b) details the Fund's property portfolio.

The share capital in BCPP Ltd is shown as a long-term asset as unquoted equities in the above table at a value of £1.182m (a 1/11th share of the total share capital in BCPP).

The Fund's largest manager is BCPP. The Fund's liquid investments with BCPP total £1,302.218m and are shown in Note 10 as 'Pooled equity/fixed income (active)'. These consist of investments in the Border to Coast UK Equity Fund; the Border to Coast Global Equity Alpha Fund; the Border to Coast Overseas Developed Listed Equity fund; and the Border to Coast Multi-Asset Credit (MAC) fund, shown as 'Fixed income funds'. In addition to this, the Fund has invested in a number of private market investments managed by BCPP (infrastructure, private equity, and private credit). For a summary of the Fund's total investments with BCPP please refer to **Note 10(a)**.

The Fund's second largest manager holding is the unitised insurance policies with Legal and General (LGIM) totalling £622.287m, shown in the table categorised into the underlying asset types. These unitised, index-tracking (passive) funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets, the index-tracking funds held on behalf of clients, are quoted assets i.e. fixed interest gilts and equity.

The Fund holds a portfolio of private market 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 Pooled Funds and Limited Partnerships' in the table. The Fund is increasing its investment into private markets with the objective of generating diversification and more stable and / or inflation protected income streams. This portfolio totals £1,261.655m at 31 March 2024.

NOTE 10(a): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2023		31 March 2024	
		£'000	%	£'000	%
Investments Managed by Border to Coast Pensions Partnership Ltd					
Border to Coast Global Equity Alpha Fund	Equities	682,461	21.6%	797,033	23.5%
Border to Coast UK Equity Fund	Equities	149,663	4.7%	160,748	4.7%
Border to Coast Overseas Developed Eq	Equities	152,081	4.8%	183,770	5.4%
Border to Coast Multi Asset Credit Fund	Multi-asset credit	146,913	4.7%	160,667	4.7%
Border to Coast Cumbria LP	Infrastructure funds	123,900	3.9%	180,113	5.3%
Border to Coast Cumbria LP	Private Equity funds	108,212	3.4%	162,330	4.8%
Border to Coast Cumbria LP	Private Credit funds	51,859	1.7%	98,920	2.9%
	Managed by BCPP Pool	**1,415,089**	**44.8%**	**1,743,581**	**51.3%**
Investments Managed outside Border to Coast Pensions Partnership Ltd					
Legal & General	Index-linked gilts	444,547	14.1%	445,233	13.1%
Legal & General	Global equities	172,833	5.5%	177,054	5.2%
JP Morgan	Infrastructure fund	179,541	5.7%	186,021	5.5%
abrdn (formerly Aberdeen Standard)	Direct property	159,654	5.1%	159,605	4.7%
Partners Group	Private Market Credit funds	124,498	3.9%	112,161	3.3%
Partners Group	Infrastructure funds	70,149	2.2%	72,201	2.2%
Pantheon	Private Equity funds	70,075	2.2%	70,656	2.1%
Healthcare Royalty Partners	Royalties funds	51,210	1.6%	61,941	1.8%
Apollo	Multi Asset Credit fund	113,223	3.6%	53,731	1.6%
Strategic cash allocation	Cash	74,712	2.4%	50,096	1.5%
abrdn (formerly Aberdeen SL Capital)	Infrastructure fund	41,146	1.3%	42,377	1.3%
abrdn (formerly Aberdeen SL Capital)	Private Equity funds	41,717	1.3%	42,197	1.2%
Barings	Private Loan funds	44,703	1.4%	41,992	1.2%
Aviva	Property fund	36,989	1.2%	34,681	1.0%
M&G	Property fund	33,057	1.0%	31,780	0.9%
Unigestion	Private Equity funds	36,343	1.2%	31,180	0.9%
Hearthstone	Residential Property fund	16,396	0.5%	27,301	0.8%
CQS	Multi Asset Credit fund	29,256	0.9%	9,737	0.3%
BlackRock	Private Equity fund	2,283	0.1%	2,336	0.1%
Border to Coast Ltd	Share capital	1,182	0.0%	1,182	0.0%
Transition residual, tax accruals	Overseas/UK equities	406	0.0%	372	0.0%
	Outside of BCPP Pool	**1,743,920**	**55.2%**	**1,653,834**	**48.7%**
Total Net Investments		**3,159,009**	**100.0%**	**3,397,415**	**100.0%**

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 2024 the portfolio valued at £157.675m included 22 properties ranging from £1.800m to £15.650m each. These properties cover a mix of sectors such as offices, industrial, 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, and 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(f) to (h).**

'Net rental income from investment property' has been accounted for in the Fund Account under 'Net Investment Income' and is analysed as follows:

	2022/23 £'000	2023/24 £'000
Rental income from investment property	7,922	8,601
Direct operating expenses arising from investment property	(701)	(486)
	7,221	**8,115**

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 properties, 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:

	2022/23 £'000	2023/24 £'000
Balance at the start of the year	**209,300**	**156,540**
Additions:		
Purchases	-	6,225
Subsequent expenditure	979	734
Disposals	(7,008)	-
Net gains/(losses) from fair value adjustments	(46,731)	(5,824)
Balance at the end of the year	**156,540**	**157,675**

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 below:-:

	2022/23 £'000	2023/24 £'000
Not later than one year	7,716	8,428
Later than one year and not later than five years	24,697	25,462
Later than five years	40,840	44,175
Total future lease payments due under existing contracts	**73,253**	**78,065**

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 arrears rather than on a probability-adjusted basis.

The full potential rental income receivable for the properties going forward is currently £8.428m per year, and due to the above targeted and prudent approach to the certainty of payment and bad debt provision, the future lease payments did not need to be reduced by an allowance for expected credit losses. To provide context to this, it is worth noting that as at 31 March 2024 the Fund held £0.313m of deposits paid by tenants which help to mitigate loss to the Fund should rents not be paid.

As at 31 March 2024, an allowance of £0.271m for expected credit loss on outstanding rent arrears (which totalled £0.286m as at 31 March 2023), is recognised within the 'Property rental creditors' figure of £2.882m at Note 10. This represents approximately 3.3% of the 2023/24 net rental income of £8.115m. 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.

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.

The Fund seeks to manage its exposure to currency risk by investing in a diversified portfolio of assets using active management, holding the majority of its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes, and maintaining an unhedged public equity exposure (to provide diversification during extreme markets movement).

The Fund had no directly held derivatives on 31 March 2024 or 31 March 2023.

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.

The table below reconciles the movements in investments and derivatives ('Total net investments') for the current year.

Asset Class	Value at 1 April 2023 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Changes in value during the year £'000	Value at 31 March 2024 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,748,498	27,186	(40,000)	188,821	1,924,505
Other Managed funds	1,174,556	200,130	(153,066)	40,035	1,261,655
Property (See Note 10b)	156,540	6,959	0	(5,824)	157,675
	3,080,776	**234,275**	**(193,066)**	**223,032**	**3,345,017**
Cash & cash equivalents	79,636			(43)	53,575
Amounts receivable for sales	-				-
Investment income accrued	406				372
Property rental debtors	1,657				1,333
Amounts payable for purchases	-				-
Property creditors	(3,466)				(2,882)
Total Net Investments	**3,159,009**			222,989	**3,397,415**

Analysis of gains/(losses) for the year	2023/24 £'000
Realised - Profit and losses on disposal of investments	127,931
Unrealised - Changes in the market value of investments	95,058
	222,989

The following table reconciles the movements in investments and derivatives for the previous year.

2022/23:

Asset Class	Value at 1 April 2022 £'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 2023 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,872,802	78,671	(57,158)	(145,817)	1,748,498
Other Managed funds	1,146,427	227,763	(225,007)	25,373	1,174,556
Property (See Note 10b)	209,300	979	(7,008)	(46,731)	156,540
Derivatives (forward foreign exchange contracts, futures)	(4,142)	20,358	(2,200)	(14,016)	0
	3,225,569	**327,771**	**(291,373)**	**(181,191)**	**3,080,776**
Cash & cash equivalents	85,614			951	79,636
Amounts receivable for sales	-				-
Investment income accrued	727				406
Property rental debtors	2,219				1,657
Amounts payable for purchases	-				-
Property creditors	(3,711)				(3,466)
Total Net Investments	**3,310,418**			(180,240)	**3,159,009**

Analysis of gains/(losses) for the year	**2022/23 £'000**
Realised - Profit and losses on disposal of investments	14,054
Unrealised - Changes in the market value of investments	(194,294)
	(180,240)

NOTE 10(e): INVESTMENTS REPRESENTING MORE THAN 5% OF THE NET ASSETS OF THE FUND

It is a requirement of the Pensions Statement of Recommended Practice (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 in 2023/24 are one of the three pooled sub-funds managed by BCPP, the two unitised insurance funds held with Legal and General, and an infrastructure investment with JP Morgan.

Holding	31 March 2023 £'000	% of Total Net Investments	31 March 2024 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - Global Equity Alpha	682,461	21.6%	797,033	23.5%
Border to Coast Pension Partnership Ltd - Overseas Equity	152,081	4.8%	183,770	5.4%
Border to Coast Pension Partnership Ltd - Infrastructure funds	123,900	3.9%	180,113	5.3%
Investments over 5% managed by Border to Coast	**958,442**	**30.3%**	**1,160,916**	**34.2%**
Legal and General Over 5 Yr Index-Linked Gilts Index	444,547	14.1%	445,233	13.1%
Legal and General FTSE World Equity Index	172,833	5.5%	177,054	5.2%
Investments over 5% managed by Legal and General	**617,380**	**19.6%**	**622,287**	**18.3%**
Other pooled investments over 5% of Net Investment Assets				
JPMorgan - Institutional Infrastructure fund	179,541	5.7%	186,021	5.5%
	1,755,363	**55.6%**	**1,969,224**	**58.0%**

NB: Due to the removal of UK equity (below 5%) and the addition of Overseas Equity and Infrastructure funds for comparator purposes (over 5%), the totals no longer agree to that stated in this note in the prior year accounts.

During the year Cumbria LGPS withdrew £10m from the BCPP Global Equity Alpha fund and £30m from L&G FTSE World Equity fund to address an overweight position which had developed due to growth in equity in the Fund, this was used to both rebalance £30m into index-linked gilts and to make investments in private market assets.

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 held on behalf of clients, are quoted assets such as fixed interest bonds and equity and as such are easily and readily convertible if required.

NOTE 10(f): 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	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
LEVEL 1			
Cash and cash equivalents	Carrying value is fair value because of short-term nature (daily access)	Not required	Not required
LEVEL 2			
Pooled investments - unitised funds with underlying assets in quoted equity (UK or overseas), quoted fixed income, index-linked gilts or cash	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
LEVEL 3			
Investment Properties: Freehold and leasehold properties and property funds	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 equity and other private market assets (Pooled funds in infrastructure, private equity, private debt, unquoted multi-asset credit)	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 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.

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 2024.

Fair Value – Sensitivity of Asset values at Level 3

	Assessed valuation range (+/-)	Value at 31 March 2024 £'000	Value on increase £'000	Value on decrease £'000
Private market funds - Infrastructure	9.5%	480,712	526,380	435,044
Private market funds - Private Equity	9.9%	370,640	407,333	333,947
Private market funds - Private Debt	2.7%	253,073	259,906	246,240
Private market funds - Multi Asset Credit	4.5%	63,468	66,324	60,612
Property - direct and pooled funds	16.2%	251,437	292,170	210,704
Total		**1,419,330**	**1,552,113**	**1,286,547**

Further details on estimates and sensitivities of values 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 four years (i.e. 68% of the observed values were within these ranges). The use of actual data means that the period between April 2021 and March 2024, which included significant volatility related to recovery from COVID-19, Russia's invasion of Ukraine, and also a period of high inflation, 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(g): 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.

To ensure that it continues to meet its funding target the Fund seeks 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: 2% of Total Investments (2022/23: 3%)
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.

Level 2: 56% of Total Investments (2022/23: 55%)
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: 42% of Total Investments (2022/23: 42%)
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 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 2023				31 March 2024			
	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								
Unquoted Equities (shares in BCPP Ltd)	-	-	1,182	1,182	-	-	1,182	1,182
Pooled Investments	-	1,748,498	1,174,556	2,923,054	-	1,924,505	1,261,655	3,186,160
Derivative contracts	-	-	-	-	-	-	-	-
Cash & cash equivalents	82,309	-	-	82,309	57,487	-	-	57,487
Total Financial assets at fair value through profit and loss	**82,309**	**1,748,498**	**1,175,738**	**3,006,545**	**57,487**	**1,924,505**	**1,262,837**	**3,244,829**
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	156,540	156,540	-	-	157,675	157,675
Financial liabilities (Derivative contracts) at fair value through profit and loss	-	-	-	-	-	-	-	-
Total Investments at Fair Value	**82,309**	**1,748,498**	**1,332,278**	**3,163,085**	**57,487**	**1,924,505**	**1,420,512**	**3,402,504**
Percentage of Total Investments	**3%**	**55%**	**42%**	**100%**	**2%**	**56%**	**42%**	**100%**

NOTE 10(h): 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.

Period 2023/24	Market value 1 April 2023 £'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 2024 £'000
Unquoted Equities	1,182	-	-	-	-	-	-	1,182
Level 3 pooled investments (i.e. Other managed funds)	1,174,556	-	-	200,130	(153,066)	11,060	28,975	1,261,655
Investment Properties	156,540	-	-	6,959	0	0	(5,824)	157,675
	1,332,278	**-**	**-**	**207,089**	**(153,066)**	**11,060**	**23,151**	**1,420,512**

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 2023 £'000	31 March 2024 £'000
Financial Instruments	3,004,115	3,243,992
Statutory debts / liabilities & provisions	2,660	6,444
Investment Property	156,540	157,675
Net Assets of the Fund	**3,163,315**	**3,408,111**

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.

	31 March 2023				31 March 2024			
	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	1,182	-	-	1,182	1,182	-	-	1,182
Pooled investment vehicles	2,923,054	-	-	2,923,054	3,186,160	-	-	3,186,160
Derivative contracts	-	-	-	-	-	-	-	-
Cash & cash equivalents	73,219	9,090	-	82,309	46,829	10,658	-	57,487
Investment receivables/debtors	-	2,063	-	2,063	-	1,705	-	1,705
Current & long-term assets	-	341	-	341	-	1,070	-	1,070
	2,997,455	**11,494**	**-**	**3,008,949**	**3,234,171**	**13,433**	**-**	**3,247,604**
Financial Liabilities								
Derivative contracts	0	-	-	0	-	-	-	-
Investment payables/creditors	-	-	(3,466)	(3,466)	-	-	(2,882)	(2,882)
Current/long-term liabilities	-	-	(1,368)	(1,368)	-	-	(730)	(730)
Total Financial Instruments	**2,997,455**	**11,494**	**(4,834)**	**3,004,115**	**3,234,171**	**13,433**	**(3,612)**	**3,243,992**
ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH								
Financial Assets	(133,509)	-	-	(133,509)	228,813	-	-	228,813
Financial Liabilities	0	-	-	0	-	-	-	-
Total Net Gains/(Losses)				(133,509)				228,813

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: 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 2023 £'000	31 March 2024 £'000
Cash balances	**2,673**	**3,912**
Current Debtors		
Contributions due	3,073	6,462
Miscellaneous	750	2,170
Total Current Debtors	**3,823**	**8,632**
Total Current Assets	**6,496**	**12,544**

Cash balances held by the Administering Authority are variable as the need arises to have cash available for pension payments and 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. The restructure of local government and change of administering authority has led to the requirement to invoice the largest employers which was not the case up to 31 March 2023.

NOTE 13: 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 2023 £'000	31 March 2024 £'000
Current Creditors		
Investment Managers fees	316	565
Tax payable	822	1,118
Miscellaneous	1,052	165
Total Current Liabilities	**2,190**	**1,848**

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 asset 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: Foreign Exchange	Market Risk: Interest rate	Liquidity	Other risks	2022/23 £'000	2023/24 £'000
UK Equities	◍	◍	◍	○	◍	150,845	161,930
Overseas Equities	◍	●	◍	○	◍	1,007,375	1,157,857
Index Linked Gilts	○	○	◍	○	◍	444,547	445,233
Property *	◍	○	◍	●	◍	156,540	157,675
Alternative Investments	◍	◍	◍	●	◍	1,321,469	1,422,322
UK Cash	◍	○	◍	○	◍	73,081	52,854
Overseas Cash	◍	●	◍	○	◍	9,228	4,633
Total Investments at Fair Value						**3,163,085**	**3,402,504**

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.

Overall Procedures for Managing Risk

The principal powers under which a LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 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 Pension Fund website under 'Forms and Publications / Policies'.

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.

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 Pension Fund website under 'Forms and Publications / Policies''.

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 conducting an 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 3-5 years.

As at 31 March 2024, the Fund had in place a longer-term target strategic allocation which was agreed at Pensions Committee in March 2021. Follow up work regarding implementation steps to achieve the longer-term allocation was considered by the Investment Sub-Group and Pensions Committee in late 2021 and early 2022 and a further "sense check" of the Strategy was undertaken in mid-2022 in response to rising inflation. Undertaking reviews to continually evolve the strategy, 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 key elements considered in the design of the Fund's strategic asset allocation, were:

- 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 which are therefore 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 recognises that, as part of its diversified portfolio, it requires allocations to assets that are linked to inflation e.g. long lease property, index-linked gilts and infrastructure equity/debt, to maintain its strong funding position.

N.B. in recognition of rises in inflation in both the UK and globally the Fund undertook a "sense check" of the Fund's Investment Strategy to assess whether any changes were required in response to the impact of inflation on both the Fund's liabilities and the Actuary's assumptions in relation to the future investment returns of the current Investment Strategy. The conclusion in September 2022 was that no changes to the Fund's long-term asset allocations were required.

- 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.

During 2023/24, the Fund commenced a full Investment Strategy Review, including a review of its Investment Beliefs and its Responsible Investment policy. The Pensions Committee agreed revised Investment Beliefs and a Responsible Investing Policy in September 2023 and March 2024 respectively. The Investment Strategy review concluded in June 2024 with the Pensions Committee approving a revised target investment asset allocation, along with the required changes to the Fund's Investment

Strategy Statement. The key theme of the review was ‘evolution, not revolution’ and the weightings in the main building blocks of assets (growth, fixed income, real assets) remain very similar to previously. Some revisions to sub-asset classes will be taking place during 2024/25 to commence implementation towards the new target allocations.

The Pensions Committee reviews the total Fund investment performance against its bespoke total benchmark return on a quarterly basis. 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 10 years it has been in place. The process continues to evolve as the Fund continues to enhance its governance and monitoring.

As a further control, a substantial amount of due diligence is performed at the appointment stage both by Officers and the Fund's independent 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.

The Fund's cash and cash-like holdings as at 31 March 2024 were £3.912m (2022/23: £2.673m) within current assets (see **Note 12**), and £53.575m (2022/23: £79.636m) shown as cash and cash equivalents within investments (see **Note 10**). 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 2024	Balances as at 31 March 2023 £'000	Balances as at 31 March 2024 £'000
Money Market Funds			
Northern Trust GBP Liquidity Fund	AAA	65,456	42,326
Northern Trust USD Liquidity Fund	AAA	5,099	3,875
Northern Trust EUR Liquidity Fund	AAA	2,664	628
Bank deposit accounts			
National Westminster Bank	A+	2,673	3,912
Bank current accounts			
Barclays Bank	A+	4,924	3,479
Northern Trust Company (GBP)	AA	28	3,137
Northern Trust Company (USD, EUR)	AA	1,465	130
Total		**82,309**	**57,487**

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 diversification 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 private market asset classes (e.g. infrastructure, real estate debt, private equity secondary funds, royalties, private market loans) which the Fund is now investing in.

Market Risk – Sensitivity Analysis

The Fund's funding position is sensitive to changes in market prices (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 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 April 2021 and March 2024, which included significant volatility related to recovery from COVID-19, Russia's invasion of Ukraine, and high inflation have 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	2023/24 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Equities	1,319,787	11.5%	1,471,563	1,168,011
Index-linked gilts	445,233	17.7%	524,039	366,427
Infrastructure funds	480,712	9.5%	526,380	435,044
Private Equity funds	370,640	9.9%	407,333	333,947
Private Debt funds	253,073	2.7%	259,906	246,240
Multi Asset Credit funds	224,135	4.5%	234,221	214,049
Property and property funds	251,437	16.2%	292,170	210,704
Cash	57,487	2.5%	58,924	56,050
	3,402,504		**3,774,536**	**3,030,472**

Foreign Exchange Risk

The Fund holds a range 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 2024, the Fund had overseas investments of £2,040.398m and £4.633m 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 April 2021 and March 2024, which included significant volatility related to recovery from COVID-19, Russia's invasion of Ukraine, and high inflation have 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 £132.429m, or 3.9% of the Fund's total value.

Foreign Exchange - Sensitivity Analysis	2023/24 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	1,299,886	8.3%	1,407,777	1,191,995
European currency denominated assets	321,986	4.3%	335,831	308,141
Other currency denominated assets	190,955	5.6%	201,648	180,262
UK assets within Global equity funds	232,204	0.0%	232,204	232,204
	2,045,031		**2,177,460**	**1,912,602**

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 funds to hedge some of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset. As such, during recent Investment Strategy Reviews the Fund's approach to hedging has been reviewed.

The conclusion was that the Fund should hold its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes where possible.

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. The UK Bank Rate had been 4.25% in March 2023, and was increased on three occasions in the twelve months, to 5.25% in March 2024. The interest rate risk is that if rates rise further, it causes the value of bonds and bond funds to fall.

The Fund's direct exposure to interest rate movements is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Therefore a 0.75% change in interest rates (which would bring the base rate up to 6.0% or down to 4.50%) will increase or reduce the Fund's return by £3.770m (2022/23 £3.951m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2023 £'000	31 March 2024 £'000
Fixed interest securities (including pooled investments)	444,547	445,233
Cash and cash equivalents	9,090	10,658
Money market funds and pooled cash vehicles	73,219	46,829
	526,856	**502,720**

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 investments than it requires to fulfil all obligations).

In 2023/24, 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.

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(g) 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 2024 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £1,981.992m, i.e. 58% of net assets (31 March 2023 £1,830.807m). The value of the illiquid assets including investment properties was £1,420.512m which represented 42% of net assets (31 March 2023 £1,332.278m).

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Fund's investments in unitised pooled funds are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

The current liabilities of the Fund (see **Note 13**) are all due within 12 months from the Net Assets Statement date. The Fund has no long term liabilities over 12 months.

Counterparty Risk

The principal mitigation of the counterparty risk on investment assets including foreign currency trades 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 advisors and investment managers as part of the oversight of risks. Subject to overriding requirements as the Fund's 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, and
- the bank's position in the market for sourcing Private Finance Initiative (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 in a deal they traded. As part of the manager's credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis.

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. Investment managers usually apply operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

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.

The Fund has allocations to unquoted pooled investment vehicles including infrastructure, pooled property funds, private loan funds 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 2024 are as follows:

Asset Class	2022/23 £'000	2023/24 £'000	Manager	Holding Details
Pooled investment vehicles				
Managed by Pool	1,131,118	1,302,218	Border to Coast	UK, overseas and global equity funds, fixed income multi-asset fund
	123,900	180,113	Border to Coast Cumbria LP	Infrastructure funds
	108,212	162,330	Border to Coast Cumbria LP	Private Equity funds
	51,859	98,920	Border to Coast Cumbria LP	Private Credit funds
Unitised insurance policies	617,380	622,287	Legal and General	Index tracking funds
Other managed funds	179,541	186,021	JP Morgan	Infrastructure fund
	124,498	112,161	Partners Group	Private Market Credit funds
	70,149	72,201	Partners Group	Infrastructure funds
	70,075	70,656	Pantheon	Private Equity funds
	51,210	61,941	Healthcare Royalty Partners	Royalties funds
	113,223	53,731	Apollo	Multi Asset Credit fund
	41,146	42,377	abrdn (formerly Aberdeen SL Capital)	Infrastructure fund
	41,717	42,197	abrdn (formerly Aberdeen SL Capital)	Private Equity funds
	44,703	41,992	Barings	Private Loan funds
	36,989	34,681	Aviva	Property fund
	33,057	31,780	M&G	Property fund
	36,343	31,180	Unigestion	Private Equity funds
	16,396	27,301	Hearthstone	Residential Property fund
	29,256	9,737	CQS	Multi Asset Credit fund
	2,283	2,336	BlackRock	Private Equity fund
UK equity unquoted	1,182	1,182	Border to Coast	Company share capital
	2,924,237	**3,187,342**		

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 AVC providers offered by the Fund are Prudential Assurance Company, 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 Utmost Life, are shown below:

	2022/23 £'000	2023/24 £'000
Standard Life	407	407
Scottish Widows*	820	820
Utmost Life	361	279
Prudential Assurance Company	3,997	5,227
Total AVCs	**5,585**	**6,733**

*Due to administration issues, Scottish Widows have been unable to provide values as at 31 March 2024, the value for 2023/24 in the above table is a carry forward of the 31 March 2023 valuation.

AVC contributions of £1.810m were paid from employees to the providers during the year, or via their employer as part of a salary sacrifice shared cost AVC scheme.

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 Westmorland and Furness 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 the 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)

BCPP is the organisation set up to run pooled LGPS investments for the Fund and 10 other Pension Funds. The company is a private limited company limited by shares and its company registration number is 10795539 (England & Wales). The shares have full voting rights, dividend and capital distribution rights. Westmorland and Furness 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 2023/24.

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 are required to complete an annual declaration on related parties. The 2023/24 returns revealed no material transactions between the members/officers and their families affecting involvement with the Fund.

Related parties returns are also sent to the main employer organisations, and the aim is for receipt of returns to cover at least 85% of the active membership. This target has been exceeded in 2023/24, with 90% coverage.

Each member of the Pensions 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.

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. Westmorland and Furness Council employed the staff involved in providing the duties of the Administering Authority (excluding the pensions administration service which is provided by 'LPPA') 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 Westmorland and Furness Council Annual Financial Report 2023/24 (see Note 14 to those statements).

In the interests of transparency, the Fund has incorporated disclosure of the remuneration of Senior Officers employed by Westmorland and Furness 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 2023/24 the Council's mileage rate, applicable for the reimbursement of business mileage travelled, was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2023/24.

- Westmorland and Furness Council's Employer's Future Service Rate – LGPS 18.9%.

- Time spent on LGPS – as noted above no officers are employed by Cumbria LGPS. The Fund is therefore charged by Westmorland and Furness Council for the time spent by officers undertaking Scheme work. These percentages are the time spent by Senior Officers during 2023/24 on Cumbria LGPS specific work.

- In addition to the basic allowance paid to elected members of Westmorland & Furness Council, the Chair of the Pensions Committee receives a Special Responsibility Allowance. This allowance in 2023/24 was £6,500.

- The Independent Chair of the Local Pension Board received remuneration of £10,000 per annum in relation to his role. The Chair was paid £7,150 in 2023/24 reflecting that he was appointed during the year.

- Other Members of the Pensions Committee and Local Pension Board are not remunerated for their attendance.

2023/24 Remuneration as charged to Cumbria LGPS of Senior Officers of Westmorland and Furness 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 Resources (S151 Officer)	16,421	16,421	2,841	19,262
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)*	37,028	37,028	6,406	43,434
Interim Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)*	44,050	44,050	7,534	51,584
	97,499	**97,499**	**16,781**	**114,280**

* During 2023/24 a Senior Manager left the Fund and an interim Senior Manager was appointed whilst a permanent replacement was recruited.

2022/23 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County Council who had 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)*	10,472	10,472	1,877	12,349
Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS)	51,376	51,376	11,929	63,305

	61,848	**61,848**	**13,806**	**75,654**

* Director of Finance in role until 31 December 2022.

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There are no contingent liabilities or outstanding contractual commitments at 31 March 2024.

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. 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.

Following the disbandment of the **FIDs/Manninen** and the **Manufactured overseas dividends (MODs)** group litigations in 2023, participants were required to settle final payments in relation to outstanding legal fees and adverse costs. Cumbria Pension Fund has now settled all fees in relation to these disbanded claims, the total incurred is £0.265m (£0.123m for FIDs/Manninen and £0.142m for MODs).

Fokus Bank: The Fund successfully recovered £0.401m (including interest) from the French Tax Authorities (FTA) during 2023/24 relating to withholding tax claims for 2004, 2005, 2006, 2008 (part) and 2009. With the assistance of a leading professional services firm, the Fund has appealed the claims for 2007 and 2008 which were rejected by the FTA. The German Central Tax office has issued information requests to claimants and work is ongoing by officers in the Cumbria Fund to establish the availability and cost of providing any requested historic data.

The estimated value of Fokus Bank claims still outstanding at 31 March 2024 is £0.674m (value in GBP based on exchange rates at 31.3.2024). These are now the only claims in which the Fund remains as an ongoing participant and this total can be split by region as France £0.187m, Germany £0.282m and Italy £0.204m. The total fees incurred to date for Fokus Bank claims is £0.291m.

The fees incurred to date for all of the outstanding tax claims mentioned above total £0.556m 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, it may be possible for monies to be recovered via the courts through 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 2023/24 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 2023/24.

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 £8.787m (£3.823m at 31 March 2023) of current debtors (see **Note 12**) is £0.869m of debtors aged between two and six months (£0.011m at 31 March 2023) and £0.052m of debtors aged greater than six months (£0.029m 31 March 2023).

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 programme was wound down in 2020/21.

Within the BCPP UK and Global equity sub-funds that the Fund has subscribed to, BCPP actively participates in stock lending and the income from this forms part of the return on the holding. Legal and General also operate a stock lending programme in selective overseas equity markets under strict conditions and income from this forms part of the return on the passive global equity holding.

The Fund had no securities on loan at 31 March 2024 and earned no income directly in 2023/24 through stock lending.

NOTE 21: EVENTS AFTER THE REPORTING DATE

The Russian invasion of Ukraine remains an ongoing issue and the more recent conflict in the Middle East are a focus of instability in financial markets. In addition, interest rate increases and high inflation in the UK continue to affect valuations in index-linked gilt markets. The impact of these matters on the valuation of the Fund's assets continued to be assessed up until the publication of the audited accounts.

Post year-end market moves and transactions has led to a small decrease to valuations of the Fund's assets in the following quarters; as at 30 September 2024 the estimated total Fund value is £3,397m. This represents a -0.3% decrease compared to the reported Fund value of £3,408m at 31 March 2024. There have been no 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).

Local Government Reorganisation took place in Cumbria on 1 April 2023 and as detailed in Note 1(a), Westmorland & Furness Council became the Administering Authority of Cumbria LGPS, as set out in legislation via a Statutory Instrument. Whilst a significant event for the Fund, there are no financial implications to the Pension Fund arising from this vesting of Administering Authority.

NOTE 22: 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.

Critical Judgements

It is considered that these financial statements do not contain any critical judgements in applying accounting policies.

Use of Estimates and Major Sources of Uncertainty:

Those charged with governance have been provided with further information detailing the use of estimates within these financial statements. This includes the processes and procedures in place including the risks and associated controls so as to ensure that they understand and are content with the levels of scrutiny and controls in place where estimates are applied. This includes estimates used to determine the value of:

- Level 3 assets (as provided by Investment Managers and the underlying independent valuers (where applicable));
- Property (as provided by an independent property valuer); and
- Historic pension liabilities (as assessed by the Fund's Actuary).

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	For every 1% increase in market value of all assets, the value of the Fund will

Item	Uncertainties	Effect if actual differs from assumptions
	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. Investments at 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.	increase by approx. £33.974m, with a decrease having the opposite effect. Level 3 investments including property – often income will be inflation linked e.g. CPI 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, and 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. For further information on the Sensitivity of Asset values at Level 3 including property, please refer to Note 10(f). Further information on the sensitivity analysis of market prices for the Fund's investments (excluding derivatives) is included in the Market Risk section of Note 14.
Pensions Liability (or Surplus)	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 which is available on the Cumbria Pension Fund website.	The effects on the funding level of changes in the individual assumptions can be measured but interact in complex ways. For instance: • a 0.25% increase in life expectancy would result in a £23m decrease in funding surplus; • a 0.25% reduction in the real investment return achieved would result in a £134m decrease in the funding surplus, or; • a 25% reduction in Asset values would result in a £829m decrease in the funding surplus; as determined at the 2022 valuation.

The valuation of 'level 3' assets

Valuations for Private Equity investments are received at least a quarter in arrears, and these investments are therefore valued at an estimate to the fair value at 31 March, as best as is available at the time of preparation. For 31 March 2024, the 31 December 2023 valuations have been the latest available for the majority of private equity investments shown at Note 10 (9.1% of the net investments assets), and further cash transactions up to 31 March are reflected. To remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value. Some private equity March valuations were available at the time of preparation, totalling 1.8% of the net investments.

Infrastructure investments are also valued during the following quarter and for 31 March 2024, the 31 December 2023 valuations have been the latest available for £294.691m of the infrastructure investments shown at Note 10 (8.7% of the net investments assets), and further cash transactions up to 31 March are reflected. To remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value. March valuations were available at the time of preparation for £186.021m of infrastructure, totalling 5.5% of the net investments.

NOTE 23: ACTUARIAL POSITION OF THE FUND

The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31 March 2022 to determine the contribution rates with effect from 1 12

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 2023 £'m	31 March 2024 £'m
Valuation Basis		
Present value of past service liabilities	(2,986)	(3,084)
Net assets of the Fund	3,163	3,408
Net Surplus (Liability)	**177**	**324**
IAS 19 Basis		
Present value of past service liabilities	(2,913)	(2,967)
Net assets of the Fund	3,163	3,408
Net Surplus (Liability)	**250**	**441**

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

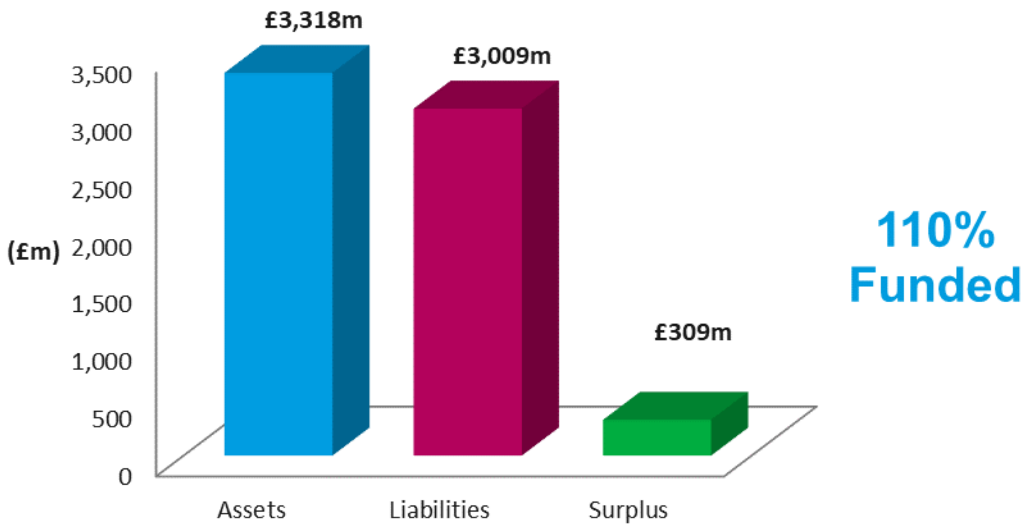
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024 - STATEMENT BY THE CONSULTING ACTUARY

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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £3,318 million represented 110% of the Fund's past service liabilities of £3,009 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £309 million.

Actuarial Valuation as at 31 March 2022



The valuation also showed that a Primary contribution rate of 18.9% 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 Funding Strategy Statement (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. Equally, where there is a surplus, it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years, and the total initial recovery payment (the "Secondary rate" for 2023/26) was a surplus offset of approximately £2.1m 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 March 2023.

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) 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)	4.35% per annum	5.10% per annum
Rate of pay increases (long term)	4.6% per annum	4.6% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.1% per annum	3.1% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

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 2024 (the 31 March 2023 assumptions are included for comparison):

	31 March 2023	31 March 2024
Rate of return on investments (discount rate)	4.8% per annum	4.9% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.7% per annum
Rate of pay increases	4.2% per annum	4.2% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.8% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes for the 2022 actuarial valuation but with a long-term rate of life expectancy improvement of 1.5% p.a. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuation dated March 2023.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities	**£2,913m**
Interest on liabilities	£138m
Net benefits accrued/paid over the period*	(£18m)
Actuarial (gains)/losses (see below)	(£66m)
End of period liabilities	**£2,967m**

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased slightly over the year, with a corresponding increase in discount rate from 4.8% p.a. to 4.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a small reduction in liabilities.

- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.

- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As inflation over the year was higher than the long-term assumption, this increases the liabilities.

Mark Wilson

Fellow of the Institute and Faculty of Actuaries

Mercer Limited
June 2024

Appendix - additional considerations

The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Covid 19 / Ukraine / Gaza conflict: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

High inflation over last two years: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

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.

There have been no accounting standards issued but not yet adopted that would materially impact on the 2023/24 financial statements.

NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND

As at 31 March 2024 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2024 (total 120)

Scheduled Scheme Employers (9)

- Cumberland Council (new)
- Westmorland and Furness Council (new)
- Cumbria Commissioner Fire and Rescue (new)
- Cumbria Chief Constable
- Cumbria Police, Fire & Crime Commissioner
- Furness College
- Kendal College
- Lake District National Park Authority
- Lakes College (West Cumbria)

Scheduled Designated Bodies (16)

- Allerdale Waste Services
- Aspatria Town Council
- Barrow Forward Ltd (new)
- Cleator Moor Town Council
- Cockermouth Town Council
- 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 (36)

- Appleby Grammar Academy
- Arnside National CofE Academy
- Bassenthwaite Academy
- Burton Morewood Primary Academy
- Caldew Academy
- Cartmel Priory Academy
- Cockermouth Academy
- Crosby on Eden Academy
- Cumbria Academy for Autism
- Changing Lives Learning Trust (one employer)
  - Arlecdon Primary Academy
  - Dearham Academy
  - Flimby Primary Academy
  - Queen Elizabeth Grammar Academy (merged)
  - St Bees Village Academy (new)
  - Thornhill Primary Academy
  - West Lakes Academy
- Cumbria Education Trust (one employer)
  - Caldew Lea Academy
  - Castle Carrock Academy
  - Hensingham Primary
  - Longtown Academy
  - Newtown Primary Academy
  - Northside Primary Academy
  - Petteril Bank Academy
  - Tebay Academy
  - The Workington Academy
  - Whitehaven Academy
  - William Howard Academy
  - Yanwath Academy
  - Yewdale Academy
- Eaglesfield Paddle Academy
- Energy Coast UTC
- Furness Education Trust (one employer)
  - Furness Academy
  - Lindal and Marton Primary Academy (new)

Scheduled Bodies - Academies (cont)

  - Newton Primary Academy
  - Parkside GGI Academy
  - Victoria Primary Academy
  - Yarlside Primary 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
- Learning for Life Trust (one employer)
  - Broughton Primary Academy
  - Fairfield Primary Academy
- Lunesdale MAT (one employer)
  - Queen Elizabeth Academy
  - Queen Elizabeth Studio School
- Mater Christi MAT (one employer)
  - Dean Gibson Catholic Primary Academy
  - Our Lady & St Patrick's Catholic Academy
  - Our Lady of the Rosary Catholic Primary Acaden
  - Scared Heart Catholic Primary Academy
  - St Bernard's Catholic High Academy
  - St Cuthbert's Catholic Academy Carlisle
  - St Cuthbert's Catholic Academy Windermere
  - St Gregory's Catholic Primary Academy
  - St Joseph's Catholic High Academy
  - St Margaret Mary's Catholic Academy
  - St Mary's Catholic Primary Academy ULV
  - St Puis X Catholic Primary Academy
- Richard Rose Academies
- Seaton Academy
- Settlebeck High Academy
- South Cumbria MAT (one employer)
  - Cambridge Primary Academy (new)
  - Chetwynd School Academy
  - Newbarns Primary & Nursery Academy (new)
  - Ormsgill Nursery & Primary Academy
  - South Walney Junior Academy (new)
  - Vickerstown Academy
- South Westmorland MAT - Dallam Academy
- Stanwix School Academy
- Stramongate Academy
- The Good Shepherd MAT (one employer)
  - Ambleside Primary Academy
  - Braithwaite Primary Academy
  - Dean Academy
  - Ellenborough & Ewanrigg Academy
  - Gilsland Academy
  - Kirkland Academy
  - Lazonby Academy
  - Lorton Academy
  - Penny Bridge Academy
  - Threlkeld Academy
  - Whitfield Academy
  - Wreay School Academy
- The Queen Katherine School Academy
- Trinity Academy
- Walney Academy

Scheduled Designated Bodies No Actives (3)

- Brampton Parish Council

Scheduled Designated Bodies No Actives (cont)

- Millom Town Council
- Seaton Parish Council

Scheduled Bodies No Actives (10)

- Charlotte Mason College
- Cumbria Institute of the Arts
- Cumbria Primary Teacher Training
- Cumbria Sea Fisheries
- Cumbria Waste Management
- Dept Constit Affairs (Cumbria Magistrates)
- Health Authority
- Port of Workington
- Practical Alternatives to Custody (Ltd)
- Water Authority

Admitted Bodies Transferee (15)

- Bulloughs (Caldew Academy)
- Carlisle Leisure Ltd
- Caterlink - Longtown
- Caterlink - St Bernard's CHS
- Caterlink - W/Lakes
- Caterlink - WHT
- Dolce Ltd (St Martin & St Mary's) (new)
- Greenwich Leisure (Copeland)
- Greenwich Leisure (South Lakes)
- Mellors Catering - Appleby
- Mellors Catering - Kirkby Stephen
- People First
- Priority Facilities (Ashfield Infs)
- Priority Facilities (St Mary's, Work)
- Tullie House Trust

Admitted Bodies Community (13)

- Care Quality Commission
- Cumbria Cerebral Palsy
- Cumbria Deaf Vision
- Eden Housing Association
- Glenmore Trust
- Higham Hall
- Home Group (Copeland)
- Lakeland Arts Trust
- Longtown Memorial Hall Community Centre
- Morton Community Centre
- Oaklea Trust
- South Lakes Housing
- West House

Admitted Bodies No Actives (18)

- Carlisle Leisure Allerdale
- Carlisle Mencap - Huntley Ave
- Carlisle Mencap - Hart St
- Caterlink - Thornhill
- Cumbria Teacher Training
- Cumbria Training Partnership
- Direct Training Services
- Egremont & District Pool Trust
- Harraby Community Centre
- Henry Lonsdale Trust
- Kendal Citizens Advice
- Lake District Cheshire Homes
- Mellors Catering Services - Rockcliffe
- NRCS Ltd (Neighbourhood Revitalisation)
- Project Homeless
- Soundwave
- Troutbeck Bridge Swimming Pool
- Wigton Joint Burial Committee

APPENDIX: GLOSSARY

Active Management – Approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or stock selection decisions. *(Also see Passive Management).*

Actuary – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

Actuarial Valuation – An actuary formally reviews the assets and liabilities of the pension Fund and produces a report on the Fund's financial position.

Additional Voluntary Contributions - Additional Voluntary Contributions, or AVCs, are extra payments made by a scheme member to increase future benefits. It is also possible to pay AVCs to provide life cover. All LGPS pension funds are required to have an AVC arrangement. Scheme members can invest money through their AVC provider. AVCs are taken directly from pay and attract tax relief.

Admitted Body – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain. These bodies can be categorised as Transferee or Community Admission bodies.

Actuarial Valuation – Every three years the actuary formally reviews the assets and liabilities of the Cumbria LGPS Fund and produces a report on the Fund's financial position.

Alternatives – Also known as Private Markets – please refer below.

Asset Allocation – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return and is a central concept in financial planning and investment management.

Authorised Contractual Scheme (ACS) – an ACS is a type of structure in which institutional investors (including Pension funds) can hold their pooled investments. The ACS is the investment vehicle chosen by BCPP to hold the public market quoted investments for the twelve partner funds and provides a tax efficient means for managing all the equity and bonds held by the company.

Auto Enrolment - UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria. The law on workplace pensions has now changed and every employer must comply.

Benchmark – A yardstick against which the investment policy or performance of a fund manager can be compared, usually the index relating to the particular assets held. *(Also see Target).*

Bid price – Price at which a security or unit in a pooled fund can be sold.

Bonds – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Career Average Revalued Earnings (CARE) Scheme – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

CIPFA – Chartered Institute of Public Finance & Accountancy.

Class Action – An action where an individual represents a group in a court claim. The judgement from the suit is for all the members of the group (class). This is often done when shareholders launch a lawsuit against a company, mainly because it would be too expensive for each individual shareholder to launch their own lawsuit.

Commitments – declaration of intent to invest in private market funds, the capital will be drawn down (deployed) by the fund to make the underlying investments over time.

Conflicts of Interest - Real or apparent instances where a person or firm has an incentive to serve one interest at the expense of another. Some of these conflicts are inherent in any large, diversified organisation, while others stem from the nature of the services offered to clients. These conflicts are managed through disclosure and with policies and procedures that are designed to protect client's interests. The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with fiduciary duties.

Consumer Price Index (CPI) - The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

Counterparty - The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to go through. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

Currency Hedge – This is one way for pension funds to reduce the volatility of their foreign currency exposures, by using derivatives to convert exposures back to the domestic currency.

Custodian – Organisation which is responsible for the safekeeping of asset, income collection and settlement of trades for a portfolio, independent from the asset management function.

Deficit recovery period – A reasonable period of time over which a pension fund will aim to repair it's funding level to meet its statutory objective of 100% solvency, taking into account employer circumstance where possible.

Defined Benefit – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment. Public sector pension schemes, including the LGPS, were defined benefit prior to the introduction of the Career Average Revalued Earnings (2014) Scheme.

Defined Contribution – A retirement plan in which a certain amount or percentage of money is set aside each year by a company for the benefit of the employee. There are restrictions as to when and how you can withdraw these funds without penalties. There is no way to know how much the plan will ultimately give the employee upon retiring. The amount contributed is fixed, but the benefit is not.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Designated Body – Also known as Resolution body – please refer below.

Diversification – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Emerging Markets – Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

Engagement - A series of actions investors can take to reduce environmental, social and governance risks. This can include raising concerns or making proposals about company practices directly to its directors via correspondence, face-to-face meetings, attendance and voting at shareholder meetings.

Equities – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fiduciary Duty - A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

Final Salary – Another term for the defined benefit pension schemes where employee benefits are based on the person's final salary when they retire. The LGPS 2014 Scheme has moved from this to a CARE (career average) scheme.

Fixed Interest Securities – Investments mainly in government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Funding Level – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

Futures Contract – A contract that is traded on an organised exchange and subject to rules of the exchange. It is an obligation that the buyer and seller settle the contract through purchase or sale of an underlying asset at the future date.

Gilts – These are the simplest form of UK government bond. A conventional gilt is a bond issued by the UK government which pays the holder a fixed cash payment (or coupon) every six months until maturity, at which point the holder receives his final coupon payment and the return of the principal.

Governance - The procedures and practice associated with decision-making, performance and control, which provide structures and satisfy expectations of accountability in large, mainly commercial, organisations.

Growth assets – giving returns from capital growth in company share value, usually public market traded equity and private equity.

IFRS – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

Index-linked Gilts – UK government stock where the interest payments and the final redemption proceeds are linked to the Retail Price Index. Such stocks provide protection against inflation.

Index-Tracking Fund (Managed Fund) – Pooled investment vehicle which aims to match the returns on a particular market index. The fund may hold all stocks in the index or select a sample that will perform closely to the index. Investors can buy and sell units of the fund on an on-going basis.

Infrastructure - The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment Strategy – Investor's long-term distribution of assets among various asset classes taking into consideration, for example, goals of the investor, attitude to risk and timescale etc.

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pensions benefits and payments that are due to be paid when someone retires.

Local Government Reorganisation (LGR) – From 1 April 2023, Cumbria County Council and the six District Councils of Cumbria ceased and were replaced by two new unitary Councils - Cumberland Council and Westmorland & Furness Council. As part of this reorganisation the Administering Authority for Cumbria Pension Fund vested from Cumbria County Council to Westmorland & Furness Council.

Loans and Receivables – are also known as 'Financial assets held at amortised cost' in the context of IFRS9 (International Financial Reporting Standards)

Long term cost efficiency – Implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

Market Value – The price at which an investment can be bought or sold at a given date.

Multi-Asset Credit – MAC is a term used for a fund investing in a range of investments that are classed as 'credit' i.e. fixed income, and will often include corporate debt, loans directly to companies, absolute return bonds, emerging market debt, asset-backed securities, real-estate debt and high yield bonds. The MAC fund will aim to be diversified across many asset types (also known as Diversified Credit).

Partner Funds - The term we use to describe the 10 other LGPS Pension Funds who are equal owners of BCPP along with Cumbria. A list of our partner funds can be found at: **https://www.bordertocoast.org.uk/partner-funds/**

Passive Management – Portfolio which aims to replicate a particular market index or benchmark and does not attempt to actively manage the portfolio. *(Also see Active Management).*

PIRC – Pensions & Investment Research Consultants

Pooled Investment Fund – A fund managed by an external Fund Manager in which a number of investors buy units, representing a share in the fund. The total fund is invested in a particular market or region. The underlying assets the fund hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. Pooled Investment Funds are used as an efficient method of investing in the asset classes.

Pooling – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale thereby, as requested by DCLG: 'significantly reducing costs whilst maintaining investment performance'.

Portfolio – Block of assets generally managed under the same mandate.

Private Credit / Private Debt – lending to small or medium-sized companies on the private market to give contractual income. Often the debt is secured against a company's assets.

Private Equity – Shares in unquoted companies. Usually high risk, high return in nature.

Private Equity Secondaries – Shares in unquoted companies that were pre-existing investor commitments to private equity which have since been sold in a secondary market. Usually high risk, high return in nature.

Private Markets– Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure, commodities, art, wine etc., and financial assets such as private equity, private debt, hedge funds, venture capital, royalties / patents and derivatives.

Real Estate Debt – Commercial property loans where the debt is secured against the property or a portfolio of properties, e.g. hotels, shopping centres, offices.

Resolution Body – Employers who, under Schedule 2 Part 2 of the Local Government Pension Scheme Regulations 2013 (as amended), have the automatic right but not the requirement to be an employer within the LGPS (also referred to as a Designated body).

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

S151 Officer – Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Section 151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

Scheduled Body – Employers that have an automatic right and requirement to be a member of the LGPS.

Scheme Employers – employers within the Cumbria Pension Fund.

Scheme Members – are predominantly employees and ex-employees of local public sector organisations including local authorities, the police authority (non-uniformed), schools, and academies. Additionally, a small number of scheme members are employees and ex-employees of either community bodies or private companies to whom services and therefore staff have been contracted out.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

Shareholder Voting - Shareholders are people and organisations who buy shares in UK companies. In large companies, shareholders are overwhelmingly large institutional investors, such as pension funds, insurance companies, mutual funds or similar foreign organisations.

Shareholders have the right and responsibility to vote on matters of 'corporate policy' at the underlying company's AGM (Annual General Meeting). UK shareholders have the most favourable set of rights in the world in their ability to control directors of corporations. UK company law gives shareholders the ability to:

- remove the board of directors with a simple majority of votes;
- change the company constitution with a three quarter vote (unless a higher figure is in the constitution);
- wind up (i.e. liquidate) the company with a three quarter vote; and
- veto any sale of a significant percentage of company assets.

The number of votes corresponds to the number of shares owned. The shareholder does not need to be present at the meeting, and many shares are voted 'by proxy'. Managers invariably hand over the process of voting to proxy voting agencies.

In practice many shareholders delegate the voting function to Investment Managers (who have stewardship of their assets).

<u>Resolutions which are voted upon include</u>:
Approval of Annual Report and Accounts
Approval of Remuneration Policy, and Remuneration Report
Election/Re-election of Directors
Appointment/Re-appointment of auditors
Approve dividend
Approve political donations

Voting is the key to exercising ownership rights, and influencing investee company policy.

Solvency – A level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Stewardship - The responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Stock Lending – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Target – Managers are set a target for investment performance such as 1% above benchmark per year over three-year rolling periods.

Unit Trust – A specific type of pooled investment fund.

Unquoted (Unlisted) Stock – A company share that is not available for purchase or sale through the stock market.

Venture Capital – Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

Yield - how much income an investment generates, e.g. interest payments received on a bond or dividend payments on a stock. Often expressed as a percentage, based on either the investment's market value or purchase price.

Independent auditor's report to the members of Cumbria County Council on the pension scheme financial statements of Cumbria Local Government Pension Scheme

Opinion on financial statements

We have audited the financial statements of Cumbria Local Government Pension Scheme (the 'Pension Scheme') administered by Westmorland and Furness Council (the 'Authority') for the year ended 31 March 2024, which comprise the Pension Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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 2024 and of the amount and disposition at that date of the fund'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 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the 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.

Conclusions relating to going concern

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

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Scheme's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Scheme. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Scheme financial statements and the disclosures in the Pension Scheme financial statements over the going concern period.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2024) 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, the other information published together with the Pension Scheme's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Scheme 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 in relation to the Pension Scheme.

Responsibilities of the Authority and the Director of Resources

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 Resources. The Director of Resources 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Scheme's financial statements, the Director of Resources 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 they have been informed by the relevant national body of the intention to dissolve the Pension Scheme without the transfer of its services to another public sector entity.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Scheme and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Audit committee, concerning the Authority’s policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Scheme’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to unusual journals with specific risk characteristics and large value journals and significant accounting estimates and critical judgements made by management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on unusual journals with specific risk characteristics and larger value journals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, directly held property and actuarial present value of promised retirement benefits; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and accounting estimates related to the valuation of level 3 investments, directly held property and actuarial present value of promised retirement benefits. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the local government pensions sector; and
- understanding of the legal and regulatory requirements specific to the Pension Scheme including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Scheme's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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 85 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.

John Farrar

John Farrar, Key Audit Partner

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

Liverpool

Date: 28 February 2025