

AGENDA

Audit Committee

Wednesday, 28 July 2021 AT 10:00
In the Council Chamber, Civic Centre, Carlisle, CA3 8QG

Apologies for Absence

To receive apologies for absence and notification of substitutions

Declarations of Interest

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage.

Public and Press

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

Minutes of Previous Meetings

To note that Council, on 20 July 2021, received and adopted the minutes of the meetings held on 15 March and 20 May 2021. The Chair will sign the minutes.

[Copy Minutes in Minute Book 48(1)]

PART A

To be considered when the Public and Press are present

A.1 ANNUAL AUDIT LETTER 2019/20

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To consider the Annual Audit Letter 2019/20.
(Copy Letter herewith)

A.2 EXTERNAL AUDIT PLAN 2020/21 25 - 48

Grant Thornton to present their Audit Plan for the year ending 31 March 2021.

(Copy Report herewith)

A.3 DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21 49 - 70

The Corporate Director of Finance and Resources to submit a report updating Members on the draft Annual Governance Statement for 2020/21.

(Copy Report RD.31/21 herewith)

A.4 DRAFT STATEMENT OF ACCOUNTS 2020/21 71 - 216

The Corporate Director of Finance and Resources to submit a report providing an update on the progress of the preparation of the Statement of Accounts for 2020/21. (Copy Report RD.30/21 / Draft Accounts herewith)

PART B

To be considered when the Public and Press are excluded from the meeting

- NIL -

Members of the Audit Committee

Conservative - Mrs McKerrell, Meller (Chair), Mrs Mitchell, Morton, Mrs Finlayson (sub), Lishman (sub), Shepherd (sub)

Labour – Birks, Patrick (Vice Chair), Atkinson (sub), Dr Tickner (sub)

Independent - Bomford

Enquiries, requests for reports, background papers etc to:
committeeservices@carlisle.gov.uk

The Annual Audit Letter for Carlisle City Council

Year ended 31 March 2020

July 2021



Contents



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Section

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2. Audit of the Financial Statements
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Carlisle City Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 20th May 2021.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,155,000, which is 1.9% of the Council's gross cost of services.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 21 May 2021. As a result of audit challenge the Council completed further work on its asset base as a whole and engaged a new valuer to complete valuations on assets valued on a DRC basis as well as a sample of operational assets and investment properties. As a result the Council appointed a new valuer. The revised Montagu Evans valuations were posted to the financial statements leading to significant changes to carrying values of PPE and Investment Property at 31/3/20, and related prior period adjustments affecting the balances at 31/03/18 and 31/03/19. These adjustments also impacted on depreciation charges for 2018/19 and 2019/20, and postings to the Revaluation Reserve and Capital Adjustment Account for 2017/18, 2018/19 and 2019/20. The change to the asset base was as at 31/3/20 PPE has been amended from £52,773,000 to £73,759,000 and Investment Property has been amended from £79,905,000 to £90,590,000. This issue also led to prior period adjustments in respect of 2017/18 and 2018/19. These adjustments have impacted on the Council's Comprehensive Income and Expenditure Statement (CIES) for 2018/19 and 2019/20: the adjustments to the CIES were £3,430,000 and £2,026,000 respectively.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 20 May 2021.
Certificate	We certified that we have completed the audit of the financial statements of Carlisle City Council in accordance with the requirements of the Code of Audit Practice on 20 May 2021.

Working with the Council

Restrictions for non-essential travel has meant audit staff have had to work remotely. We have used video calling to have regular meetings with finance staff and also confirm the accuracy of information produced by the entity. Virtual meetings have been held with management and also the Audit Committee.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff .

Grant Thornton UK LLP
July 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £1,155,000, which is 1.9% of the Council's gross cost of services. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £5,000. We set a lower threshold of £57,750, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 28th August 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. 	<p>The results of our work concluded that appropriate arrangements have been put in place to manage the Covid-19 situation and suitable disclosures have been made in the financial statements. We were able to obtain sufficient audit evidence by utilising screensharing for the verification of completeness and accuracy of information produced by the Council, and share information through our cloud based software.</p> <p>Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report (in line with VPGA 10 of the RICS Red Book Global). Your amended accounts have disclosed this material uncertainty within note 4.3.</p> <p>Similarly, there is also an impact of Covid-19 on the valuation of Cumbria Local Government Pension Scheme's direct property investments and investments in unquoted property funds. The note states that fair value measurement of these investments at 31 March 2020 is subject to a material valuation uncertainty (issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards).</p> <p>We reflected your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies, where the valuer has highlighted a material valuation uncertainty.</p> <p>There are no other findings in respect of this significant risk.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and building and investment properties</p> <p>The Council revalues its land, buildings and investment property on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets and investment property) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved at £117 million, and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management has engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of land, buildings and investment property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land, buildings and investment property is not materially misstated and evaluate the design of the associated controls • evaluated management's assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation • evaluated the appropriateness, completeness and accuracy of the inputs used by the valuer in asset valuations, on a sample basis • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different. 	<p>Management had not identified the material uncertainty regarding the valuation of land and buildings due to market uncertainty arising from the Covid-19 pandemic reported by their expert valuer as a significant issue. The statements were amended to include this disclosure in Note 4.3 to the financial statements.</p> <p>Our testing identified that, the Council's Asset Under Construction included one item of £1,678,000 relating to an investment property. This asset relates to Gateway 44 Development and should be classified as an Investment Property. The reclassification does not impact on the amount carried in the balance sheet.</p> <p>As part of our detailed testing of asset revaluations, we challenged the approach taken by the valuer. In particular, we raised queries over the valuation of specialised assets on Depreciated Replacement Cost (DRC) basis. Our queries included:</p> <ul style="list-style-type: none"> • the use of insurance valuations as a starting point for the DRC exercise • the use of RPI indices to update insurance valuations • whether land value had been properly recognised in the valuations • discounting of value for unexpired term of leases <p>As a result of this challenge the Council completed further work on the asset base as a whole and engaged a new valuer to complete valuations on assets valued on a DRC basis as well as a sample of operational assets and investment properties.</p> <p>(continued)</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of land and building and investment properties (continued)		<p>Following review of the new valuations, the Council concluded that the variances were so great that previous valuations of Property Plant and Equipment (PPE) and Investment Property were unreliable. As the Council judged that there were material errors in the current year and prior years they instructed the new valuer, Montagu Evans, to undertake a valuation exercise of the Council's entire asset base as at 31/03/18, 31/03/19 and 31/03/20. Prior year balances have been restated for 2017/18 and 2018/19 in line with IAS 8.</p> <p>We carried out further audit procedures on the Montagu Evans valuations, which led to amendments to the valuations in all three years. These were corrected in the final valuation report.</p> <p>The revised Montagu Evans valuations were posted to the financial statements leading to significant changes to carrying values of PPE and Investment Property at 31/3/20, and related prior period adjustments affecting the balances at 31/03/18 and 31/03/19. These adjustments also impacted on depreciation charges for 2018/19 and 2019/20, and postings to the Revaluation Reserve and Capital Adjustment Account for 2017/18, 2018/19 and 2019/20.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved at £40.13 million in the Authority's balance sheet as at March 2019 and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary - Mercers) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • agreed any advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and • obtained assurances from the auditor of Cumbria Local Government Pension Fund Scheme as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>The Pension Fund Auditor has included an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's real estate portfolio. In respect of the effects of Covid-19 on the valuation of property investments, this impacts both direct property and indirect pooled property funds. The Council has included additional disclosures within the financial statements and we have concluded an Emphasis of Matter in our opinion in relation to these findings.</p> <p>Our audit work identified some disclosure issues which have been amended, and has not identified any further issues in respect of valuation of the net pension liability.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p>The revenue cycle includes fraudulent transactions - Rebutted</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including Carlisle City Council, means that all forms of fraud are seen as unacceptable. 	<p>We rebutted this risk in our Audit Plan and no changes to our assessment have been reported in the audit plan.</p>	<p>Rebutted this risk.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 20 May 2021.

Preparation of the financial statements

The Council presented us with draft financial statements in August slightly delayed than they had originally anticipated, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit. The accounts and audit teams were able to work well together embracing the technology which has been made available to us. We have been able to use Teams to organise meetings with members of the Council staff and have used Inflo to request working papers as well as complete testing.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 20 May 2021.

The asset valuations issues raised on page 7 are the main reason why the audit of accounts did not achieve the revised deadline of 30 November 2020.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the draft Statement of Accounts in August.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Carlisle City Council in accordance with the requirements of the Code of Audit Practice on 21 May 2021.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in May 2021, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risk

Significant Risk

Financial Resilience and Sustainability

The Council's MTFP is predicated on delivering changes to the way in which services are delivered. The Council has identified proposals for reducing spending and increasing efficiency. The programme includes a number of key projects, such as internally reshaping the Council.

The Council continues to face a challenging environment in the medium term. The MTFP 2020/21 to 2024/25 from January 2020 shows a savings requirement of nil in 2020/21, £1m in 2021/22 and then increasing to £1.850m in 2023/24. The Council is reviewing how it works as a result to identify areas of potential savings or revenue generation.

There are considerable uncertainties over various revenue streams in the medium term due to the fair funding review outcome, investment property income and the uncertainty around the future of the Business Rates Retention Scheme. As a result the Council has to apply a number of estimates and key judgements to compile the MTFP.

The Council also has large-scale capital projects, commencing in 2019/20 which require significant levels of borrowing to fund their completion.

Audit response

This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.

We will review the arrangements the Council has in place to compile the MTFP. This includes a review of how the Council is identifying, managing and monitoring financial information in order to regularly update the MTFP including reporting outcomes to Executive and Full Council.

We will review the sensitivity analysis and scenario planning undertaken by the Council, which support the estimates and judgements made in the MTFP

Findings:

The arrangements the Council has in place to compile the MTFP

The Council maintains a comprehensive approach to compile its Medium Term Financial Plan (MTFP). This adopts the core principles of the Council as outlined in the Carlisle Plan to prioritise the allocation of resources to best meet their key aims and objectives. A detailed budget timetable is in place and a budget pack guidance goes out in September to each budget holder.

The Council's current MTFP covers the period from 2021/22 to 2025/26 and to complete this the budget holders are given various principles to apply to the MTFP, including:

- a pay award of 2% and inflation of 2% on expenditure and 3% for income, as well as these assumptions the Council has also factored in the reduction in funding of £1.5m from Business Rates
- Commercial and income generation where the Council currently generates income from fees and charges of £5m, and expects to outline proposals to increase income by 3%
- Council Tax and Business Rate assumptions include an increase of Council Tax and Business Rate Retention
- Treasury management assumptions which include the rate for refinancing the stock issue and an assumption of the average return assumed at 1.2%

Value for Money conclusion (continued)

Significant Risk (continued)

- Capital investment assumptions which confirms the current capital program is forecast to utilise all capital receipts and approved borrowing requirements.

Budget holders are required to set out the objectives of each charge it proposes to set. There are a number of factors which they are required to review when determining the amount to charge and also ensure relevant concessions are factored in. Finally, a review is completed to confirm the Council are maintaining value for money.

The 3% of increase in income is a challenge, as you will note the 2019/20 budget outturn review identified a number of key areas where the service did not perform as expected due to a reduction in income therefore we recommend the Council reviews this assumption to ensure it is realistic, especially in the current context.

The Council were waiting on the Comprehensive Spending Review 2020 to make changes to various services and staffing, but this has now been deferred until 2021. As the Council has been given a 1-year settlement for 2021/22 this increases the uncertainties in the MTFP. As well as this the Council will be affected by the Governments decision to pause the 75% Business Rate Retention Scheme. The impact of this has been included in the current MTFP.

How is the Council identifying, managing and monitoring financial information to regularly update the MTFP?

The original budget for 2019/20 was £14.259m, which was financed from by £1.2m from reserves and £13m grants. This was then revised to £16.6m which was financed using £2.9m from reserves and £13.7m grants. The actual spend was £14.2m using only £11,000 from reserves and the remaining £14.2m from grants. Instead of using £1.5m general fund reserves the Council put in £1.4m. The Council's budget report showed a net underspend of £2m of which £811,000 was carried forward to 2020/21 and £1.5m transferred to reserves. Of the amount carried forward £0.5m relates to released general fund reserves for COVID costs.

A number of underspends were identified and additional rental income was achieved at the Enterprise Centre, a net underspend in Bereavement Services due to increased cremation fee income which may be due to COVID-19. However, COVID 19 has also been the cause of a shortfall in car park income and other income streams. There was also an overspend in Leisure contract due to a variation to contract agreed on the approval of Sand Centre development. Going forward the Council needs to ensure budgets are more realistic setting out various scenarios more accurately to allow for better informed decision making and sustainable resource deployment. COVID will also impact on the income received and this needs to be continually reassessed and reflected as well.

COVID-19 has had minimum impact on the financial position as at 31st March 2020. However, emergency funding of £1.807m has been received to support Council services in 2020/21 to support additional expenditure and loss of income. Monthly returns are being submitted to the MHCLG to identify potential costs, with the expectation that further funding will be made available to local authorities. Early indications are that the estimated full year costs of COVID-19 equates to approximately £3.7m, while any loss of income from Business Rates and Council Tax will add to this sum. Again this is an ever changing position which requires very close monitoring.

The impact on COVID-19 on the Council's resources is one of the greatest risk to ensuring that the Medium-Term Financial Plan is able to support service delivery whilst ensuring that reserves are maintained. Looking into Q1 2020/21 revenue budget monitoring shows out of the annual budget of £16.7m the Council has spent £4.4m which equates to 27%. Although the budget to date was just short of £5m, this indicates an underspend of £0.5m.

Sensitivity analysis

The medium-term financial plan includes an assumptions section where it provides various assumptions regarding the main items of income and expenditure and a sensitivity analysis is completed for each assumption. The likelihood of change is given a risk rating of high, medium and low and the amount of the impact is provided as a guide. These assumptions include, pay award and pension contributions, inflation increases for both expenditure and income as well as investment returns and the property fund and borrowing rates.

Value for Money conclusion (continued)

Significant Risk (continued)

A review of the Council's reserves and provisions is undertaken to show each purpose and to monitor usage and ongoing need for related balances. The table below shows the movement on reserves position which shows a gradual decline in both usable General Fund Reserves and earmarked reserves since 2017/18, with a large amount of reserves being utilised to fund the 2020/21 budget. The Council MTFP assumes no significant use of reserves beyond 2020/21.

	2017/18	2018/19	2019/20	2020/21 Budget	2021/22 Budget	2022/23 Budget
General Fund in C/f reserve	5,700	4,630	4,661	2,431	2,180	2,241
Earmarked Reserves including Capital	6,232	5,540	5,487	3,244	3,259	3,274

Whilst preparing the 2020/21 budget the Council was able to re-profile the savings target for 2020/21 of £1.13m to 2021/22. As the Fair Funding and Business Rate Retention Scheme Reviews were both deferred, which in turn enabled the County Wide Business Rates Pooling arrangements to continue for a further year into 2020/21, with a resulting £1.5m of income being factored into the budget albeit on a non-recurring basis.

The savings target for 2021/22 is now £1m with a further £0.850m from 2023/24. The savings strategy covers 3 main strands, asset strategy, service reviews and core budgets.

We note that the budget 2021/22 figures have been subsequently updated since the timing of our review but this has no overall impact on our VFM conclusion.

Reporting

The budget process begins in November of each year for the following year, so in November 2019 the 2020/21 Budget Process began. The Executive members receive the budget book, which is then discussed at individual committees. This included the Health and Wellbeing Scrutiny Panel, Economic Growth Scrutiny Panel and the Business and Transformation Scrutiny Panel. Feedback from these Panels are taken to the Executive Committee in December. There is then a formal consultation with public, trade unions, large employers, consultation with staff and advertising in the newspaper. The final budget is then approved by the Council in February, where there is still an opportunity to request changes. The Council regularly review budgets and reports to Executive each quarter prior to a detailed discussion at each committee.

The Council aims to use its assets to generate income to support the Council's revenue budget. Therefore, they are borrowing against these assets to generate revenue income in the future. However, they do need to ensure these costs are realistic and achievable. The Council has a number of key capital projects in place, including the Sands Centre where the scheme was originally budgeted to cost £14.5m and then increased to £25.5m in June 2019, with a more recent reprofile in October 2020 bringing the budgeted spend to £27.2m. Additional funding to fund part of this has been achieved from Sports England and a NHS Contribution being received due to the wider health and well-being benefits the project will bring. The Council has also requested additional funding from the Government as part of the emergency action fund as this helps with enhancing well-being and tackling obesity priorities. Remaining costs will need to be funded by the Council.

Another of the capital projects is Gateway 44, has also suffered delays due to COVID 19 and has had an impact on the planned occupation of the units. Although the Council is hoping to accommodate the remaining units as this is for bulky goods and not High Street the Council has had to reduce the rent per square metre, but is still expected to make a positive return. This may lead to a projected shortfall in income, which is still to be finalised and formally reported at this time.

Value for Money conclusion (continued)

Significant Risk (continued)

As per previous VFM recommendations the Council continues to look at the costing of projects to ensure they are realistic reflecting the true costs and include built in contingencies. This will allow the Council to have a true picture of each option to ensure it offers value for money for the Council.

The Council's current capital commitments and related borrowing is significant. As at the 31/03/20 the Council was towards the top limit of its Treasury borrowing limits, with £28.8m of committed borrowing against an operational boundary limit of £39.1m. The Council did repay the £15m loan stock in May 2020 using additional borrowing made in 2019/20 of £14m. The Council is still looking to borrow further in the current year, in particular, for the Sands Centre.

The additional costs due to the pandemic are submitted to government through regular returns. This records additional expenditure the Council have had to undergo as well lost fees and charges income. However, current COVID 19 related funding and support is silent on the reimbursement for any losses of commercial income, which could also have a significant impact on the Councils budget position. The Council has received funding to cover some of these costs. The full-year impact for 2020/21 is still to be assessed with initial estimates indicating a potential annual cost of up to £3.7million. This excludes the impact of any cost savings or additional income generated which should be netted off this figure and doesn't reflect any receipt of any compensation payment for losses of Sales, Fees and Charges, nor does it reflect the impact on the Collection Fund. If this funding is not received in line with expectations this will have a detrimental impact on the Council's usable reserves.

During the year the Council also took part in a peer review, which is made up of various representatives from other councils and the Local Government Association. They have five questions which form core components. These include understanding the local place and priority setting, leadership of place, organizational leadership and governance, financial planning and viability and capacity to deliver. The Council also asked the team to provide observations on the Council's approach to commercialisation and effectiveness of performance management arrangements.

The feedback from the peer review confirmed the Council had a stable and experienced management and workforce with both political and managerial leadership being well regarded within the Council and externally. The Council has a healthy financial position with a strong property asset base which generates an income stream contributing around £4.3 million per annum to the net revenue account. However, the next step is to realign existing funding to a clear set of priorities to ensure the best use is made of the Council's resources. The review highlighted ten key recommendations to the Council which it has accepted and has plans in place to meet it. Each recommendation has a member of the senior management team allocated and a target date to meet the recommendations. These are all expected to be met by April 2022.

Conclusion

Based on the arrangements the Council has in place during 2019/20 we conclude that there are appropriate arrangements in place for the reporting and monitoring of the medium-term financial plan. However, the Council needs to review the:

Arrangements for costing current and future major capital projects to ensure they are realistic and carry sufficient contingency plans.

Ensure the MTFP assumptions are realistic especially with the current climate going forward and look to fine tune its sensitivity analysis and assumptions. Well established savings plans should be identified at the offset to avoid identifying back ended saving programmes.

The Council should monitor the run rate of usable reserves to ensure reserves are maintained at a reasonable level

Capital overruns should be managed closely as there is limited headroom for additional borrowing.

We note that the budget 2021/22 figures have been subsequently updated since the timing of our review but this has no overall impact on our VFM conclusion.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Fees

	2019/20 fees £
Statutory audit	41,033
Additional proposed audit fee at planning stage	10,000
Total proposed audit fees (excluding VAT) at planning	51,033
Further additional fees proposed at completion	29,089
Total proposed audit fees (excluding VAT) at completion	80,122

Reports issued

Report	Date issued
Audit Plan	July 2020
Audit Findings Report	December 2020 and May 2021
Annual Audit Letter	July 2021

The Council Audit Plan in July 2020 included £10,000 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above of £51,033.

Since the presentation of the audit plan and subsequent letter, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £9,655 in addition to those proposed at the planning stage of the audit. Due to the additional work we were required to complete on revaluations and reviewing the work on the prior period adjustment we have included an additional charge of £19,434. This brings the total proposed audit fee up to £80,122. Further details on the breakdown is provided on the next page.

This further charge reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

A. Fee variations – Further Analysis

Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval

Audit area	£	Rationale for fee variation
Scale fee	41,033	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This required additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	2,500	We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
Covid-19	750	We have included an estimate for the increased costs in relation to the Covid-19 pandemic.
Welfare Benefit Expenditure	2,500	The PSAA approved fee structure is designed assuming that the same auditing body will perform the External Statutory Audit and the Housing Benefit Certification. This means a reduced scale audit fee due to cross subsidisation in workload. Since the Housing Benefit Certification work is no longer provided by Grant Thornton, these economies in testing Welfare Benefit expenditure are lost, so an additional fee must be levied to make up the shortfall.
Revised planning fee	51,033	

A. Fee variations – Further Analysis (Continued)

Audit area	£	Rationale for fee variation
Revised planning fee	51,033	
Covid-19 – related costs	9,655	<p>Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:</p> <ul style="list-style-type: none"> Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including managing around agreed dates for receiving the accounts in light of knock on implications of other sector audits, and delays in responses during audit fieldwork. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Revaluations	19,434	<p>Our audit identified significant weaknesses in the revaluation of Property, Plant and Equipment and Investment Properties. These challenges were put to management who agreed and instructed a separate valuer to complete valuations originally on a sample of properties. Due to the variances identified from these the valuer was instructed to complete valuations on the full asset base for the current plus the previous 2 years.</p> <p>As the variances were material amendments were made in the current year, previous year and the opening balance sheet in the previous year. As a result of this additional audit procedures were completed on the revised valuations and the adjustments these created.</p>
Total proposed audit fees on completion	80,122	

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Non-Audit related services	5,000
- CFO Insights Licence	

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



Carlisle City Council audit plan

Year ending 31 March 2021

Carlisle City Council
July 2021



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Council developments

Local economies have struggled under lockdown and this is impacting the financial stability of local authorities. While there will be some opportunities arising, such as greater use of online service delivery channels, carbon reduction and property portfolio optimisation, these will need to be fully understood before they can be realised. With conflicting public service priorities, there is uncertainty over whether there will be growth to funding levels going forward.

The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Impact of Covid 19 pandemic

The Covid-19 pandemic has impacted upon all our lives. While there has been some relaxation of 'business as usual' arrangements, public sector bodies are still required to abide by the stewardship requirements of Managing public money and have a statutory duty to carry out their functions effectively, efficiently and economically.

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has had to work differently at all levels to be able to deliver all of its required services effectively. Staff have been redeployed to front-line roles and new/revised services have been required to be provided by the Council.

The Government has provided a range of financial support packages throughout the Covid-19 pandemic. These include additional funding to support the cost of services or offset other income losses and also grant packages to be paid out to support local businesses.

Our assessment is that the Council has developed a very strong understanding of its financial and wider governance risks during the pandemic and despite future financial uncertainty about medium term government funding, is well placed to address post Covid-19 challenges.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Corporate Director of Finance and Resources.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- As part of our 2019-20 Audit Findings Report, we identified four recommendations for management. An update on the implementation of these can be found on page 13.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control – refer to page 5.
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic and we expect significant uncertainty will continue in 2020/21. We identified a significant risk in regards to the valuation of properties – refer to page 7.
- The 2019/20 financial statements for the Cumbria Pension Fund also included a material uncertainty disclosure in relation to the valuation of directly held properties, and we expect significant uncertainty will continue in 2020/21. We have identified a significant risk in regards to the valuation of the pension scheme net liability – refer to page 8.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Carlisle City Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Carlisle City Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council's financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee; and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of property, plant and equipment
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.179m (PY £1.155m) for the Council, which equates to 1.9% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.059m (PY £0.058m).

Value for Money arrangements

Our initial risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to assess the Council's arrangements and will provide a commentary against all key lines of enquiry in the Auditor's Annual Report. Should we identify any areas of significant weakness as part of our further work we will bring them to your attention.

Audit logistics

Our interim visit will take place in July and our final visit will take place in August – September and may go into October 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £66,733 (PY: £80,122) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, this was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue and expenditure recognition risk	<p data-bbox="324 533 416 557"><u>Revenue</u></p> <p data-bbox="324 592 1323 703">ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p data-bbox="324 738 1323 818">Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul data-bbox="324 853 1323 965" style="list-style-type: none"> • There is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Carlisle City Council, mean that all forms of fraud are seen as unacceptable <p data-bbox="324 1000 452 1024"><u>Expenditure</u></p> <p data-bbox="324 1059 1323 1171">In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure.</p> <p data-bbox="324 1206 1323 1254">This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p> <p data-bbox="324 1289 1323 1369">Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heightened inherent risk of 'other service expenditure' in our audit scoping and testing assessment.</p>	As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Property, Plant and Equipment and investment property	<p>Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Investment Property carried at fair value should be revalued at each year end.</p> <p>Additionally, valuations are significant estimates made by management in the accounts.</p> <p>Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements of a material uncertainty attached to property valuations as at 31 March 2020 due to the ongoing nature of the Covid-19 pandemic. This paragraph did not represent a modification of our audit opinion.</p> <p>We have identified the valuation of land and buildings and investment property as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test a sample of valuations at 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations. • test revaluations made during the year to see if they had been input correctly into the Council's asset register • review whether the expert valuer has reported any material uncertainty in relation to property valuations as at 31 March 2021 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements which reported that, due to the impact of Covid-19 on the global financial markets, the valuation of the Pension Funds' investment properties were reported on the basis of material valuation uncertainty. This paragraph did not represent a modification of our audit opinion.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • review whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2021 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion • obtain assurances from the auditor of the Cumbria Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified one recommendation in our 2019/20 audit in relation to the Council's estimation process for valuation of land and buildings. In particular the approach used by the valuer.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management requesting written responses from the Council across a range of areas and issues including on the approach taken to derive key accounting estimates. We have now received the Council's responses and have considered them as part of our ongoing planning. The responses will be shared and presented to Audit Committee at the July 2021 meeting.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 15).

Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the Council's financial statements, which resulted in four recommendations being reported in our 2019/20 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations. We will follow this up in our 2020/21 audit and report in the Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	Revaluations We identified significant concerns with the approach used to calculate DRC and other revaluations by the valuer.	We have undertaken a thorough quality review of the 2020/21 asset valuation process with finance logging queries on the bases of valuation and any significant change in the indices used or movement in valuations from previous year. The valuer is the same valuer that undertook the revised valuations in 2019/20 so we have greater confidence in the information provided. Property have also undertaken a sample check of the calculations to arrive at valuations and have satisfied themselves that on the assets checked all is in order. All queries and responses have been logged.
	Capital Projects The total costs on the Sands Centre Redevelopment continues to increase from the initial £14.2 million to £27.2m. Any capital programme overruns should be closely monitored to ensure the Council does not breach its treasury management limits.	The Council is ensuring that capital projects are robustly costed and has provided resources for management of capital projects through the 2021/22 budget process. A Project Management Office is also being established for the major projects to be delivered through the Future High Street Fund, Town Deal and St. Cuthbert's Garden Village. The Sands project is monitored on a weekly basis by the internal project manager and key Officers, as well as having regular meetings with the external project support and contractor.
	Run Rate A review of the Council's reserves from the past three years and looking at the budgets for the following two years shows the Council has continued to use reserves to fund the 2020/21 budget.	Reserves are closely monitored and minimum levels of GF Balance are risk assessed as part of the MTFP prior to the budget process. Any additional requirement from GF Balances requires council approval and would only be recommended if reserves were maintained above minimum levels. Use of reserves is then also considered as part of the budget process and the fact that the MTFP and budget provide indicative impact of spend over the following 5-years, provides the Council with security that reserves are being maintained at appropriate levels. For 2020/21 the Council was significantly underspent and has increased level of GF reserves.
	Medium Term Financial Plan The medium term financial plan includes various assumptions which includes an increase of income over inflation. As the Council is heavily exposed to reliance on investment income to deliver its financial objectives, the impact on future revenue streams needs very close monitoring and management to maintain the Council's financial health.	Income continues to be closely monitored through the budget process and where necessary changes to budgets are reflected. The MTFP for 2022/23 will include greater use of sensitivity analysis and the impact that certain income streams have on the overall budget. Where income is uncertain or subject to increased volatility this will be identified.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.179m (PY £1.155m) for the Council, which equates to 1.9% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £10,000 for senior officers remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.059m (PY £0.058m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Prior year gross operating costs

£62.076m Council
(PY: £60.797M)



■ Prior year gross operating costs

Materiality

£1.179m
Council financial
statements
materiality
(PY: £1.155m)

£0.059m
Misstatements
reported to the
Audit Committee
(PY: £0.058m)

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified/unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out opposite.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Risks of significant weakness

These would be risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

At this stage of our audit work we have not identified any significant weaknesses. However, under the new VFM arrangements we will be considering the Council's arrangements in place across the three criteria areas of finance, governance and performance. To be clear, this represents a more detailed level of audit work required under the new VFM Code than previously. We will be commenting on the Council's arrangements across the three criteria in our Auditor's Annual Report – again a new requirement for this year.

We will continue to monitor the Council's financial outturn for 2020-21 and its planned position for 2021-22 and beyond.

We will keep the possibility of a significant weakness arising and/or an existing risk increasing to a significant weakness as part of our ongoing 2020-21 VFM review.

Our findings will be summarised in the Auditor's Annual Report, to be agreed with management later this year.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Gareth Kelly, Key Audit Partner

Key contact for senior management and Accounts and Audit Committee.

Gareth will oversee the implementation and delivery of the audit and will be the audit signatory. He will meet with senior management to help identify risks for the audit and provide advice and assistance as required.

Sophia Iqbal, Audit Manager

Sophia will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. She will also lead completion of the VFM assessment. She will attend Accounts and Audit Committee with Gareth, and will undertake reviews of the team's work and draft clear, concise and understandable reports.

Hannah Foster, Audit Incharge

Hannah, is the day to day contact for finance staff and is responsible for the day to day supervision of the audit team. She will regularly engage with the finance team during our visits to ensure there are no surprises arising from our work.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2017, PSAA awarded a contract of audit for Carlisle City Council to begin with effect from 2018/19. The fee agreed in the contract was £41,033. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 15, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £25,700 (63%). This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Corporate Director of Finance and Resources.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Carlisle City Council Audit	£45,533	£80,122	£66,733
Total audit fees (excluding VAT)	£45,533	£80,122	£66,733

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£41,033
Ongoing increases to scale fee first identified in 2019/20	
Raising the bar/regulatory factors	£4,050
Enhanced audit procedures for Property, Plant and Equipment	£4,100
Enhanced audit procedures for Pensions	£2,050
Other items including COVID and additional work on revaluations	£28,889
Audit fee 2019/20	£80,122
New issues for 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£6,500
Proposed increase to agreed 2019/20 fee	£15,500
Less Non recurrent additional fee in 2019/20	(28,889)
Total audit fees (excluding VAT)	£66,733

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence.). In this context, we disclose the following to you:

Commencing 1 November 2016, Grant Thornton UK LLP entered into a short-term tenancy lease for a small portion of the 7th floor of the Civic Centre, Carlisle. We have considered the ethical standards and any potential threats to our independence resulting from this arrangement. However, the nature of the lease arrangement between the Council and Grant Thornton UK LLP, and the sums involved, are clearly insignificant to either party.

We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
None	-	-	-
Non-audit related			
CFO Insights Licence	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £66,733 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	5,000	-	-

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	✓
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor's Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	✓
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	✓
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	✓

Report to Audit Committee

Meeting Date: 28 July 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: Not Applicable:
 Within Policy and Budget Framework YES
 Public / Private Public

Title: DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21
 Report of: Corporate Director of Finance & Resources
 Report Number: RD.31/20

**Item
A.3**

Purpose / Summary:

The Draft Annual Governance Statement (subject to Audit) for 2020/21 has been certified by the Council's S151 Officer, Chief Executive and Leader, in accordance with statutory requirements, and is attached at appendix A. This will be formally approved following the completion of the audit process.

There are no areas of weakness which need to be brought to Members attention at this time.

Recommendations:

Members are requested to note the contents of the 2020/21 Draft Annual Governance Statement, noting that this statement will accompany the annual Statement of Accounts following the audit process.

Tracking

Audit Committee:	28 July 2021
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND

- 1.1 The CIPFA/SOLACE Framework document “Delivering Good Governance in Local Government” requires the Council to revise and update its Local Code of Corporate Governance, evidence the principles of Good Governance and to produce an Annual Governance Statement signed by the S151 Officer, Leader and Chief Executive.
- 1.2 The Framework also requires the Council to draw up an Action Plan in order to address weaknesses and to ensure that continuous improvement of the system of control is in place.

2. ANNUAL GOVERNANCE STATEMENT

- 2.1 The Draft Annual Governance Statement for 2020/21 is attached at **Appendix A** which has been prepared in accordance with the CIPFA/SOLACE framework.
- 2.2 Work has been undertaken by Council Officers to update the Good Governance Principles, demonstrating the Council's conformance with the CIPFA/SOLACE framework and the principles contained within the Council's own Code of Corporate Governance. This review is reflected in the Annual Governance Statement.
- 2.3 Various sources are in place to provide assurances over the Council's governance framework, including:
 - Annual internal audit opinion
 - Self-assessment questionnaires completed for main financial systems and directorate assurances
 - Attendance at Operational Risk Management group
 - Attendance at Management Briefing
 - Receipt of corporate communications
 - Summary updates for key Council meetings (Inc. Full Council, Executive, JMT and SMT)
 - Audit Committee Effectiveness Review (Internal)
 - Internal work performed by Council's Safety, Health & Environmental Manager and Information Governance Manager
 - External Audit Review of Statement of Accounts – Unqualified Opinion
 - External Audit Review of Value for Money – Unqualified Opinion
 - External Reviews:
 - LEXCEL Accreditation (Legal Services)
 - Local Government Association Peer Review (delivery of action plan) and Local Government Association Governance review

- Better Health at Work – Gold Award
- Public Sector Network ICT Health Check
- HMRC VAT Review
- Benefit Advice Service Quality Standard
- External Review of Risk Management (Zurich Municipal)

2.4 The following key developments of the Council's governance framework are noted in the annual governance statement:

- A second peer review of the governance and decision- making processes was delivered in November 2020 and the Council is continuing to work on the agreed actions identified in both reviews
- The Council was the first Cumbrian Council to adopt the Local Government Association's new template National Code of Conduct
- Refreshing of employee and management competency standards and associated updates to induction and appraisal processes
- Ongoing update of Directorate Scheme of Sub-Delegations to Officers
- Continued development of Information Governance and Records Management Framework
- Incorporating an annual assessment of counter-fraud activity against best practice by Internal Audit
- Achieving the Gold Health at Work Award and other developments within the employee assistance programme.

2.5 There are no areas of significant weakness identified in this year's Annual Governance Statement.

2.6 The Internal Audit opinion of **reasonable** assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31st March 2021 has previously been reported to Members as part of the Internal Audit Annual Report.

2.7 In terms of the requirements of the updated Good Governance Framework, the Council's Local Code of Corporate Governance currently reflects good governance principles and was approved by the Audit Committee on 27 September 2017.

3. **ACTION PLAN**

3.1 There are no new areas of risk arising from the Audit reviews or from the Risk Registers that need to be drawn to Members' attention, although the Risk

Register is continually under review and is being updated to reflect the potential impact of COVID-19.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1 Members are requested to note the contents of the 2020/21 Annual Governance Statement.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1 To ensure that the Council has sound systems of internal control and that the governance arrangements in place comply with statutory requirements.

Contact Officer: Alison Taylor

Ext: 7290

Appendices Appendix A – Draft Annual Governance Statement 2020/21 attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Legal - The Audit Committee's terms of reference require it to oversee and approve (later in the year) the authority's Annual Governance Statement.

Finance – included in the main body of the report

Equality – included in body of the AGS, 'Equality Objectives'

Information Governance – There are no Information Governance implications for this report

Property Services - There are no property related implications for this report

Scope of Responsibility

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

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

The Council has approved and adopted a local Code of Corporate Governance ("the Code"), which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. A copy of the Code can be obtained from the Council's Corporate Director of Finance & Resources. The Council has also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015)' and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

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

Global Pandemic (Impact)

From March 2020 the Council was significantly affected by the Covid-19 Global Pandemic and has had to change some processes and adapt to new ways of working; however, the principles of the Council's governance framework are unchanged.

Initial emergency decisions were made to enable the Council to continue business delivery, including the release of funding from reserves, implementation of home-working for all staff where possible, suspension of debt recovery procedures and amending casual contracts to fixed term contracts. The Council's Senior Management Team also prepared initial reports looking at the impact of the pandemic impacted on the Council's internal business processes and governance arrangements, as well as the financial aspect and impact on the local economy.

Further changes were made to the control environment as the Council had to adapt to new ways of working, including changing processes for certifying and approving financial transactions, adapting processes to scan and certify invoices and adapting financial monitoring to review and report the impact of the pandemic on Council's finances.

The Council was also involved in the local response to the pandemic following cases first appearing in Cumbria from March 2020. The CRF (Cumbria Resilience Forum) response began in February with Multi-agency Assessment Teleconferences, to monitor the disease in Cumbria and share situational awareness.

In March 2020, after a period of active monitoring, the CRF activated its Strategic Coordinating Group (SCG), at the time the UK Government declared a pandemic. The

Recovery Advisory Group (RAG) was activated in April the with the purpose of developing the approach to recovery and ensuring decisions made by the Strategic Coordinating Group (SCG) did not compromise medium to long term recovery. The County Council published a Local Outbreak Control Plan in partnership through the Health Protection Board. The ongoing work of the communications lead officer group (Strategic Media Advisory Cell, SMAC) has continued to be pivotal in warning and informing all local communities.

Throughout the year the response and recovery from the economic and health and wellbeing impacts of the pandemic was the priority for the Council. The response and an assessment of the impacts have been reported to Executive and Overview & Scrutiny Panels. This emergency has led to an unprecedented response from the community with new groups and existing organisations sharing information and coordinating local action. Carlisle has responded well through a range of partners and an exceptional local emergency response, through community groups, who are providing community level support. Communities have been very proactive with a significant increase in people volunteering.

Carlisle Partnership partners have played a key role, assisting in the wider response, for example Carlisle United offered a site to assist in testing and to share communications with their audiences for wider reach. Initial work in partnership with Cumbria CVS and Cumbria Community Foundation saw the launch of Support Cumbria and a Covid-19 Response Fund, the response then developed further with the Carlisle Community Resilience Group.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; and
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts for 2020/21.

The Governance Framework

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

The Council's vision of its purpose and intended outcomes

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a guiding document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance report presents the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015/18 was adopted by full Council in November 2015. The plan's time period has now expired, and it was refreshed in 2020/21 based on the agreed priorities of the new Executive (there was a change of administration following the reorganisation of the Council in May 2019). Due to the afore-mentioned change, during 2020/21 the Council continued to progress and report on the priorities listed in the 2015/18 plan. The Draft Carlisle Plan 2021/23 is available on the Council's CMIS website and is currently working its way through the governance process for formal approval.

Like many other local authorities, the Council declared a climate Emergency in 2019 and have now prepared and approved an Environmental Strategy, complemented by a detailed action plan, devised primarily to ensure the Council is carbon neutral by 2037.

The Council's vision – implications for governance arrangements

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

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

During 2019/20 the Council was subject to a peer review from the Local Government Association with the final results made available in April 2020. A second peer review of the governance and decision-making processes was delivered in November 2020 and the Council is continuing to work on the agreed actions identified in both reviews.

Measuring the quality of service for users

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

Performance in services provided to customers is monitored through management information indicators, highlighting short and medium-term trends which are reported to the corporate Senior Management Team¹. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive and relevant Overview & Scrutiny Panels with progress made in 2020/21 detailed below:

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

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

A clear strategy for the future vitality and viability of the city centre including development options for the regeneration opportunity sites (Carlisle Station, The Pools, Court Square, Caldew Riverside, and the Citadel) has been set out.

A programme of projects to improve the city centre have been developed that forms part of the £9.1m of investment through the Future High Street Fund. This will support the delivery projects designed to improve the vitality and viability of the city centre, including the redevelopment of the former Central Plaza site.

A strategy for the city centre has been developed into a Town Investment Plan for the city. The Plan has secured £19.7m through the Towns Deal programme. The investment will support the delivery of projects within city centre and complement those in the Future High Street Fund programme.

Outline business cases have been prepared for the regeneration of Carlisle Station and the Citadels site to draw down the funding allocated through the Borderlands Inclusive Growth Deal.

The business case for the improvements to Carlisle Station has been approved by government and £20m funding has been allocated to the project through the Borderlands Inclusive Growth Deal. Cumbria County Council will be the delivery body for the project and is in the process of letting contracts for the works, which will commence this financial year.

The business case for a new campus for the University of Cumbria on the Citadels site is nearing completion and will be submitted to government before summer this year. The business case will request £50m of funding through the Borderlands Inclusive Growth Deal to support the delivery of the project.

The Future High Street Fund and Town Deal programmes will require appropriate governance, financial and programme management arrangements. The establishment of a dedicated Economic Development Programme Management Office and creating additional resources within the Economic, Finance, Legal and Property Services is underway to ensure that the required skills and capacity are in place.

The Borderlands Partnership was established to unlock the potential for sustainable and inclusive economic growth across the South of Scotland and North of England. This has resulted in a £345 million deal with Scottish / UK Governments to deliver inclusive growth across the Borderland subregion. The Borderlands programme is focusing on ways to make the area more attractive to existing and potential residents, investors, and visitors. The Final Deal Agreement for the Borderlands Inclusive Growth Deal was signed on 18 March 2021 between the UK Government, Scotland Office, Scottish Government and council areas of Carlisle, Cumbria, Dumfries & Galloway, Northumberland, and Scottish Borders.

There is continued engagement with a broad range of infrastructure providers, including through dedicated workshops and one to one sessions, to better understand their needs moving forward not only for St Cuthbert's Garden Village but for the District as a whole. Planning consent of the Carlisle Southern Link Road was granted by Cumbria County Council in October 2020. Construction is planned to commence in March 2022 with the completion and opening in 2024.

The Masterplanning Framework for St Cuthbert's Garden Village was finalised in October 2020 and informed the consultation on the Regulation 18 "Preferred Option" Local Plan (held November/December 2020). Comments and additional evidential requirements identified will inform the formal Regulation 19 Draft Plan. Consultation on the St Cuthbert's Strategic Design Guide Supplementary Planning Document (SPD) was completed in December 2020 and the finalised SPD was formally adopted by Executive on 6 April 2021.

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

A Special Meeting of the City Council took place on the 13th October 2020 to ratify the Sands Centre redevelopment scheme. Work has commenced on the main contract and the diversion of services and demolition of the leisure centre and NHS areas has been completed and the arisings removed and recycled where appropriate. The parallel work on the flood defences around the building has been completed. A full project risk assessment has recently been undertaken to consider the pandemic and Brexit implications.

An agenda item and briefing paper on World Health Organisation Phase VII was tabled and discussed at the Healthy City Forum (Dec 2020). Partners were supportive and keen to advance Phase VII application and activity. The paper outlines the key actions and steps required to drive the agenda forward. A draft expression of interest letter has been approved by the Executive and submitted. COVID has significantly reduced capacity available to progress this as response and recovery continue.

The City Council was successful in its application to Sustainable Food Cities for both the campaigns grant (£5k) and the coordinator grant to move from Bronze to Silver Award (£10k). We have also been successful in achieving an additional £5k and a 6-month extension to the Bronze to Silver Award project due to the current Covid-19 crisis. The Sustainable Food Coordinator has been appointed in January 2021.

In February 2021, the Council attained the Better Health at Work Gold Award. This is even more notable as an achievement when considering the past 12 months, the Organisational Development team and Health Advocates had to come up with new ways of delivering wellbeing initiatives. Many organisations postponed their assessment due to the difficulties in delivering wellbeing campaigns, but Carlisle continued using various of methods to share Wellbeing initiatives and promote support available.

Roles and Responsibilities

The City Council comprises 39 elected Members during 2020/21 and holds elections by thirds in three years out of every four (although May 2020 elections were postponed due to the pandemic). The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the "Strong Leader" model whereby the Council appoints the Leader for a four-year period, who then nominates their Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

For 2020/21 the Executive comprises the Leader and five Executive Members, one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the

Executive over the coming month. COVID-19 impacted only on the way these meetings were conducted i.e. virtually rather than face to face.

The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available to all on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has three Overview and Scrutiny Panels: Health & Wellbeing, Economy Growth and Business & Transformation. These Panels undertake the statutory scrutiny role set out in the Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process.

Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

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

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2020/21, comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team meets on a fortnightly basis to discuss corporate issues.

Codes of Conduct and Standards

The Council has always (since the introduction of the obligation to have one) had a formally adopted Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty & leadership) together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc.) as part of their Declaration of Acceptance of

Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (appointment of 2 Independent Persons, ratified by Council). A Parish Member would be invited to attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is again provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

Following a significant project by the Local Government Association, in December 2020 they published a template National Code of Conduct for local authorities to use. The Cumbrian Monitoring Officers agreed some local amendments as required and also so as to maintain the aspirational consistency across Cumbria. Carlisle City Council adopted the new Code in April 2021 and was the first of the Cumbrian Councils to do so. The Council also approved updated arrangements for dealing with matters and updated guidance. New areas explicitly covered included bullying, harassment and the use of social media. The Code of Conduct is contained within the Council's Constitution. The Council also has employee and management competency standards which highlight expected methods of work and behaviours – these were reviewed and updated in 2020/21. There is also a formal induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as, for example, Procurement & Contracts and Budgetary Control issues and a Management Development Programme. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group.

Numerous e-learning packages (mandatory and optional) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can be targeted at relevant officers. Additional training has also been delivered throughout the year to support officers and members deal with the impact of the pandemic.

Standing Orders/Financial Procedure Rules

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the

Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegation to Officers continued to be developed which clearly set out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council has revised and developed its risk management arrangements and has implemented a Risk Management Assurance Framework, incorporating the three lines of defence assurances model. Risk assessment is overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, led by the Deputy Chief Executive, oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through a management monitoring function in SharePoint.

A Risk Management SMT Subgroup supplements the CRMG and part of its remit is to monitor each operational risk register in place within the Council; to raise and discuss any emerging risks, audit risks and Health & Safety risks, with regular updates being provided on the Council's Insurance provision, one of the mitigating control strategies in place to manage risk. An external review of the Council's risk management arrangements was commissioned by the sub-group during 2020/21. The group have ownership of the resulting action plan and continue to undertake activity to enhance the Council's risk management framework. Internal Audit have also utilised the findings from the review to strengthen testing it carries out of the Council's risk management arrangements.

Over the last four years the Council has offered Risk Management/Liability workshops and training days to Members, Senior Management and key officers. Risk management training has been provided alongside training sessions on specific issues such as managing events safely and carrying out risk assessments. Following the flood in December 2015 work has continued to develop a programme to utilise the risk management training days with our insurers with the Council's usual Corporate Risk Management Policies & Processes training session being delivered to Members and Officers through the annual Ethical Governance training programme. During 2020/21 this included attendance at the Council's operation risk management group and delivering the review of risk management detailed above.

The Council has introduced an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR), information governance risk assessment, the retention of records and, continues to develop records management arrangements. Face to face training and guidance on data protection continues to be delivered to Members and Officers during the year as well as the requirement for staff to undertake refresher e-learning training. The Information Governance Manager monitors compliance, amongst other duties, with the new requirements of GDPR and undertakes random information governance spot checks which then inform feedback and learning. In addition, the Council's Internal Audit function continues to review records management as part of all individual audits.

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

In accordance with the “Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)”, the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption did not take place during the year but an e-learning module on Money Laundering is available to all staff. Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers. Internal Audit continue to deliver an annual review of counter-fraud arrangements (started in 2019/20) to identify improvements against best practice and have also reviewed and suggested improvements to the Counter-Fraud Policy during 2020/21.

Ensuring effective management of change and transformation

The Council developed a savings strategy several years ago to deliver efficiency savings under the Government’s efficiency agenda and has been successful in achieving a significant amount of revenue savings. The current savings programme has identified that a further £2.050 million is required to be found by 2023/24. Until further details are known of how the Fair Funding Review, Comprehensive Spending Review and the Business Rate Retention Scheme are to affect the Council, these savings have been found on a non-recurring basis where possible. The impact of COVID-19 on the Council’s financial position will continue to be closely monitored during 2021/22 with shortfalls of income, additional expenditure, and the overall economic recovery and the impact on the Collection Fund being the main risks.

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

Financial Management Arrangements

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the ‘Role of the Chief Financial Officer in Local Government’ and during 2020/21 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council’s Corporate Director of Finance & Resources is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. They lead and direct an adequately resourced, fit for purpose, finance function, comprising 20 officers, who support the proper administration of the Council’s financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council’s Medium Term Financial Plan.

The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and

Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The plan has been revised during 2020/21 to ensure compliance with new requirements linking capital investment decisions with the Prudential Code. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. The MTFP for 2022/23 to 2026/27 will be presented to Executive, Business & Transformation Scrutiny Panel (BTSP) and Council between August and September 2021. CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. With the impact of Covid-19 and the additional pressures 2020/21 has become a shadow year with full implementation from April 2021. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes.

All executive decisions are subject to a full impact assessment from a financial and legal perspective. In addition, full option appraisals are included for all business cases for specific projects.

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

Value for Money benchmarking exercises are usually undertaken across service areas when required, though no specific exercises were performed during 2020/21 due to resource issues as a result of the pandemic. However, the Council continued to procure services following appropriate, established processes designed to ensure value-for-money is achieved. Use of a specialised online application to perform enhanced benchmarking is to be developed and introduced during 2021/22.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and BTSP. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts are produced in accordance with the statutory deadlines (revised by the Government as a result of the Covid-19 pandemic) and year-end actual results are reported against budgets. For 2019/20 there was a slight delay due to the increased scrutiny of asset valuations and the requirement to undertake a full Revaluation exercise; however the Accounts for 2020/21 have benefited from this exercise and have been produced in line with the revised Covid-19 deadlines. The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit Committee and are considered by Executive, BTSP and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

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

The Council's Code of Corporate Governance determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

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

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Developing the entities capacity, including the capacity of its leadership and individuals within it' incorporating the requirement of 'ensuring that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained'. The Council's Constitution clearly sets out their role and responsibilities in respect of management structures and the discharge of functions by the Council. They will report to Council on:

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

They are currently supported in their role by a Deputy and three Corporate Directors and has regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Management Team meetings. The Chief Executive supports the Business and Transformation Scrutiny Panel and currently has direct line management responsibilities for Customer Services and ICT Services.

The Head of Paid Service introduced the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups are established, each led by a member of SMT, and each with clear functions and terms of reference. The aim is to promote a culture of empowerment thus ensuring

that operational decisions can be made at the correct level within the organisation. SMT receive regular feedback on the work of each sub-group.

Audit Committee

As a means of ensuring best practice, the Council has an established Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities (2013)". This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members. The Council completed an effectiveness review of the Audit Committee in October 2020, and the CIPFA Skills and Knowledge Framework was utilised to assess any gaps in knowledge and to determine any training needs to inform the training programme for 2021/22.

The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the 'Role of the Head of Internal Audit' and during 2020/21 the Council continued to comply with 5 key principles of the CIPFA statement.

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

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and undertake priority risk audit (hot assurance) work on new projects and developments as they take place. During the Covid-19 pandemic Internal Audit also acted as the key point of contact in relation to any suspected fraudulent activity.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations.

A **reasonable assurance** has been provided on the adequacy and effectiveness in respect of 2020/21, though the opinion repeats previous concerns in relation to ICT Services. This is due to limited progress in implementing existing recommendations where control concerns have previously been identified predominately due to the level of vacancies within the team, including the Head of Service. The Council successfully recruited to this post during 2020/21 and Internal Audit will continue to work with the service to address identified concerns. A follow-up internal audit of outstanding ICT recommendations found that progress had been made in the year to address previous concerns, but that considerable progress is still required for other aspects. It is essential given the ever-growing risks associated with cyber-security that the Council continues to address these concerns (as well as any further emerging risks) during 2021/22 to prevent serious control concerns being reported within this area.

The Internal Audit team were subject to an External Quality Assessment in 2018/19. The assessment found the team to be compliant with Public Sector Internal Audit Standards. Actions to address minor recommendations for improvement have all been implemented. The team continue to perform annual self-assessments against the

requirement of the Standards, with improvements for the coming year identified and actioned.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The Designated Head of Internal Audit and Principal Auditor attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Principal Auditor also has the authority to report directly to the Chief Executive/Chair of Audit Committee if they have concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and though assessed as fit for purpose for 2020/21, the team has experienced vacancies and long-term sickness during the year; however, temporary resources have been recruited to bridge gaps and the team achieved a similar level of coverage to previous years, enabling an unqualified opinion to be provided. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 7 years' experience in Local Government Internal Auditing. The Principal Auditor is PIIA qualified and has 11 years' experience in local government internal auditing. The Audit team maintain a record of all training and experience within their Quality Assurance and Improvement Programme.

Ensuring Compliance with Relevant Laws

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

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

Complaints and Whistle blowing

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal initially to the Chief Executive or nominee and then, if necessary, to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role.

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

Identifying the development needs of Members and senior officers

The Council has a formal induction and appraisal scheme, which is mandatory for all officers, including all senior managers, which was reviewed and stream-lined in 2019/20 to focus on competencies and training needs. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is monitoring of compliance by SMT along with an annual report to Members of the Business and Transformation Scrutiny Panel which includes the key findings of the biennial Employee Opinion Survey. The appraisal process has been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's; clear, committed and confident, and recruitment policies are in place that support the achievement of the Council's ethical values. A Workforce Development Plan has been prepared and approved and Service Plans include workforce planning and needs and mentoring and coaching programmes are in place to promote development of all Members and Officers.

The management competency framework was developed further with ongoing provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees. A member mentoring programme is in place for members and a coaching programme has been introduced for employees.

The Council has signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Gold Better Health at Work Award in 2020/21 (having previously held the Silver award). There is an employee well-being programme in place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses.

Clear channels of communication

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that

encourage feedback from all sections of its local communities. All decisions and reports are publicly available unless justifiable reasoning is provided to maintain confidentiality and the Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local people's involvement in the design and delivery of more responsive local services.

The Council works closely with local groups representing those that are in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. There is an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public is achieved through social media and other online surveys, alongside continued growth in social media capacity, notably including a virtual consultation exercise for the St Cuthbert's Garden Village project. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Whilst the Council continues to deliver most of its key services directly there are areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

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

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

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres.

Good governance in respect of Partnerships

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

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

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

The Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the Risk Management Group and reported to Business and Transformation Scrutiny Panel and the Audit Committee.

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

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Designated Head of Internal Audit's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates. A peer review was carried out of the Council in late 2019/20 by the Local Government Association, with a second governance peer review undertaken in November 2020. An action plan to address findings from the peer reviews will inform updates and improvements to the framework during 2021/22.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and updated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the

Audit Committee. A full review of the Constitution is in train following the recent Peer Review.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Council's Corporate Director of Finance & Resources and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers also oversee the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis. Progress on the CRR is reported half yearly to Members. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Designated Head of Internal Audit reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control, which includes assurances obtained from self- assessment questionnaires of individual directorates, alongside the results of audit activity. The Council has also received external assurances in 2020/21 which inform this statement of assurance.

The Council also receives assurances from its external auditors, Grant Thornton, who provides annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (VFM conclusion). All recommendations provided through these opinions receive a management response and are implemented during the following year with progress being monitored by the Audit Committee.

The requirements outlined in the CIPFA/SOLACE document "Delivering Good Governance in Local Government" have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

We have been advised on the implications following the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework.

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However, we are satisfied that any necessary improvements that were identified in the review of effectiveness are not deemed to be significant in nature and are therefore not reported as part of this statement.

Signed on behalf of Carlisle City Council

John Mallinson
Leader of Council

Jason Gooding
Chief Executive

Alison Taylor
Corporate Director of Finance & Resources

Date: 15 July 2021

Report to Audit Committee

Meeting Date: 28 July 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework YES
 Public / Private Public

Title: DRAFT STATEMENT OF ACCOUNTS 2020/21
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD.30/21

Item
A.4

Purpose / Summary:

The revised Accounts and Audit (Amendment) Regulations 2021 reflect the revised dates for publishing and auditing the Statement of Accounts for 2020/21 and 2021/22. The new requirements change the fixed period for public inspection (previously the first 10 working days of June) to start on or before the first working day of August and therefore the unaudited accounts must be published, at the latest, by 31 July.

The Council's Statement of Accounts 2020/21 (subject to Audit) have been certified by the S.151 Officer in accordance with the revised Statutory requirements. They will now be subject to audit, which must be concluded by the statutory deadline of 30 September 2021. Key issues included within the 2020/21 Statements are highlighted within the report for Members attention.

Recommendations:

The Committee is asked to note that the 2020/21 Statement of Accounts have been certified as giving a true and fair view by the Corporate Director of Finance and Resources and that they will now be subject to audit.

Tracking

Audit Committee:	28 July 2021
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The revised Accounts and Audit (Amendment) Regulations 2021 require that the City Council's Statement of Accounts be certified by the Council's Section 151 Officer by 31 July. The 2020/21 accounts were signed on 15 July 2021.
- 1.2 The Statements reflect the summarised financial out-turn information which was recently considered by the Executive and Business and Transformation Scrutiny Panel. To a large extent the format of the Statement of Accounts is prescribed and is therefore presented in a different format from the internal out-turn reports.
- 1.3 The Statements presented are subject to the formal audit process which must be completed by 30 September for 2020/21. The auditors will undertake their work in order to identify any material changes required to the Statements and they will produce an International Standard on Auditing (ISA)+260 Statement (Audit Findings Report) which also details any unadjusted misstatements found during the course of the audit. Their findings need to be considered by 'those charged with governance', which in respect of the Statements, is the Audit Committee.
- 1.4 Internal Audit carries out an in-depth review of the main financial systems according to a three-year rolling programme. This provides the assurances that the information used to prepare the Statement of Accounts is accurate and relevant. Management assurances are also sought from all Directors, including using the CIPFA control matrices approach, to ensure that the key controls are operating effectively in all other Council main financial systems (not subject to an annual audit review) and also to assess any significant changes across the Council.

2. OUTTURN REPORTS

The Revenue and Capital Provisional Out-turn reports have been considered by the Executive and Business and Transformation Scrutiny Panel.

As mentioned above, the Statement of Accounts are based upon these final out-turn figures. However, because of the different way in which the Accounts must be produced, it is very difficult to see the out-turn figures within the Income and Expenditure Account. A reconciliation between the out-turn figures and the net operating expenditure on the Income and Expenditure Account has been prepared and is attached at **Appendix A** for information.

3. KEY ISSUES

- 3.1 The Annual Governance Statement will accompany the Annual Statement of Accounts following the audit process. It is a requirement of the 2020 Code that the Annual Governance Statement be considered and approved separately. The Statement of Accounts 2020/21 (subject to audit), including the draft Annual Governance Statement, have been attached at **Appendix B**.

The Committee should note that at the time of issuing this report, the figures contained in the draft Statement of Accounts in Note 4.16 (Cumbria Business Rates Pool), were based on the last estimates received of pool performance for 2020/21. If the figures are confirmed by the required statutory publication date of 31 July, the draft accounts will be updated to reflect this.

Members will be aware from previous reports that considered the recommendations from the Redmond Review that one issue was that the full Statement of Accounts were difficult to understand and inaccessible to many audiences. With this in mind a recommendation was made that local authorities should produce a simplified Statement of Account that summarised the financial position of the Council for the year. The intention was that this be introduced for the 2021/22 accounts. However, a simplified statement of account has been produced for comment by the Committee using the template suggested in the Redmond Review. The intention will then be to publish this (properly designed) alongside the audited accounts in September. The draft version is included at **Appendix C**.

3.2 Significant issues

Key issues within the Statement of Accounts to which Members attention is drawn are as follows:

3.2.1 Comprehensive Income & Expenditure Statement (CIES)

These statements summarise the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day to day expenses and related income on an accruals basis. The main items of note are as follows:

Cost of Services – an increase of £0.504million over the previous year. There is also an increase of £5.522million in Taxation and Non-Specific Grant income, mainly due to recognition of COVID-19 related grant income.

3.2.2 Balance Sheet

The balance sheet records all of the Council's assets and liabilities as at 31 March 2021. Overall, the Council's Net Worth on its Balance Sheet has decreased from £132.463million in 2019/20 to £121.322million in 2020/21.

Long Term Assets – these are assets owned by the authority which are used either in direct service provision or held for investment purposes. The value as at 31 March 2021 is £184.826million (March 2020 £187.427million).

Current Assets – the main items included within this heading are debtors i.e. money owed to the Council as at 31 March 2021 and short-term investments. The Council had £5.002million invested in a variety of banks and building societies at 31 March excluding the investment in the property fund which is shown as a long-term investment of £3.289million (2019/20 £3.313million). The Council also held Cash and Cash Equivalents £6.802million (2019/20 £11.643million). This decrease in cash and investment balances can be explained by the repayment of external debt in the year.

Current liabilities – this includes the amount of money owed by the Council to its suppliers and contractors which totalled £16.516million as at 31 March 2021 (£25.562million as at 31 March 2020). This is due to the repayment of stock issue in the year (£15m) and an increase in creditor balances due to Covid grants due to be paid/repaid in 2021/22.

Long term liabilities – this section is made up of several different items. Long term borrowing and the value of the pension liability makes up approximately 78% of the total. The Pension Liability amounts to £53.654million as at March 2021 (£47.322million March 2020). This is the value placed on the Council liability by the Pension Fund Actuary and is offset in the balance sheet by a corresponding credit on the Pension Reserve.

Financed by – the total of all the items within this section is the value of the net worth of the Council. It shows the reserves and balances held as at 31 March 2021.

A separate earmarked reserve for Business Rates s.31 grants has been disclosed on the balance sheet to recognise that this will be utilised in 2021/22 to offset the deficit on the Collection Fund. A general fund grant was provided to all local authorities as compensation for the loss of business rate income arising from the decision to grant 100% rate relief to the retail, leisure and hospitality businesses in

response to the COVID-19 pandemic. This earmarked reserve is therefore only available to offset this deficit in 2021/22.

3.2.3 **Collection Fund**

The Collection Fund records the performance of the Council's collection of Council Tax and Business Rates.

Council Tax - For Council Tax, performance resulted in a decrease in the surplus generated from £0.051million to a deficit of £1.202million, which is shared between the main preceptors, The County Council, The Police and the City Council. The City Council share of £144,909 will be re-distributed as part of the budget and Council Tax setting process for 2022/23.

Business Rates – The Council continued to participate in the Cumbria Business Rate Pool which was set up to retain 100% of any business rates growth within Cumbria, rather than 50% being payable to Central Government.

The Council saw growth in Business Rates of £2.490million in 2020/21, and by participating in the Pool retained £1.845million of this (without pooling the Council would only have retained £1.245million).

The Collection Fund position for Business Rates shows a deficit of £23.827million, which the Council's share is £9.530million and which will be redistributed during the 2021/22. As outlined above, this deficit will be offset by the Business Rates s.31 grant reserve.

4. **RISKS**

Risks to future years' budget and development of ongoing impact of issues identified in the Statement of Accounts will be considered as part of Medium-Term Financial Planning Process.

5. **CONSULTATION**

The draft Statement of Accounts has been available to view by any interested party from 30th July 2021 to 10th September 2021 under the regulations laid down in the Accounts and Audit Regulations 2015, Section 15(2)(b) as amended by the Accounts and Audit (Amendment) Regulations 2021.

6. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is asked to note that the 2020/21 Statement of Accounts have been certified as giving a true and fair view by the Corporate Director of Finance and Resources and that they will now be subject to audit.

7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

The Statement of Accounts provide the financial performance of the Council for the year 2020/21 in delivering its priorities.

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Reconciliation of Provisional Outturn to Comprehensive Income and Expenditure Statement**
- Appendix B – Statement of Accounts 2020/21 (subject to audit)**
- Appendix C – Draft Simplified Statement of Accounts**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Legal – It is the responsibility of the Audit Committee to approve the annual Statement of Accounts, income and expenditure and balance sheet (later in the year), and specifically, to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

Property – None

Finance – Contained within the report

Equality – None

Information Governance – There are no information governance implications for this report

APPENDIX A

Item	£
Draft Outturn presented to Executive 2 June 2021	11,128,495
<u>Adjustments to Outturn:</u>	
Transfers to provisions	(8,981)
Costs of Disposal	(33,600)
Business Rates Adjustments	(1,438)
Final Out-turn	11,084,476
Capital Receipts generated on the disposal of assets	(1,020,000)
Net book value of disposals written out of balance sheet	947,335
Parish Precepts	688,198
Actuary Reports on Pension Costs (IAS19)	
- Net Interest Costs	1,105,000
Net changes re IAS19 current and past service costs	1,277,000
Depreciation and Impairment Charges	6,371,163
Change in Fair Value of Investment Properties	5,115,676
Capital Expenditure on revenue expenditure funded from capital under statute (assets not owned by the Council) chargeable to the I&E account less grants and contributions received towards these costs	842,542
Direct Revenue Financing	(2,623,052)
Movement on Employee Benefit Reserve	45,408
Capital Government Grants and Contributions, credited to the I&E account	(3,232,309)
Capital Grants Credited to the CIES from Capital Grants Unapplied Account	(10,000)
Gain on Financial Instruments measured at Fair Value through Profit or Loss	23,637
Transfers to earmarked reserves shown elsewhere	
- Lanes Capital Fund	(14,900)
New Homes Bonus, Rural Services Delivery Grant, COVID Emergency Funding (shown as a funding source)	3,424,474
Financing from RSG/Council Tax/NNDR	(18,008,990)
Surplus/Deficit on Provision of Services on the CIES	6,015,659

DRAFT

CARLISLE CITY COUNCIL

SINGLE ENTITY

UNAUDITED

STATEMENT OF ACCOUNTS

2020/21

UNAUDITED STATEMENT OF ACCOUNTS

2020/21

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Auditor Opinion

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SECTION 1 – NARRATIVE REPORT

1.1 Introduction

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

The aim is to provide information on:

- the cost of providing Council services in 2020/21.
- how these services were paid for.
- what assets the Council owned at the end of the financial year; and
- what was owed, to and by, the Council at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts. The Statement of Accounts for the year ended 31 March 2021 have been produced by the Corporate Director of Finance and Resources and consists of the following: -

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

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

(ii) The Movement in Reserves Statement

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

(iii) The Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 4.11) and the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement (CIES) is prepared in accordance with the requirements of the Code of Practice 2020 and is reported in the management reporting segments used by the Council. These segments are used throughout the accounts and include the following services It should be noted that during the year the Revenues & Benefits Service transferred from Corporate Support to Finance and Resources and HR & Payroll Services transferred from Finance and Resources to Community Services:

Community Services	Economic Development	Corporate Support	Finance and Resources	Governance & Regulatory Services	Corporate Management
Arts & Leisure Contracts	Building Control	Customer Services	Accountancy	City Engineers	Direct Revenue Financing
Bereavement Services	Business Support	Digital and Information Services	Audit	Democratic Services	Non-Distributed Costs (Pensions)
Car Parking	Conservation & Heritage	Risk Management	Creditors	Electoral Services	Corporate Management
City Centre Management	Development Control	PA Support Team	Debtors	Environmental Health	Other Financial Costs
Carlisle Partnership	Economic & Border Partnerships		Finance	Enterprise Centre	Asset Management Costs (Depreciation)
Community Centres	Economic Development		Revenues & Benefits	Health & Safety	
Community Safety	Enterprise Zone		Insurance	Homelessness & Homelessness Accommodation	
Corporate Communications	Planning Enforcement		Section 151	Investment & Operational Property	
Emergency Planning	Regeneration & Projects		Procurement	Land Charges	
Events	Rural Policy & Support			Legal Services	
Green Spaces	Section 106 / Community Infrastructure Levy			Licensing	
Marketing	Strategic & Housing Planning Policy			Mayoral Support	
Old Fire Station				Member Services	
Overview & Scrutiny				Monitoring Officer	
Policy & Performance				Private Sector Housing	
Refuse and Recycling				Strategic Property	
Sports Development				Welfare Advice Service	
Street Cleaning					
3rd Sector Grants					
Tourism					
Health & Wellbeing					
HR, Payroll & Personnel					
Organisational Development					

(iv) The Balance Sheet

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

(v) The Cash Flow Statement

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

(vi) Notes to the Accounts

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

(vii) The Collection Fund

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

(viii) The Annual Governance Statement

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

1.2 2020/21 Budget and Medium-Term Financial Plan

The 2020/21 revenue budget was set within the context of the Council’s Medium-Term Financial Plan (MTFP). The MTFP provides the financial framework within which the Council will seek to achieve its priorities and highlights any significant factors that will affect the future financial position of the Council.

The MTFP considers five key Financial Principles:

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

The MTFP for 2020/21 highlighted that the key risks to the Council financially in the future were the uncertainties around the future design of a Business Rate Retention scheme and the Fair Funding Review. However, given these uncertainties, the budget for 2020/21, which was set in February 2020, showed that although the Council still had to make £1.850million of savings, overall general fund reserves would show a small increase over the period 2020/21 to 2024/25.

By the end of 2020/21, the savings still to be achieved on a recurring basis amounted to £2.050million. These savings are due to be found in total by 2023/24 but due to the uncertainties around future long-term changes to local government funding and local government reorganisation, may be subject to review. Due to the outturn position the Council has set aside amounts in an Operational Risk earmarked reserve that will allow it to achieve the savings required for 2021/22 and 2022/23 whilst the impact of these uncertainties is being assessed.

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

Summary Service Expenditure Comparison of Budget to Actual

The table below shows a comparison of the Council's revised budget with its performance for 2020/21. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 26.

2020/21 Revenue Budget	£000
Approved Budget (Council Resolution - March 2020)	13,842
Carry Forward requests (2019/20 Outturn)	811
Carry Forward requests (2020/21 In Year)	(750)
Budget 2020/21 as at March 2021	13,903
Non-Recurring Expenditure	
Use of Building Control Reserve	9
Use of Flood Reserve	1,944
Use of Revenue Grants Reserve	1,085
Use of Carry Forward Reserve	26
Use of additional Business Rates Income	238
Transfer to Planning Services Reserve	(11)
Transfer to Cremator Reserve	(116)
Revised Budget 2020/21	17,078

	Budget £000	Provisional Outturn £000	Variance £000
Community Services	11,397	10,863	(534)
Corporate Support	138	(96)	(234)
Economic Development	2,488	1,864	(624)
Finance and Resources	2,219	1,373	(846)
Governance and Regulatory Services	2,229	932	(1,297)
Corporate Management	(1,858)	(1,858)	0
Exceptional Items	465	(1,993)	(2,458)
Service Expenditure	17,078	11,085	(5,993)
Parish Precepts	688	688	0
Total	17,766	11,773	(5,993)
<u>Transfers to/(from) Reserves</u>			
General Fund Reserve	(755)	678	1,433
Building Control Reserve	(9)	(76)	(67)
Flood Reserve	(1,944)	(1,944)	0
Revenue Grants Reserve	(1,085)	202	1,287
Carry Forward Reserve	(26)	(26)	0
Planning Services Reserve	11	10	(1)
Cremator Reserve	116	116	0
Apprentice Reserve	0	18	18
Economic Recovery Reserve	0	50	50
Operational Risk Reserve	0	3,200	3,200
Council Tax Hardship Grant Reserve	0	359	359
Council Tax Income Guarantee Reserve	0	69	69
Business Rate s.31 Grant Reserve	0	9,463	9,463
Total Transfer to/(from) Reserves	(3,692)	27,930	15,811
Financed by:			
Precept from Collection Fund	(8,205)	(8,274)	(69)
Business Rate Retention	(5,869)	(15,618)	(9,749)
Total Grants	(14,074)	(23,892)	(9,818)
Total	(17,766)	4,038	5,993

The Council has total usable reserves of £22.282million at 31 March 2021 (£10.148million at 31 March 2020), of which the total earmarked reserves held are £16.969million (£5.487million at 31 March 2020). Further details of these reserves can be found at note 4.5.

For 2020/21 the Council was under-spent by £5.993million against the revised budget. This resulted in a lower use of general fund reserves in 2020/21 than expected. However, of the under spend, £0.971million has been identified for carrying forward into future years and £4.905million has been placed into earmarked reserves and provisions to meet known commitments. A further £9.532million from the additional funding received in year of £9.818million has also been placed into earmarked reserves to meet known commitments on the Collection Fund.

The Council also has other unusable reserves totalling £98.894million at 31 March 2021 (£122.159million at 31 March 2020). Certain reserves are used to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

The table below sets out how the Council's earmarked and general fund reserves levels compares at 31 March 2021 to those that were forecast when it set its revenue budget in February 2021.

	Forecast 31/03/2021 £000	Outturn 31/03/2021 £000
General Reserves		
General Fund (including Projects Reserve)	(2,694)	(4,685)
Carry Forward Reserve	(531)	(628)
	(3,225)	(5,313)
Earmarked Reserves		
Building Control Reserve	(48)	(24)
Cremator Reserve	(1,009)	(1,196)
Economic Investment Reserve	(6)	0
City Centre Reserve	(9)	(5)
Flood Reserve	(1,983)	(4)
Lanes Reserve	(90)	(90)
Planning Services Reserve	(188)	(206)
Promoting Carlisle Reserve	(10)	0
Prosecutions and Representations Reserve	(36)	(36)
Revenue Grants Reserve	(869)	(2,141)
Apprentice Reserve	(54)	(96)
Waverley Viaduct Reserve	0	(30)
Economic Recovery Reserve	0	(50)
Operational Risk Reserve	0	(3,200)
Council Tax Hardship Grant Reserve	0	(359)
Council Tax Income Guarantee Reserve	0	(69)
Business Rates s.31 Grant Reserve	0	(9,463)
	(4,302)	(16,969)
Total Usable Reserves	(7,527)	(22,282)

The amount held in the Business Rates s.31 Grant Reserve is in relation to Section 31 grant received as compensation for loss of business rates due to expanded retail, leisure and hospitality relief granted to businesses as part of the COVID-19 response by Government. The amount held in the reserve will be used to offset the estimated deficit on the Collection Fund that will be recovered in 2021/22 and as such is unavailable for any other purpose.

For a more detailed analysis of the breakdown of income and expenditure and an explanation of variances from the budget a revenue outturn report for 2020/21 has been prepared which provides additional information on the year end position. This is available upon request from the Corporate Director of Finance and Resources.

1.3 Capital Expenditure and Financing

Capital expenditure relates to spending on the acquisition, creation and enhancement of fixed assets that generally have a life more than one year. This spending is usually paid for from borrowing, the sale of assets, specific government and other grants, capital balances and contributions from revenue balances. Spending on assistance to the private sector for renovation grants, disabled facilities grants and other housing improvement schemes is also

classed as capital expenditure and is known as Revenue Expenditure funded from capital under statute, because the spending does not generate an asset to the Council.

(i) Capital Expenditure

The Council's revised capital programme for 2020/21 was approved at £18.651million. Overall capital spending for 2020/21, totalled £14.172million, resulting in an underspend of £4.479million. Where projects have not completed in the year, £4.455million has been reprofiled to future years. The overall programme can be summarised as follows:

	£000	£000
Revenue Expenditure funded from Capital Under Statute		
Disabled Facilities Grants	1,905	
Temporary Leisure Facilities	1,074	
Other Schemes	126	
		3,105
Capital Investment on Assets		
Industrial Estates	3,726	
Equipment, Vehicles and Plant	849	
Enhancements to Council Property	1,679	
Leisure Facilities Redevelopment	3,275	
Citadels Project	847	
Other Schemes	691	
		11,067
		14,172

The programme has been financed as follows:

	£000
Capital Receipts	2,615
Specified Capital Grant	2,156
Other Capital Grants and Contributions	3,359
Direct Revenue Financing	2,623
Unfinanced Capital Expenditure	3,419
	14,172

(i) Borrowing

The Council has powers to borrow money for capital purposes under Section 1 of the Local Government Act 2003. The Council repaid its stock issue loan of £15million in May 2020. No further borrowing was undertaken in the year. Further borrowing is scheduled in the Medium-Term Financial Plan however, this is constantly reviewed to ensure borrowing is undertaken at the most appropriate time and when it is required.

(ii) Capital Receipts

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

1.4 Balance Sheet Analysis

The Balance Sheet is an important statement for the Council as it provides details of the overall health of the Council's finances. The Council's holding of Property, Plant and Equipment and Investment Properties has decreased slightly in value in the year from £183.875million to £181.366million.

(i) Reserves & Balances

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

2019/20 £000		2020/21 £000
(4,661)	General Fund Balance	(5,313)
(75)	Capital Reserves	(90)
(5,412)	Earmarked Reserves	(16,879)
262	Collection Fund Adj Account	9,570
(2,290)	Provisions	(1,964)
(136)	Capital Grant Unapplied	(126)
(12,312)	Amount available for Investment	(14,802)
	Investments	
3,313	Long Term	3,289
16,000	Short Term	5,000
11,643	Cash & Cash Equivalents	6,802
30,956	Total Investments	15,091
18,644	Surplus Monies / (Internal Borrowing)	289
(4,352)	Working Capital	(6,491)
14,292	Surplus Monies / (Internal Borrowing)	(6,202)

This table shows that at 31 March the Council's cash balances held in investments was made up of its cash-backed reserves and balances (£14.802million) and cash held in working capital. The net position shows that £6.202million can be represented by a position of under borrowing. The actual borrowing the Council held at 31 March was £13.319million, the actual borrowing requirement the Council had at 31 March was £19.522million (Note 4.39). In effect the Council is utilising its own cash balances to support its borrowing requirement and arises due to the repayment in the year of the stock issue borrowing which was not replaced with any further external debt. The 2021/22 budget anticipated that the stock issue would be replaced and therefore the expectation was that there would be an over borrowed position of £9.704m at 31 March.

1.5 Cash Flows

During 2020/21 the net change in cash and cash equivalents was £4.841million.

1.6 Pension Liability

The full implementation of International Accounting Standard (IAS) 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £53.654million at 31 March 2021.

The liability shows the underlying long-term commitments that the Council must pay in respect of retirement benefits. The total liability of £53.654million has had a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to deal with the funding deficit mean that the financial position of the Council remains robust. The deficit on the local government pension scheme will be dealt with by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

An up-front payment, based on estimates for 2020/21, was paid in relation to current service costs, with a reconciling amount included in the accounts for the actual contributions paid in the year.

1.7 Significant Issues

(i) COVID-19

As a result of the COVID-19 pandemic, the Government introduced a series of financial support and grant scheme packages to provide funding to those individuals, businesses and public bodies affected by the pandemic. The Council also received funding directly to help it support its own financial position and the additional costs and losses of income it was incurring.

Emergency Funding to Local Authorities

The Council received the following funding to support its financial losses through the pandemic:

	Charged to Core Services £	Exceptional Items £	Total £
Funding Received	0	(1,748,390)	(1,748,390)
Other Covid Income Received	0	(5,580)	(5,580)
New Burdens Funding	(24,404)	(413,300)	(437,704)
Test and Trace Support Grant Funding	0	(73,762)	(73,762)
Sales Fees and Charges Compensation	0	(554,372)	(554,372)
	(24,404)	(2,795,404)	(2,819,808)

The funding is un-ringfenced and was allocated to support the additional expenditure incurred in dealing with the pandemic as well as losses of income that have also materialised.

Monthly returns were provided through DELTA to the MHCLG. The Council incurred significant additional costs and losses of income due to the pandemic.

However, with the funding received, and savings achieved through reductions in expenditure in other service areas the impact of the pandemic has not been detrimental to the overall financial position of the Council. As restrictions are eased, however, and additional funding is withdrawn, the longer-term impact of the pandemic may see pressures arising on the Council's budget. Areas where this may be seen are in property rentals and car parking (through lower demand, working from home etc).

Revenue losses

As part of the monthly monitoring to MHCLG, the Council recorded additional expenditure and losses of income in areas affected by the pandemic. The table below shows the final position at the end of March.

	Charged to Core Services £	Exceptional Items £	Total £
Additional Expenditure Included on COVID Return	0	772,001	772,001
New Burdens Spend	0	58,911	58,911
Sales Fees & Charges Income Shortfalls	1,276,141	0	1,276,141
Sales Fees & Charges Reduction in Expenditure	(352,997)	0	(352,997)
Other Income Shortfalls	517,980	0	517,980
Commercial Income	548,462	0	548,462
Total Covid Pressures	1,989,586	830,912	2,820,498

As well as the losses detailed in the table above, there have been additional costs incurred in the delivery of significant capital projects. There was an expectation of an additional £750,000 on the Sands Project, and this was included in the revised budget approved by Council in November 2020. There was also an additional expectation of £250,000 on other capital schemes.

The Council also received funding in respect of expenditure on specific schemes for Compliance and Enforcement (£51,720) and Test and Trace (£97,157).

The Council also received funding from European Regional Development Fund for Re-opening the High Street of £69,773.

Debt Recovery and Payment of Suppliers

The Council is continuing to invoice as usual for any supplies and services provided with normal debt recovery processes now re-established; however, a 'soft' recovery process was in place for part of 2020/21, however this has now ceased and where required the Council is asking debtors to contact the Council to discuss flexible repayment terms if they are having difficulties in paying debts. Overall, debt recovery has been good with total outstanding sundry debtor amounts reducing from the level it was in 2019/20. At the end of March 2021, the level of outstanding debt for invoices raised in the year was as follows:

	Invoices Raised £	Write Offs £	Out Standing £	Recovered £	%
Corporate Support	293,674	0	0	293,674	100.00%
Community Services	5,380,536	(3,167)	18,454	5,358,915	99.60%
Economic Development	571,446	(222)	19,513	551,711	96.55%
Governance & Regulatory	9,306,613	(22,300)	83,805	9,200,508	98.86%
Finance & Resources	813,439	0	179,594	633,845	77.92%
	16,365,708	(25,689)	301,366	16,038,653	98.00%

During the pandemic, supplier invoices have been processed as normal, however, all invoices are being paid upon receipt to aid the cash-flow of affected businesses.

Council Reserves

With the uncertainties around the ongoing impact of the pandemic beyond 2020/21, there is likely to be a requirement to fund any budgetary shortfall from Council reserves if no further support from central government is forthcoming. The Council has been allocated £616,032 as a general un-ringfenced grant towards losses incurred in 2021/22 and is still submitting returns to government monthly. The Sale, Fees and Charges compensation scheme is open for the first quarter of 2021/22. Losses in income are still being recorded, particularly around

car parking income due to the lower footfalls in town centres due to restrictions in the first quarter of the year. The Council released £500,000 from General Fund Reserves in 2019/20 to support the additional expenditure being incurred, however, the funding was carried forward and was utilised in 2020/21. The minimum requirement for the General Fund is calculated from a risk assessment and includes an allowance for emergencies of £1million.

Financial Impact on Taxation

Business Rates

Due to announcements of financial support to businesses and the extension of the 100% business rate retail relief for occupied retail, leisure and hospitality properties, the Council's net business rates payable for 2020/21 reduced by approximately £25million from £44.950million to £19.665million. The loss of business rates income from the decision to grant 100% relief is compensated through the reimbursement by MHCLG as a Section 31 grant which is accounted for in the General Fund in 2020/21.

Therefore, at the end of the year, there was a large deficit recorded on the Business Rates Collection Fund due to the granting of extended retail and nursery relief at the start of the COVID-19 pandemic in 2020/21. The £9,530,909 Carlisle share of the deficit which is shown in the Collection Fund Adjustment Account is offset by the additional income in General Fund where Section 31 grants are accounted for. This additional income has been set aside in an earmarked reserve to offset the recovery of the deficit in 2021/22.

Council Tax

In terms of Council Tax, a Hardship Fund grant of £989,736 was received on 3rd April to support vulnerable individuals who were economically affected by the pandemic to provide relief from their council tax liability. The minimum requirement was to reduce the council tax liability of working age recipients of the Council Tax Reduction Scheme (CTRS) by a further £150 and/or use the funding to deliver increased financial assistance outside the council tax system through Local Welfare or similar schemes. There was a county wide CTRS scheme in place so for consistency all Cumbrian authorities agreed to increase the sum to £300 per working age CTRS recipients and develop individual hardship schemes. At the end of 2020/21, £656,991 was distributed. The grant was provided as a Section 31 grant and so the costs were met by the General Fund.

The pandemic resulted in an increase in the level of working age CTRS claimants, which also resulted in an increase in the associated cost of CTRS relief. At the start of 2020/21, the number of working age CTRS claimants was 4,471, however by the end of March this had risen to 4,853. The overall cost of CTRS support increased from £7,102,481 in April 2020 to £7,627,622 in March 2021. This cost is contained within the Collection Fund and partially explains the increase in the deficit position for Council Tax. The cost of the current CTRS scheme is shared between the main preceptors but there has been no additional government support provide funding for any increase in additional claimants.

Deficit Spreading

As part of the response to the pandemic, the Government announced a change in legislation for the Collection Fund. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 set out amendments that allowed authorities to be able to spread any exceptional (deficit) balance incurred on the Collection Funds for Council Tax and Business Rates over a three-year period. Therefore, the estimated Surplus/Deficit positions calculated in January 2021, for the year 2021/22 onwards included the allocation of spreading any exceptional balance.

The Council estimated that the deficit on Council Tax for 2020/21 would be £1,204,081, with its share being £146,949. Of this overall balance, £1,016,209 was deemed an exceptional balance and therefore would be spread over the years 2021/22 to 2023/24. The actual Council Tax Deficit calculated in March was £1,202,145.

The estimated deficit for Business Rates calculated on the NNDR1 form in January 2021 was £23,656,544 with the Council's share being £9,462,618. The exceptional in-year

balance was calculated as being £1,477,768. The actual Business Rates Deficit calculated in March was £23,827,269.

Tax Income Guarantee Scheme

The government also announced that there would be an apportionment of irrecoverable local tax losses between central and local government at the spending review. Government provided compensation to local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21. The Council was therefore anticipating receiving £69,047 for Council Tax losses, however, there was no expectation of any compensation for Business Rates due to the level of income collected.

Cash flow

Notwithstanding the above, the Council remains in a healthy cash flow position as funding has been provided upfront to cover income shortfalls and expenditure incurred; however, it is the medium to longer term position which will require careful monitoring to ensure that all reserves continue to be cash backed.

S114 notice

S114 of the Local Government Finance Act 1988 places a duty on the S151 Officer to report if it appears that the Council has made or is about to make a decision which would involve unlawful expenditure and is likely to cause a loss or deficiency; and where an unlawful item of account is about to be entered. In effect, if there is, or is likely to be, an unbalanced budget i.e. resources do not meet expenditure in a particular year. There are specific reporting requirements if such as notice has to be issued, with CIPFA proposing a modification for the S151 Officer to make informal confidential contact with the MHCLG to advise them of any such financial concerns, and to communicate any unbalanced budget position due to COVID-19 to the MHCLG at the same time as providing a potential S114 report to the Executive and to the External Auditor. Based upon current estimates of expenditure and income shortfalls, the level of government assistance received and the level of Council reserves it is not believed that a S114 notice is required; however this decision will be revisited periodically once more financial information on budgetary pressures becomes available.

Grants distributed by the Council

The council received a total of £49,288,936 from Government to distribute to businesses and to individuals. The table below shows the value of the grants received and the payments made by the Council in 2020/21.

	Grant Income £	Payments £	Net Position £	Principal / Agent
Small Business Grant Fund, Retail, Hospitality & Leisure Grant Fund	(26,625,000)	26,625,000	0	Agent
Discretionary Grant Fund	(1,352,925)	1,352,925	0	Principal
SBGF, RHLGF, DGF	(27,977,925)	27,977,925	0	
Local Restrictions Support Closed	(2,801,259)	1,812,256	(989,003)	Agent
LRSO Closed Tier 4	0	327,030	327,030	Agent
LRSO Closed Addendum	(7,198,532)	5,610,702	(1,587,830)	Agent
LRSO Tier 2 Closed	0	67,334	67,334	Agent
Local Restrictions Support SECTOR	0	6,286	6,286	Agent
Closed Business Lock Down Payment	(7,029,000)	5,537,095	(1,491,905)	Agent
Local Restrictions Support Grant (Closed)	(17,028,791)	13,360,704	(3,668,087)	
Local Restrictions Support Open	(788,668)	776,523	(12,145)	Principal
CSP - Christmas Support Wet Led Pubs	(57,600)	56,000	(1,600)	Agent
GOL Restart Grant	0	0	0	Agent
Additional Restrictions Grant	(3,138,952)	2,977,226	(161,726)	Principal
ARG Relief Fund	0	20,000	20,000	Principal
Test & Trace Support Grant	(161,500)	106,500	(55,000)	Agent
Test & Trace Discretionary Grant	(135,500)	27,500	(108,000)	Agent
Other	(4,282,220)	3,963,749	(318,471)	
Total	(49,288,936)	45,302,377	(3,986,559)	

The £3,986,559 has been carried forward on the Balance Sheet as Income in Advance pending further payments being made in 2021/22.

In accordance with IFRS15 *Revenue from Contracts with Customers*, the Council has determined whether it is acting as a Principal or Agent when accounting for the grant income received and distributed. Where it acts as an Agent, the income and expenditure has not been reflected in the authority's financial statements and has been recorded as a net position. Where it has acted as a Principal, the income and expenditure are both shown gross in the CIES. The total value of Agent transactions is £44,008,391 income received and £40,175,703 payments made. The total value of Principal transactions is £5,280,545 income received and £5,126,674 payments made. The balance of grant income received has been carried forward as an Income in Advance on the balance sheet for either future distribution or potential repayment to central government.

In total £8,070,955 has been credited to the Comprehensive Income and Expenditure Statement (Note 4.20) and is made up as follows:

	£
Grants Accounted for as a principal transaction	5,126,674
Emergency Funding to Local Authorities	2,795,404
Compliance and Enforcement Funding	51,720
Test & Trace Funding	97,157
Total	8,070,955

Governance arrangements

The Council has established separate cost-codes for recording all expenditure and grant income associated with COVID-19 and is submitting regular updates through MHCLG for its additional costs and anticipated losses.

Emergency decisions were implemented to ensure the Council could react and support appropriately. These included:

- £500,000 was released from General Fund Reserves to support any additional expenditure that the Council was likely to incur because of the pandemic.
- All office-based staff were instructed to begin working from home where possible.
- All creditor invoices were paid immediately upon receipt.
- All debtor recovery procedures were suspended but these are now operating normally.
- Casual contracts were placed on a fixer term contract up to September 2020.
- Compliance with Procurement Policy Notices to support contractors.

There were also several changes made to ensure that the Council could function properly. These included:

- Changes made to several systems to ensure appropriate controls were in place to the financial transaction certification and approvals processes.
- New procedures were put in place for the receipt, scanning and certification of creditor invoices which provided a robust audit trail and ensured appropriate delegations for approval were being followed.
- A similar process was also implemented for payments that are required to be made electronically (BACS), in areas such as payroll and housing benefits.
- Financial monitoring arrangements were implemented to record all spend and identify shortfalls of income.

All grant income and expenditure that has been received and paid out has been accounted for in the 2020/21 Statement of Accounts.

Impact on Services

As well as supporting businesses and dealing with the financial impact of COVID-19, the Council has also encountered significant operational challenges. Since the start of the pandemic all office-based staff have been instructed to work from home where possible. This has meant additional processes have had to be put in place to ensure controls are maintained.

The Council introduced online virtual Committee Meetings to ensure the governance processes could be maintained.

Services such as waste collection continued, however, to prioritise the main service of refuse collection, garden waste collections were suspended for a short period of time at the start of the year. Services and venues such as the Old Fire Station and TIC were closed, and staff re-deployed to other areas. The Council has not made use of the furlough (job retention) scheme throughout the period of restrictions.

(ii) Revaluation of Assets

A revaluation of all Property assets has been undertaken as at 31 March 2021. Included in the Comprehensive Income and Expenditure Statement within Services are net downward revaluations totalling £2.784million in relation to Property, Plant and Equipment.

Investment properties have also been revalued in line with the Code and this has seen a net decrease in value of £5.116million.

(iii) Economic Climate

The Council continued to experience the effects of low interest rates in 2020/21 because of the COVID-19 pandemic. Expenditure on employee costs decreased from 2019/20 levels from £20.758million to £18.580million. Other expenditure increased from 2019/20 levels of £39.222million to £41.761million due to lower levels of Housing Benefit grant payments paid out but increased levels of grant payments in relation to Covid-19.

(iv) Key Risks

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

- There is a risk that the Government fails to communicate changes to future local government funding from 2022 in a timely manner, meaning that the City Council cannot effectively prepare for these changes.
- There is a risk that the financial impact of the Covid-19 pandemic on the Council's budget is not fully understood which may require future changes to the Council's Savings Strategy.
- There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions
- There is a risk that we fail to effectively prioritise and resource key city regeneration sites and miss the opportunity to take these forward in a progressive manner that meets the Council's aspirations.
- There is a risk that the City Council will not fulfil its obligations as set out in the Carlisle Southern Link Road (CSLR) Grant Determination Agreement with Homes England and that subsequently the funding will be withdrawn, this meaning that the City Council will consequently have to pay the County Council £5m as agreed in the Collaboration Agreement with the County Council.
- There is a risk that we fail to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium-Term Financial Plan.
- There is a risk that critical Information and Technology (I&T) applications or infrastructure become unavailable which impacts on the delivery of council services.
- There is a risk that our digitally held data becomes unavailable, unreliable or is stolen due to error, negligence, or malice

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

(v) Key Opportunities

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

The Council has also been allocated a share (£9.1m) of the Future High Streets fund and is in the process of preparing detailed Business Cases for the allocation of £19.1m of Town Deal Funding it has been awarded.

Progress is being made on the delivery of new leisure facilities with construction of temporary facilities completed and site preparation works underway pending formal start of demolition and construction of the main site

1.8 Council Priorities

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a working document for staff and members. An annual report communicates the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015. A new plan covering 2021-2023 is available on the Council's CMIS website and subject to consultation and is in the process of being considered by Executive and Scrutiny Panels and will be debated by a meeting of the Full Council in September prior to its adoption. The new plan will continue with a focus on Supporting the Economy and Health & Wellbeing.

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

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

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

The Council operates with the following core principles that underpin the Carlisle Plan:

- We will be a clear, committed, and confident Council.
- The principles have been developed by our staff and councillors to guide how we will deliver our vision for Carlisle.
- By setting out our vision, we show that we understand the needs of Carlisle's residents, businesses, and visitors. Our plans to respond to these needs are clear and straightforward. We know what is expected of us and do our best to create clarity in how we work.
- We are committed to achieving our vision for Carlisle. We will ensure that our day to day work and resources are consistent with the priorities.

- We will continue to work effectively with partners to drive positive change for Carlisle and will celebrate our successes and achievements. As part of our ongoing work to develop all our communities we will engage young people and make sure the Carlisle Plan helps to deliver their aspirations for Carlisle.

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

Operational Model

The Council received most of its funding from taxation - Council Tax (£8.3million) levied on residents and Business Rates (£15.6million) levied on businesses. It also received funding from Central Government in the form of Specific Grants such as New Homes Bonus, Housing Benefit Administration Grant, and Covid-19 support.

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

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

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

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

In 2020/21 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below and demonstrates that whilst challenging, non-financial performance was, overall, at target performance or above. This together with the delivery of these services within the approved budget mean that the Council was able to deliver the outcomes and value planned when the budget was set in line with the Carlisle Plan priorities.

1.9 Non-Financial Performance

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

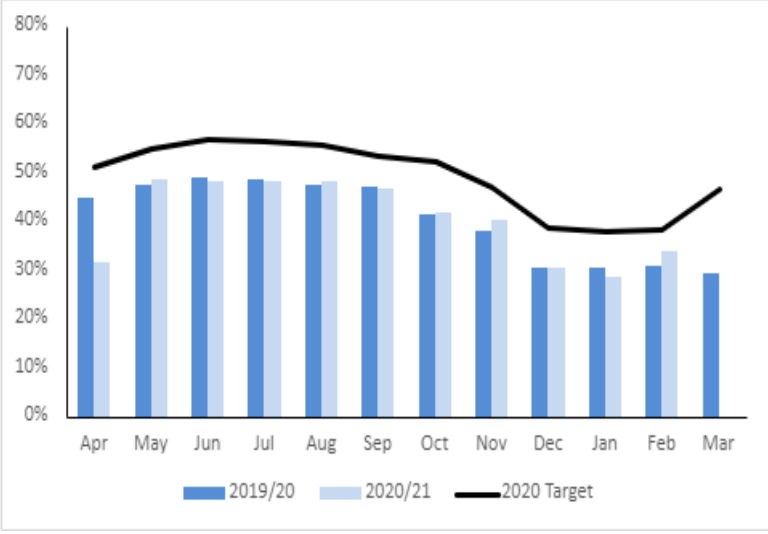
Percentage of Household Planning Applications processed within eight weeks

Service Standard	2020/21	Performance by Month	Further Information																																							
80% (Nationally set target)	98.5% (2019/20: 98.7%)	<table><caption>Percentage of Household Planning Applications processed within eight weeks</caption><thead><tr><th>Month</th><th>2019/20 (%)</th><th>2020/21 (%)</th></tr></thead><tbody><tr><td>Apr</td><td>98.5</td><td>98.5</td></tr><tr><td>May</td><td>98.5</td><td>98.5</td></tr><tr><td>Jun</td><td>98.5</td><td>98.5</td></tr><tr><td>Jul</td><td>98.5</td><td>98.5</td></tr><tr><td>Aug</td><td>98.5</td><td>98.5</td></tr><tr><td>Sep</td><td>98.5</td><td>98.5</td></tr><tr><td>Oct</td><td>98.5</td><td>98.5</td></tr><tr><td>Nov</td><td>98.5</td><td>98.5</td></tr><tr><td>Dec</td><td>98.5</td><td>98.5</td></tr><tr><td>Jan</td><td>98.5</td><td>98.5</td></tr><tr><td>Feb</td><td>98.5</td><td>98.5</td></tr><tr><td>Mar</td><td>98.5</td><td>98.5</td></tr></tbody></table>	Month	2019/20 (%)	2020/21 (%)	Apr	98.5	98.5	May	98.5	98.5	Jun	98.5	98.5	Jul	98.5	98.5	Aug	98.5	98.5	Sep	98.5	98.5	Oct	98.5	98.5	Nov	98.5	98.5	Dec	98.5	98.5	Jan	98.5	98.5	Feb	98.5	98.5	Mar	98.5	98.5	274 household planning applications have been processed in the year compared with 305 last year.
	Month		2019/20 (%)	2020/21 (%)																																						
	Apr		98.5	98.5																																						
May	98.5	98.5																																								
Jun	98.5	98.5																																								
Jul	98.5	98.5																																								
Aug	98.5	98.5																																								
Sep	98.5	98.5																																								
Oct	98.5	98.5																																								
Nov	98.5	98.5																																								
Dec	98.5	98.5																																								
Jan	98.5	98.5																																								
Feb	98.5	98.5																																								
Mar	98.5	98.5																																								
On target?																																										
✓																																										

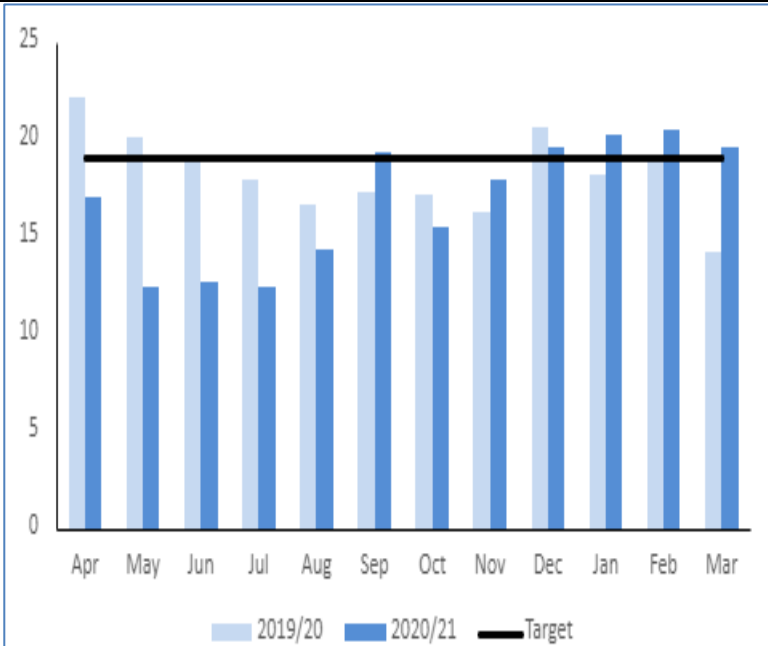
Proportion of waste or recycling collections missed

Service Standard	2020/21	Performance by Month	Further Information																																							
40 missed collections per 100,000 (Industry standard)	9.9	<table border="1"><caption>Missed Collections per 100,000 by Month</caption><thead><tr><th>Month</th><th>2019/20</th><th>2020/21</th></tr></thead><tbody><tr><td>Apr</td><td>9</td><td>13</td></tr><tr><td>May</td><td>12</td><td>10</td></tr><tr><td>Jun</td><td>12</td><td>11</td></tr><tr><td>Jul</td><td>13</td><td>10</td></tr><tr><td>Aug</td><td>5</td><td>8</td></tr><tr><td>Sep</td><td>8</td><td>7</td></tr><tr><td>Oct</td><td>7</td><td>10</td></tr><tr><td>Nov</td><td>8</td><td>8</td></tr><tr><td>Dec</td><td>5</td><td>3</td></tr><tr><td>Jan</td><td>15</td><td>18</td></tr><tr><td>Feb</td><td>11</td><td>13</td></tr><tr><td>Mar</td><td>14</td><td>10</td></tr></tbody></table>	Month	2019/20	2020/21	Apr	9	13	May	12	10	Jun	12	11	Jul	13	10	Aug	5	8	Sep	8	7	Oct	7	10	Nov	8	8	Dec	5	3	Jan	15	18	Feb	11	13	Mar	14	10	This figure excludes the temporary suspension of garden waste collections during the early stages of Covid-19. Around 3.7million collections have been made with 363 missed (99.99% success rate).
	Month		2019/20	2020/21																																						
	Apr		9	13																																						
May	12	10																																								
Jun	12	11																																								
Jul	13	10																																								
Aug	5	8																																								
Sep	8	7																																								
Oct	7	10																																								
Nov	8	8																																								
Dec	5	3																																								
Jan	15	18																																								
Feb	11	13																																								
Mar	14	10																																								
On target?																																										

Percentage of household waste sent for recycling (including bring sites)

Service Standard	To end of Feb 2021	Performance by Month	Further Information
50% (Nationally set target)	41.4% (2019/20: 41.3%)	 <p>80% 70% 60% 50% 40% 30% 20% 10% 0%</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2019/20 2020/21 2020 Target</p>	Recycling rates were lower in April due to the temporary suspension of the garden waste collections to support priority services during the early stages of the Covid-19 pandemic.
	On target?		
	✗		

Average number of days to process new benefits claims

Service Standard	2020/21	Performance by Month	Further Information
New claims should be processed within 19 days to achieve top two quartiles compared to other local authorities	17.1 days (2019/20: 17.0 days)	 <p>25 20 15 10 5 0</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2019/20 2020/21 Target</p>	3,188 new claims were made in 2020/21: almost identical number to the previous year (3,174)
	On target?		
	✓		

Proportion of Corporate Complaints dealt with on time

Service Standard	2020/21	Performance by Quarter	Further Information																				
Corporate complaints should be dealt with within 15 working days	88% (2019/20: 94%)	<table><caption>Performance by Quarter Data (Estimated)</caption><thead><tr><th>Quarter</th><th>2019/20 (%)</th><th>2020/21 (%)</th><th>Target (%)</th></tr></thead><tbody><tr><td>Quarter 1</td><td>94%</td><td>88%</td><td>94%</td></tr><tr><td>Quarter 2</td><td>94%</td><td>88%</td><td>94%</td></tr><tr><td>Quarter 3</td><td>94%</td><td>88%</td><td>94%</td></tr><tr><td>Quarter 4</td><td>94%</td><td>88%</td><td>94%</td></tr></tbody></table>	Quarter	2019/20 (%)	2020/21 (%)	Target (%)	Quarter 1	94%	88%	94%	Quarter 2	94%	88%	94%	Quarter 3	94%	88%	94%	Quarter 4	94%	88%	94%	Majority of late replies were due to resources reallocated to the Covid-19 response. 2020/21 also saw a 65% increase in the volume of complaints received.
	Quarter		2019/20 (%)	2020/21 (%)	Target (%)																		
	Quarter 1		94%	88%	94%																		
Quarter 2	94%	88%	94%																				
Quarter 3	94%	88%	94%																				
Quarter 4	94%	88%	94%																				
On target?																							
✗																							

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

Service Standard	Rolling figure to end of Quarter 4 2020/21	Performance by Quarter	Further Information																				
Our work with local food businesses should ensure that 96% are at least broadly compliant.	98%	<table><caption>Performance by Quarter Data (Estimated)</caption><thead><tr><th>Quarter</th><th>2019/20 (%)</th><th>2020/21 (%)</th><th>Target (%)</th></tr></thead><tbody><tr><td>Quarter 1</td><td>96%</td><td>98%</td><td>96%</td></tr><tr><td>Quarter 2</td><td>96%</td><td>98%</td><td>96%</td></tr><tr><td>Quarter 3</td><td>96%</td><td>98%</td><td>96%</td></tr><tr><td>Quarter 4</td><td>96%</td><td>98%</td><td>96%</td></tr></tbody></table>	Quarter	2019/20 (%)	2020/21 (%)	Target (%)	Quarter 1	96%	98%	96%	Quarter 2	96%	98%	96%	Quarter 3	96%	98%	96%	Quarter 4	96%	98%	96%	Approximately 200 premises are usually inspected each quarter. All premises are usually inspected at least once every eighteen months.
	Quarter		2019/20 (%)	2020/21 (%)	Target (%)																		
	Quarter 1		96%	98%	96%																		
Quarter 2	96%	98%	96%																				
Quarter 3	96%	98%	96%																				
Quarter 4	96%	98%	96%																				
On target?																							

Proportion of non-contentious licence applications completed on time

Service Standard	2020/21	Performance by Quarter	Further Information
100% of non-contentious licence applications should be completed within 10 working days	100% (2019/20: 100%)	<p>100% 95% 90%</p> <p>Quarter 1 Quarter 2 Quarter 3 Quarter 4</p> <p>2019/20 2020/21 Target</p>	573 out of 573 applications completed on time in 2020/21.
	On target?		
	✓		

Proportion of official local authority searches completed on time

Service Standard	2020/21	Performance by Month	Further Information
85% of official local authority searches should be completed within 10 working days	45.5% (2019/20: 93%)	<p>100% 80% 60% 40% 20% 0%</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2019/20 2020/21 Target</p>	Increased demand (by nearly 50% in Quarters 2, 3 and 4) and capacity issues brought on by the Covid-19 pandemic have had a significant impact on the Service Standard. Performance in Quarter 4 was 83% and 97% in March.
	On target?		
	✗		

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

Service Standard	2020/21	Performance by Month	Further Information
95% delivered within 10 working days	98.9% (2019/20: 95.7%)	<p>100% 80% 60% 40% 20% 0%</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2019/20 2020/21 Target</p>	11,348 deliveries were made in the year.
	On target?		
	✓		

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

Service Standard	2020/21	Performance by Month	Further Information
Changes should be processed within 8 days	3.1 days (2019/20: 2.7 days)	<p>10 8 6 4 2 0</p> <p>Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar</p> <p>2019/20 2020/21 Target</p>	Over twenty-six thousand changes were processed in 2020/21.
	On target?		
	✓		

1.10 Value for Money

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

1.11 Workforce

As at 31 March 2021 the Council employed 470 employees. This was split 238 females and 232 males. There were 324 full time employees with 146 part-time/job-share.

As at 31 March 2020 the Council employed 478 employees. This was split 241 females and 237 males. There were 319 full time employees with 159 part-time/job-share.

The Council is required to pay the Apprenticeship Levy and in 2020/21 paid over £45,972 into its Digital Apprenticeship Service Account. The Council accessed £54,648 of funding for apprenticeship training in 2020/21, with the balance carried forward being £48,087 which can be accessed in 2021/22.

1.12 Prior Period Adjustments

During the year a minor restructure resulted in the Revenues and Benefits Service transferring from the Corporate Support Directorate to the Finance and Resources Directorate and HR & Payroll Services transferring from the Finance and Resources Directorate to the Community Services Directorate. Therefore, for consistency, the Cost of Services in the CIES for 2019/20 has been restated as follows:

	2019/20			2019/20 (Restated)			Change (Net) £000
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	
Community Services	16,893	(5,737)	11,156	17,023	(5,860)	11,163	(7)
Corporate Support	3,538	(1,512)	2,026	337	(337)	0	2,026
Finance and Resources	22,493	(22,447)	46	25,564	(23,499)	2,065	(2,019)
Total	42,924	(29,696)	13,228	42,924	(29,696)	13,228	0

1.13 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The detail of the Expenditure and Funding Analysis can be found at Note 4.11.

1.14 Major Influences on the Authority

During 2020/21 the Council has continued to recognise that it will be required to make savings through its programme of transformational change considering reducing funding levels. Where possible these savings are being found on a non-recurring basis pending future notification of how the Fair Funding Review, Comprehensive Spending Review and Business Rates Retention system will affect the Council financially in the longer term.

As outlined above the continuing response to the COVID-19 pandemic during 2021/22 will influence how the Council can continue to provide services and prepare its Medium-Term Financial Plan.

1.15 Going Concern

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

Although that is the technical definition, to allow a going concern basis to be provided the Council can also clearly demonstrate that it can continue to meet its financial commitments as they occur via the delivery of its Medium-Term Financial Plan (MTFP). The usable cash reserves position (£22.428million) remains healthy and on the Balance Sheet the Current Assets position of £21.603million is higher than Current Liabilities position of £16.516million (excluding repayable borrowing) so liquidity in the short term is positive.

COVID-19 will likely have a significant impact on the financial standing of the Council into future years, especially if there is continued economic uncertainty and recession. As highlighted above, the Council is maintaining a careful and pragmatic approach to dealing with the financial impact. It has sufficient revenue reserves to be able to reallocate resources if required. Financial assistance received to date from government will allow the Council to offset some of these losses, however significant risks remain, particularly around commercial rental income from property and collection of business rates and council tax. The Council has sufficient cash-flow to be able to manage these risks and does not foresee a need to undertake any short-term borrowing for cash-flow purposes any time soon.

In preparing these Statement of Accounts, materiality has been guided by the External Auditors materiality level (£1.179million), but also has consideration to any item that it is thought would be of interest and significance to the reader of the accounts in the context of the activities of the Council (for example, employee remuneration).

1.16 Brexit

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

1.17 Events after the Balance Sheet Date

Events taking place after the 31 March 2021 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

A consultation process into the future structure of Local Government in Cumbria ended on 19 April 2021. The Council (along with other Cumbrian Local Authorities) submitted a proposal in 2020/21 for a preferred option to form two new authorities in Cumbria, with Carlisle, Eden and Allerdale in the North, and Barrow, Copeland and South Lakeland in the South. In total there were four variations on how local government could be shaped in Cumbria in the future. The submission to the Government set out how this proposed Unitary Authority model, along with a Cumbrian Mayoralty, will improve local government and service delivery, whilst giving greater value for money and providing stronger strategic and local leadership. At the time of publication, the outcome of the proposals was awaited.

1.18 Accounting Policy Information

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2020/21 Code of Practice on Local Authority Accounting.

1.19 Further Information

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

Signed:

A Taylor
Corporate Director of Finance and Resources

Date: 15 July 2021

SECTION 2 - STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

2.1 The Responsibilities of the Council

The Council is required to:

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

2.2 The Responsibilities of the Corporate Director of Finance and Resources

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

In preparing this statement of accounts, the Corporate Director of Finance and Resources has:

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

The Corporate Director of Finance and Resources has also:

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

The Corporate Director of Finance and Resources is required to give a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Signed:

Alison Taylor
Corporate Director of Finance and Resources

Date: 15 July 2021

SECTION 3 – FINANCIAL STATEMENTS

3.1 Comprehensive Income and Expenditure Statement

2019/20 (restated)				Note	2020/21		
Expenditure £000	Income £000	Net £000			Expenditure £000	Income £000	Net £000
17,023	(5,860)	11,163	Community Services		18,684	(5,542)	13,142
5,756	(2,334)	3,422	Economic Development		4,270	(1,816)	2,454
337	(337)	0	Corporate Support		203	(203)	0
25,564	(23,499)	2,065	Finance and Resources		24,168	(22,229)	1,939
10,565	(4,866)	5,699	Governance & Regulatory Services		10,228	(4,453)	5,775
954	(44)	910	Corporate Management		452	(10)	442
55	(59)	(4)	Exceptional Item - Flooding		6,407	(6,400)	7
60,254	(36,999)	23,255	Cost of Services	4.11	64,412	(40,653)	23,759
764	(110)	654	Other Operating Expenditure	4.7	903	(46)	857
9,940	(7,763)	2,177	Financing and Investment Income and Expenditure	4.8	8,569	(5,928)	2,641
0	(15,719)	(15,719)	Taxation and Non-Specific Grant Income	4.9	0	(21,241)	(21,241)
70,958	(60,591)	10,367	(Surplus) or Deficit on Provision of Services	4.11	73,884	(67,868)	6,016
		(1,469)	Surplus or Deficit on Revaluation of Non Current Assets	4.38a			1,175
		2,100	Remeasurements of the Net Defined Benefit Liability / (Asset)	4.38c			3,950
		631	Other Comprehensive Income & Expenditure				5,125
		10,998	Total Comprehensive Income & Expenditure				11,141

3.2 Movement in Reserves Statement

2020/21	Note	General Fund Balances £000	General Fund Balance - Collection Fund S.31 Grant £000	Deferred Credits £000	Capital Grant Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020		10,148	0	20	136	10,304	122,159	132,463
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure		(6,016)	0	0	0	(6,016)	(5,125)	(11,141)
Adjustments between accounting basis and funding basis under regulations	4.4	8,687	9,463	0	(10)	18,140	(18,140)	0
Increase/Decrease in Year		2,671	9,463	0	(10)	12,124	(23,265)	(11,141)
Balance at 31 March 2021		12,819	9,463	20	126	22,428	98,894	121,322

2019/20	Note	General Fund Balances	Deferred Credits	Capital Grant Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
Balance at 31 March 2019		10,170	20	136	10,326	133,135	143,461
Movement in reserves during 2019/20							
Total Comprehensive Income and Expenditure		(10,367)	0	0	(10,367)	(631)	(10,998)
Adjustments between accounting basis and funding basis under regulations	4.4	10,345	0	0	10,345	(10,345)	0
Increase/Decrease in Year		(22)	0	0	(22)	(10,976)	(10,998)
Balance at 31 March 2020		10,148	20	136	10,304	122,159	132,463

3.3 Balance Sheet

31 March 2020			Note	31 March 2021	
£000	£000			£000	£000
		Property, Plant and Equipment	4.26		
		Operational Assets			
241		Dwellings		230	
54,736		Other Land & Building		50,276	
5,114		Infrastructure Assets		5,080	
4,103		Community Assets		4,195	
5,896		Vehicles & Plant		5,810	
		Non Operational Assets			
1,129		Surplus	4.29	1,143	
2,540		Assets Under Construction		5,741	
	73,759	<i>Total Property, Plant and Equipment</i>			72,475
90,590		Investment Property	4.28	89,379	
24		Intangible Assets		10	
19,502		Heritage Assets	4.30	19,502	
3,313		Long Term Investments	4.32	3,289	
		Long Term Debtors			
121		Transferred Debt - Cumbria CC	4.32	109	
4		Other Long Term Debtors	4.32	4	
114		Long Term Payments in Advance		58	
	113,668				112,351
	187,427	Total Long Term Assets			184,826
		Current Assets			
	16,065	Short Term Investments	4.32		5,002
	11,643	Cash and Cash Equivalents	4.34		6,802
	60	Inventories			80
5,794		Short Term Debtors	4.33	9,178	
850		Payments in Advance		541	
	6,644	<i>Total Short-Term Debtors</i>			9,719
	34,412	Total Current Assets			21,603
		Current Liabilities			
(155)		Provisions	4.37	(244)	
(1,694)		Provisions - NNDR Appeals	4.37	(1,342)	
	(1,849)	<i>Total Provisions</i>			(1,586)
	(15,978)	Short Term Borrowing	4.32		(506)
(5,454)		Short Term Creditors	4.35	(7,864)	
(2,531)		Receipts in Advance	4.36	(4,694)	
	(7,985)	<i>Total Short-Term Creditors</i>			(12,558)
	(750)	Capital Grants Receipts in Advance			(1,866)
	(26,562)	Total Current Liabilities			(16,516)
		Long Term Liabilities			
(1,764)		Long Term Creditors	4.35		(1,746)
(13,287)		Long Term Borrowing	4.32		(12,813)
(441)		Provisions	4.37		(378)
(47,322)		Other Long Term Liabilities (Pensions)	4.41		(53,654)
	(62,814)	Total Long Term Liabilities			(68,591)
	132,463	Net Assets			121,322

31 March 2020		Balance Sheet (Cont.)	Note	31 March 2021	
£000	£000			£000	£000
20		Usable Reserves	4.5		
		Deferred Credits		20	
4,661		Usable Capital receipts			
0		General Fund Reserves		5,313	
5,487		Business Rates S.31 Grant Reserve		9,463	
136		Earmarked Reserves		7,506	
		Capital Grants Unapplied Account		126	
	10,304	Total Usable Reserves			22,428
(47,322)		Unusable reserves	4.38		
476		Pension Reserve		(53,654)	
(243)		Pooled Investment Fund Adjustment Account		452	
122,857		Employee Benefit Reserve		(288)	
1,628		Capital Adjustment Account		119,011	
(262)		Deferred Capital Receipts Reserve		0	
45,025		Collection Fund Adjustment Account		(9,570)	
		Revaluation Reserve		42,943	
	122,159	Total Unusable Reserves			98,894
	132,463	Total Reserves			121,322

I certify that the Statement of Accounts give a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Signed:

A Taylor – Corporate Director of Finance and Resources

Date: 15 July 2021

3.4 Cash Flow Statement

2019/20 £000		Note	2020/21 £000
10,367	Net (surplus) or deficit on the provision of services		6,016
(14,424)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4.45	(16,277)
3,546	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4.45	4,219
(511)	Net cash flows (inflows)/outflows from Operating Activities		(6,042)
2,998	Investing Activities	4.46	(7,517)
(13,011)	Financing Activities	4.46	18,400
(10,524)	Net (increase) or decrease in cash and cash equivalents		4,841
1,119	Cash and cash equivalents at the beginning of the reporting period		11,643
11,643	Cash and cash equivalents at the end of the reporting period		6,802

SECTION 4 – NOTES TO THE ACCOUNTS

4.0 Accounting Policies

4.0.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and the Accounts by the Accounts and Audit (amended) Regulations 2021, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

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

4.0.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4.0.3 Cash and Cash Equivalents

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

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

4.0.4 Exceptional Items

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

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

4.0.6 Charges to Revenue for Non-Current Assets

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

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

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

4.0.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement on the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS37 and involves the payment of termination benefits.

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS) administered by Cumbria County Council.

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

- The liabilities of the Cumbria Local Government Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. This basis uses an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, after considering assumptions about mortality rates, employee turnover and earnings projections for employees.
- Liabilities are discounted to their value at current prices using a real discount rate of 2.1%.
- The assets of the LGPS attributable to the Council are included in the Balance Sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

Around 56% of LGPS assets are held in equity investments and bond issues with the remainder held in property and other assets.

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

Service Cost comprising:

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

Re-measurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial

valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

Measurement bases applied in respect of the LGPS assets and liabilities are set out in note 4.41 to the Accounts.

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

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

4.0.8 Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

4.0.9 Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

(i) Borrowing

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

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

(ii) **Creditors**

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit and Loss

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

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

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

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

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

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

4.0.10 Government Grants and Contributions

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

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

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

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

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

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

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

Museum Collection

The Council's museum collection consists of a significant number of artefacts including pictures, prints, sculptures, china, glass, porcelain, coins, medals archaeological items, as well as significant numbers of social and natural history items, costumes, and firearms. Museum collections are reported in the Council's balance sheet at insurance valuation which take into account current market values. These insurance valuations are reviewed on an annual basis as part of the overall insurance premium renewal process.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations being based on appropriate insurance values. The Museum has a defined acquisitions and disposals policy for the period 2018 - 2021 that sets out the policy for the development of collections at the museum.

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

Statues, Monuments, and other historical buildings

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

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 4.0.16 in this summary of significant accounting policies. The trustees of the Council's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant, and equipment.

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

4.0.12 Inventories and Long-Term Contracts

Stocks are reflected in the balance sheet at current prices. This is a departure from the requirements of the Code and IAS 2 Inventories, which requires stocks to be shown at the lower of cost or net realisable value where they are acquired through an exchange transaction.

4.0.13 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

4.0.14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant, or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

4.0.15 Overheads and Support Services

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

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

4.0.16 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an 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.

De-minimis levels have been set at:

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase prices.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

Donated assets are measured initially at current value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Componentisation

The Council has a policy on componentisation where any asset with a Gross Book Value of more than £1million and is subject to depreciation will be considered for componentisation where a component is deemed to be more than 5% of the assets value. This will primarily apply to buildings and the major components to be considered will be:

Component
Heating and Ventilation System
Windows
Electrical
Roofing
Cremator

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

4.0.17 Current and Fair Value Measurement

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

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

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

4.0.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

4.0.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred,

it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

4.0.20 Revenue Expenditure Funded from Capital under Statute

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

4.0.21 VAT

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

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

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts. In its capacity as billing authority the Council acts as an agent. During 2020/21 the Council collected and distributed NDR on behalf of itself, the Government and Cumbria County Council. Council Tax was collected and distributed on behalf of the City Council, the County Council, the Police and Crime Commissioner for Cumbria and local town and parish councils.

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

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

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued council tax and business rates income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March. The Council's Balance Sheet includes the net creditor/debtor position with the Government and major preceptors for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

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

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations
This standard will not be applicable to the Council as it does not prepare group accounts.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 and
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
These reforms relate to the transition in the UK away from the London InterBank Offered Rate (LIBOR) to the Sterling OverNight Index Average (SONIA) by the end of 2021.
This concerns issues affecting financial reporting in the period before replacement of existing interest rate benchmarks with an alternative and issues that might affect financial reporting when an existing interest rate benchmark are replaced with an alternative.
The Council does not have any financial instruments that make use of interest rate benchmarks so the changes will not be applicable to the Council.

4.2 Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The COVID-19 pandemic has made forecasting for future requirements extremely difficult, however, in the preparation of these accounts, the accounting policies have been applied consistently. There will be future requirements for the Council to view the uncertainties around COVID-19 and the impact it will have on the financial position and these will be considered during the budgetary planning and monitoring processes already embedded in the Council's decision-making processes.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment (£72.475million at 31.03.21)	Assets are depreciated over useful lives that are dependent upon assumption about the level of repairs and maintenance that will be incurred in relation to individual assets. The current capital programme includes funding for enhancements to Council property. At the valuation date, there were still uncertainties around the impact on valuations due to the Covid-19 pandemic. Valuations reported were on the basis of 'material valuation uncertainty' in accordance with RICS guidelines. However, implications of the pandemic for the valuation of properties could not be fully determined at the valuation date so specific adjustments to values were not made.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, vehicles and plant would increase by £363,000 for every year that useful lives had to be reduced. A 10% change in those assets subject to revaluation (£51.648m) would change the value of those assets on the Balance Sheet by £5.165m and the depreciation charge to the CIES by £213,000.
Investment Property (£89.379m at 31.03.21)	At the valuation date, there were still uncertainties around the impact on valuations due to the Covid-19 pandemic. Valuations reported were on the basis of 'material valuation uncertainty' in accordance with RICS guidelines. However, implications of the pandemic for the valuation of properties could not be fully determined at the valuation date so specific adjustments to values were not made.	A 10% change in the valuations reported in the balance sheet would change the value of Investment Properties by £8.938m.
Debtors & Creditors (£9.178million and £7.864million at 31.03.21)	Debtors and creditor accruals are prepared on known invoices received/due, or are based on estimates of grant claims, accounting adjustments calculated from systems, e.g. Collection Fund.	Any creditors or debtors that are paid in 2021/22 that differ from the accrual made will result in the difference being funded from the 2021/22 budget.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability (£53.654million at 31.03.21)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>At 31 March 2021 the net pension liability of £53.654m includes £171.529m in respect of the Authority's share of assets held by the Cumbria LGPS. This includes £13.787m in respect of the Authority's share of the schemes direct property investments and investments in unquoted property funds. The fair value measurement of these investments at 31 March 2021 is subject to the same material valuation uncertainty, outlined above in connection with the valuation of the Authority's investment and operational properties (PPE) at 31 March 2021.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.733million.</p>
Business Rate Appeals Provision (£3.354million at 31.03.21)	<p>The Business Rate appeals provision is based on the best estimate of the likely outcome of outstanding appeals as at 31 March 2021. Appeals are dealt with by the Valuation Office Agency and as such are outside of the control of the Council.</p>	<p>If appeals are settled to different terms than those estimated, the effect will be reflected in the Collection Fund in future years.</p>

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

4.3 Material Items of Income and Expense

The Council had the following items of material income and expenditure in 2020/21:

- Income relating to the administration and payments of Benefits (including Discretionary Housing Payments) was received from Central Government totalling £19,920,899 (2019/20 £21,703,458) with corresponding payments of benefits totalling £22,308,524 (2019/20 £22,254,754). Housing Benefit Overpayment Income of £329,508 was received in 2020/21, (2019/20 £620,266).
- Council tax income of £8,122,721 (2019/20 £7,807,839) was credited to the Comprehensive Income and Expenditure Statement.
- Retained Business Rates £6,461,795 (2019/20 £5,915,222).
- Net downward revaluations of Property Plant and Equipment of £2.784million (2019/20 – £1.159million upward revaluation).
- Net downward revaluations of Investment Property of £5.116million (2019/20 – £2.917million downward revaluation).
- Rental income from investment property of £4.690million (2019/20 £4.181million).

Movement in Reserves Statement

4.4 Adjustments between accounting basis and funding basis under Regulations

This note details the adjustments that are made to Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with the proper accounting practice to the resources that are specified by statutory provision as being available to the

Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grant Unapplied

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

2020/21	General Fund balances £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable reserves £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Collection Fund Adjustment Account £000	Investments Adjustment Account £000	Compensated Absences Account £000	Total Authority Reserves £000
Adjustments to the Revenue Resources (Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:)													
Pension Costs	2,382	0	0	2,382	(2,382)	0	(2,382)	0	0	0	0	0	0
Financial Instruments	24	0	0	24	(24)	0	0	0	0	0	(24)	0	0
Council Tax and NDR	9,308	0	0	9,308	(9,308)	0	0	0	0	(9,308)	0	0	0
Holiday Pay	45	0	0	45	(45)	0	0	0	0	0	0	(45)	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:													
Depreciation	3,588	0	0	3,588	(3,588)	0	0	(3,588)	0	0	0	0	0
Impairment Losses charged to CIES	2,784	0	0	2,784	(2,784)	0	0	(2,784)	0	0	0	0	0
Capital Grants and Contributions Applied	(5,495)	0	0	(5,495)	5,495	0	0	5,495	0	0	0	0	0
Capital Grants and Contributions Unapplied	(10)	0	10	0	0	0	0	0	0	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	3,105	0	0	3,105	(3,105)	0	0	(3,105)	0	0	0	0	0
Movement in Market Value of Investment Property	5,116	0	0	5,116	(5,116)	0	0	(5,116)	0	0	0	0	0
Non Current Assets Written off on disposal or sale	913	0	0	913	(913)	0	0	(913)	0	0	0	0	0
Total Adjustments to Revenue Resources	21,760	0	10	21,770	(21,770)	0	(2,382)	(10,011)	0	(9,308)	(24)	(45)	0
Adjustments between Revenue and Capital Resources													
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(987)	2,615	0	1,628	(1,628)	0	0	0	(1,628)	0	0	0	0
Capital Expenditure Financed from Revenue Balances	(2,623)	0	0	(2,623)	2,623	0	0	2,623	0	0	0	0	0
Total Adjustments between Revenue and Capital Resources	(3,610)	2,615	0	(995)	995	0	0	2,623	(1,628)	0	0	0	0
Adjustments to Capital Resources													
Use of the Capital Receipts Reserve to finance capital expenditure	0	(2,615)	0	(2,615)	2,615	0	0	2,615	0	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	(20)	(20)	20	0	0	20	0	0	0	0	0
Total Adjustments to Capital Resources	0	(2,615)	(20)	(2,635)	2,635	0	0	2,635	0	0	0	0	0
Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	0	0	0	0	0	(907)	0	907	0	0	0	0	0
Total Adjustments	18,150	0	(10)	18,140	(18,140)	(907)	(2,382)	(3,846)	(1,628)	(9,308)	(24)	(45)	0

	General Fund balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	Collection Fund Adjustment Account	Pooled Investments Adjustment Account	Short Term Compensated Absences Account	Total Authority Reserves
2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources													
(Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:)													
Pension Costs	4,142	0	0	4,142	(4,142)	0	(4,142)	0	0	0	0	0	0
Financial Instruments	123	0	0	123	(123)	0	0	0	0	0	(123)	0	0
Council Tax and NDR	567	0	0	567	(567)	0	0	0	0	(567)	0	0	0
Holiday Pay	92	0	0	92	(92)	0	0	0	0	0	0	(92)	0
Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Expenditure:													
Depreciation	3,670	0	0	3,670	(3,670)	0	0	(3,670)	0	0	0	0	0
Impairment Losses charged to CIES	(1,159)	0	0	(1,159)	1,159	0	0	1,159	0	0	0	0	0
Capital Grants and Contributions Applied	(2,234)	0	0	(2,234)	2,234	0	0	2,234	0	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	3,890	0	0	3,890	(3,890)	0	0	(3,890)	0	0	0	0	0
Movement in Market Value of Investment Property	2,917	0	0	2,917	(2,917)	0	0	(2,917)	0	0	0	0	0
Non Current Assets Written off on disposal or sale	3,399	0	0	3,399	(3,399)	0	0	(3,399)	0	0	0	0	0
Total Adjustments to Revenue Resources	15,407	0	0	15,407	(15,407)	0	(4,142)	(10,483)	0	(567)	(123)	(92)	0
Adjustments between Revenue and Capital Resources													
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,299)	1,671	0	(1,628)	1,628	0	0	0	1,628	0	0	0	0
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(21)	0	0	(21)	21	0	0	21	0	0	0	0	0
Capital Expenditure Financed from Revenue Balances	(1,742)	0	0	(1,742)	1,742	0	0	1,742	0	0	0	0	0
Total Adjustments between Revenue and Capital Resources	(5,062)	1,671	0	(3,391)	3,391	0	0	1,763	1,628	0	0	0	0
Adjustments to Capital Resources													
Use of the Capital Receipts Reserve to finance capital expenditure	0	(1,671)	0	(1,671)	1,671	0	0	1,671	0	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	(1,671)	0	(1,671)	1,671	0	0	1,671	0	0	0	0	0
Adjustment between Capital Adjustment Account (CAA) and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	0	0	0	0	0	(943)	0	943	0	0	0	0	0
Total Adjustments	10,345	0	0	10,345	(10,345)	(943)	(4,142)	(6,106)	1,628	(567)	(123)	(92)	0

4.5 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance 31 March 2021 £000
Capital:							
Lanes Capital Fund	60	0	15	75	0	15	90
GLL Reserve	273	(273)	0	0	0	0	0
Asset Investment Reserve	48	(48)	0	0	0	0	0
Total Capital Reserves	381	(321)	15	75	0	15	90
Revenue							
Transformation Reserve	150	(150)	0	0	0	0	0
Welfare Reform Reserve	200	(200)	0	0	0	0	0
Building Control Reserve	85	(81)	96	100	(76)	0	24
Cremator Replacement Reserve	964	0	116	1,080	0	116	1,196
Economic Investment Reserve	6	(6)	0	0	0	0	0
City Centre Reserve	9	(4)	0	5	0	0	5
Flooding Earmarked Reserve	2,014	(160)	94	1,948	(1,944)	0	4
Revenues & Benefits Reserve	338	(338)	0	0	0	0	0
Prosecutions and Representations Reserve	36	0	0	36	0	0	36
Promoting Carlisle Reserve	10	(10)	0	0	0	0	0
Revenue Grants Reserve	1,143	(355)	1,151	1,939	(1,201)	1,403	2,141
Planning Services Reserve	150	(32)	78	196	(91)	101	206
Apprentice Reserve	54	0	24	78	0	18	96
Waverley Viaduct Reserve	0	0	30	30	0	0	30
Economic Recovery Reserve	0	0	0	0	0	50	50
Operational Risk Reserve	0	0	0	0	0	3,200	3,200
Council Tax Hardship Grant Reserve	0	0	0	0	0	359	359
Council Tax Income Guarantee Reserve	0	0	0	0	0	69	69
Total Revenue Reserves	5,159	(1,336)	1,589	5,412	(3,312)	5,316	7,416
Total Earmarked Reserves	5,540	(1,657)	1,604	5,487	(3,312)	5,331	7,506
Business Rates S.31 Grants Reserve	0	0	0	0	0	9,463	9,463
General Reserves							
General Fund Balance	4,118	(802)	691	4,007	0	678	4,685
Carry Forward Reserve	512	(33)	175	654	(26)	0	628
Total General Fund Balances	10,170	(2,492)	2,470	10,148	(3,338)	15,472	22,282
Deferred Credits	20	0	0	20	0	0	20
Capital Grant Unapplied	136	0	0	136	(10)	0	126
Total Usable Reserves	10,326	(2,492)	2,470	10,304	(3,348)	15,472	22,428

4.6 Nature and Purpose of Usable Reserves

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

(a) Earmarked Reserves

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

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

(c) General Fund Balances

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

(d) Business Rates S.31 Grant Reserve

This reserve holds the balance of Section 31 grants received to compensate the Council for loss of Business Rates in 2020/21 with the granting of expanded retail relief due to the Covid-19 pandemic. It will be used to offset the carried forward deficit on the collection fund in 2021/22.

(e) Capital Grants Unapplied

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

(f) Usable Capital Receipts Reserve

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

An explanation of Unusable Reserves is detailed in Note 4.38.

Comprehensive Income and Expenditure

4.7 Other Operating Expenditure

2019/20 £000		Note	2020/21 £000
638	Parish Council Precepts		688
16	(Gains)/Losses on disposal of non-current assets	4.23	169
654	Total		857

4.8 Financing and Investment Income and Expenditure

2019/20 £000		Note	2020/21 £000
1,445	Interest payable and similar charges	4.13	407
973	Net Interest on the defined benefit liability (pension assets)	4.41	1,105
(442)	Interest receivable and similar income	4.13	(237)
(299)	Income and Expenditure in relation to investment properties and changes in their fair value	4.10	1,001
377	(Surplus)/Deficit on Trading Undertakings		341
123	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss	4.38f	24
2,177	Total		2,641

4.9 Taxation and Non-Specific Grant Income

2019/20 £000		Note	2020/21 £000
(7,808)	Council Tax Income	4.13	(8,123)
(5,915)	Non-Domestic Rates	4.13	(6,462)
(1,749)	Non-Ring-fenced Government Grants	4.20	(3,424)
(247)	Recognised Capital Grants & Contributions	4.20	(3,232)
(15,719)	Total		(21,241)

4.10 Investment Properties

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

2019/20 £000		2020/21 £000
(4,181)	Rental Income from investment property	(4,690)
949	Direct operating expenses arising from investment property that generated rental income during the period	897
2,917	(Increase) / Decrease in Fair Value of Investment Properties	5,116
16	(Gains)/Losses on Disposal of Investment Properties	(322)
(299)	Net (Gain)/Loss	1,001

4.11 Expenditure & Funding Analysis

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

2019/20 (Restated)				2020/21		
Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
10,856	307	11,163	Community Services	10,863	2,279	13,142
1,256	2,166	3,422	Economic Development	1,864	590	2,454
(126)	126	0	Corporate Support	(96)	96	0
2,383	(318)	2,065	Finance and Resources	1,373	566	1,939
1,134	4,565	5,699	Governance & Regulatory Services	932	4,843	5,775
(1,822)	2,732	910	Corporate Management	(1,858)	2,300	442
(4)	0	(4)	Exceptional Item - Flood	(1,993)	2,000	7
13,677	9,578	23,255	Net Cost of Services	11,085	12,674	23,759
		(12,888)	Other Income & Expenditure			(17,743)
13,677	9,578	10,367	Surplus or Deficit	11,085	12,674	6,016
10,170			Opening General Fund Balance	10,148		
(10,367)			Less/Plus Surplus or (Deficit) on General Fund	(6,016)		
10,345			Adjustments between accounting basis and funding basis under regulations	18,150		
10,148			Closing General Fund Balance at 31 March	22,282		

4.12 Adjustments between Funding and Accounting Basis

2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments £000
Community Services	999	612	668	2,279
Economic Development	0	176	414	590
Corporate Support	0	123	(27)	96
Finance and Resources	0	248	318	566
Governance & Regulatory Services	1,785	454	2,604	4,843
Corporate Management	3,588	(370)	(918)	2,300
Exceptional Items	0	34	1,966	2,000
Net Cost of Services	6,372	1,277	5,025	12,674
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	6,372	1,277	5,025	12,674

2019/20 (restated)				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments £000
Community Services	(1,028)	1,527	(192)	307
Economic Development	0	461	1,705	2,166
Corporate Support	0	331	(205)	126
Finance and Resources	0	649	(967)	(318)
Governance & Regulatory Services	(131)	1,167	3,529	4,565
Corporate Management	3,670	(966)	28	2,732
Exceptional Items	0	0	0	0
Net Cost of Services	2,511	3,169	3,898	9,578
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	2,511	3,169	3,898	9,578

(a) Adjustments for Capital Purposes

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

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

(b) Net Change for the Pension Adjustments

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

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

(c) Other Differences

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

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

4.13 Expenditure and Income Analysed by Nature

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

2019/20 £000		Note	2020/21 £000
	Expenditure		
20,758	Employee Benefit expenses		18,580
39,222	Other Service expenses		41,761
2,511	Depreciation, amortisation and impairment		6,372
1,445	Interest payments		407
638	Precepts and levies		688
3,467	Gains on the disposal of assets		960
2,917	Change in Fair Value of Investment Property		5,116
70,958	Total Expenditure		73,884
	Income		
(11,081)	Revenue from contracts with service recipients	4.14	(9,360)
(189)	Fee, charge and other service income		(424)
(442)	Interest and Investment Income		(237)
(13,723)	Income from Council Tax, Non-Domestic Rates	4.9	(14,585)
(31,912)	Grants, Contributions and Reimbursements	4.20	(42,220)
(3,367)	Gain or Loss on Disposal of Non-Current Assets & Investment Property		(1,066)
123	(Gain)/Loss on Financial Assets measured at Fair Value through Profit or Loss		24
(60,591)	Total Income		(67,868)
10,367	(Surplus) or Deficit on the Provision of Services		6,016

4.14 Revenue from Contracts with Customers

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

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

Development Control Fees

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

As at 31st March 2021, there were 10 applications which were invalid for which a total of £392 had been paid upfront for. As this is immaterial, no adjustments have been made to the income as at 31st March 2021.

Building Control Fees

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

As at 31st March 2021, there were no invalid applications that have a financial value attributable to them. Overall, 658 applications were commenced in 2020/21, with 319 outstanding by the year end. The approximate value of the outstanding applications was £36,000. Therefore, no adjustments have been made to the income as at 31st March 2021.

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

2019/20 £000		2020/21 £000
	Revenue from contracts with service recipients	
(393)	Building Control	(313)
(513)	Development Control	(618)
(1,686)	Bereavement Services	(1,991)
(1,470)	Car Parking	(381)
(260)	Licensing	(226)
(4,488)	Rental Income from Properties	(4,590)
(2,271)	Other revenue from contracts with service recipients	(1,241)
(11,081)	Total included in Comprehensive Income & Expenditure Statement	(9,360)
31	Impairment of receivables or contract assets	28

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

2019/20 £000		2020/21 £000
	Receivables, which are included in debtors	
23	Building Control	16
134	Bereavement Services	192
22	Car Parking	63
825	Rental Income from Properties	906
84	Other revenue from contracts with service recipients	59
1,088	Total included in Net Assets	1,236

4.15 Agency Income and Expenditure

In the Council's capacity as Billing Authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. Only the Councils share of income and expenditure is shown in the Comprehensive Income and Expenditure Statement (£8.123million) (2019/20 - £7.808million).

The Council also acts as an agent in collecting Non-Domestic Rates (NDR) on behalf of the Government and County Council under the Business Rate Retention Scheme. Only the income received due to the City Council share (£6.462million); 2019/20 (£5.915million) is recognised in the Comprehensive Income and Expenditure Statement.

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

4.16 Cumbria Business Rates Pool

During 2020/21, the Council participated in the Cumbria Business Rates Pool to benefit the Cumbria area by retaining any levies that would otherwise be payable to Central Government because of growth in Business Rates. The pool is made up of Cumbria County Council, Carlisle City Council, Allerdale Borough Council, Barrow Borough Council, Copeland Borough Council, Eden District Council and South Lakeland District Council.

The amount of retained growth kept by the Pool and redistributed is detailed below. As the final NNDR 3 position was unknown at the time of publication, the estimates of retained levy and pool gains from quarter 2 are shown below. The figures for Carlisle are based on actual retained levy calculations and estimated pool gains.

2019/20 £000		2020/21 £000
	Retained Levy	
998	Allerdale Borough Council	1,168
489	Barrow Borough Council	328
1,084	Carlisle City Council	1,245
494	Copeland Borough Council	667
823	Eden District Council	877
2,004	South Lakeland District Council	1,503
5,892	Total Retained Levy	5,788
	Pooling Distribution of Retained Levy	
597	Allerdale Borough Council	682
330	Barrow Borough Council	250
631	Carlisle City Council	600
316	Copeland Borough Council	402
456	Eden District Council	484
1,058	South Lakeland District Council	810
2,504	Cumbria County Council	2,560
5,892	Total	5,788

The distribution of the retained levy for the Council is shown within Business Rate Retention income in the Comprehensive Income and Expenditure Statement, along with the Council's own share of the growth achieved in the year (£1,245,369).

4.17 Members Allowances

The Code of Practice on Local Authority Accounting requires that Local Authorities disclose details of allowances paid to elected members during the year. Details of allowances paid in 2020/21 are as follows:

2019/20 £000		2020/21 £000
197	Type of Allowance	185
85	Basic Allowance	85
8	Special Responsibility Allowance	0
	Conference/Other Allowances	
290	Total	270

4.18 Officers' Remuneration

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

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

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

Remuneration Banding (incl Termination Payments)	Number of Employees					
	2019/20	Given Notice During Year	Left During Year	2020/21	Given Notice During Year	Left During Year
Between £50,000 and £54,999	2	0	0	2	0	0
Between £55,000 and £59,999	5	0	0	6	0	0
Between £60,000 and £64,999	1	1	1	0	0	0
Between £65,000 and £69,999	3	0	0	0	0	0
Between £70,000 and £74,999	1	1	1	3	0	0
Between £75,000 and £79,999	1	0	0	1	0	0
Between £80,000 and £84,999	1	1	0	0	0	0
Between £85,000 and £89,999	1	0	0	1	0	0
Between £90,000 and £94,999	1	0	0	1	0	0
Total Number of Employees (Including Senior Employees)	15	3	2	13	0	0

Post	Salaries, fees & allowances	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2020/21	£000	£000	£000	£000	£000
Chief Executive	114	8	122	23	145
Deputy Chief Executive	91	8	99	18	117
Corporate Director of Governance & Regulatory Services	74	7	81	15	96
Corporate Director of Economic Development	74	7	81	15	96
Corporate Director of Finance and Resources	74	7	81	15	96
Total	427	37	464	86	550

Post	Salaries, fees & allowances	Benefits in Kind (e.g car allowance)	Total Remuneration excluding pension contributions	Pension	Total
2019/20	£000	£000	£000	£000	£000
Chief Executive	111	11	122	17	139
Deputy Chief Executive	89	8	97	14	111
Corporate Director of Governance & Regulatory Services	72	7	79	11	90
Corporate Director of Economic Development	72	7	79	11	90
Corporate Director of Finance and Resources	72	7	79	11	90
Total	416	40	456	64	520

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

	Number of Compulsory Redundancies		Number of other Agreed Departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	1	0	3	0	4	0	38	0
£20,001 - £40,000	0	0	0	1	0	1	0	33
£40,001 - £60,000	0	0	2	0	2	0	100	0
£60,001 - £80,000	0	0	1	0	1	0	61	0
£180,001 - £200,000	0	0	1	0	1	0	186	0
Total	1	0	7	1	8	1	385	33

4.19 External Audit Costs

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

2019/20 £000		2020/21 £000
51	Fees payable to the external auditor with regard to external audit services carried out by the appointed auditors	96
9	Fees payable to the external auditors for the certification of grant claims and returns	11
60	Total	107

From 2020/21 the external auditor for the certification of the Statement of Accounts and Value for Money Conclusion was Grant Thornton UK LLP and for the certification of the Housing Benefit Subsidy Claim was Mazars.

4.20 Grants, Contributions and Reimbursement Income

The Council credited the following grants, contributions and reimbursements to the Comprehensive Income and Expenditure Statement in 2020/21.

2019/20 £000		2020/21 £000
	Credited to Taxation and Non Specific Grant Income	
	Non Ringfenced Government Grants	
1,565	New Homes Bonus	1,492
184	Rural Services Delivery Grant	184
0	Covid-19 Emergency Funding	1,748
1,749	Total	3,424
	Recognised Capital Grants & Contributions	
39	Play Areas & Open Spaces Contribution	128
206	Sands Centre	2,048
2	Green Gyms	0
0	Industrial Estates	8
0	On Street Charging Infrastructure	101
0	Carlisle Citadels	847
0	Towns Deal Projects	90
0	Swifts Wildlife Haven	10
247	Total	3,232
	Grants - Credited to Services	
960	Economic Regeneration	590
616	Supporting Vulnerable People	989
21,704	Housing Benefit Subsidy	19,921
546	Revenues and Benefits	1,537
0	Covid-19	6,322
693	Other Grants	1,194
	Reimbursements - Credited to Services	
80	Economic Regeneration	31
7	Supporting Vulnerable People	5
859	Revenues and Benefits	581
0	Covid-19	1
831	Other Reimbursements	419
	Contributions - Credited to Services	
64	Economic Regeneration	(2)
62	Supporting Vulnerable People	0
178	Revenues and Benefits	178
1,329	Other Contributions	1,526
1,987	Revenue Expenditure funded by Capital	2,262
0	Revenue Expenditure funded by Capital - capital grants unapplied	10
29,916	Total	35,564
31,912	Total Grants, Contributions and Reimbursements	42,220

4.21 Related Parties

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.13 on reporting for resource allocation decisions. Grant receipts receivable at 31 March 2021 are shown in Note 4.20. As at 31 March 2021, the balance of Creditors owing to Central Government departments was £3.957million. The balance of debtors owed from Central Government departments was £1.400million.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2020/21 is shown in Note 4.17. All elected members of the Council were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2020/21.

Fourteen declared an interest in Community Centres around the Carlisle area. The Council paid £190,180 to Community Centres during 2020/21 (2019/20 - £190,180).

2019/20 £000		2020/21 £000
11	Belah Community Centre	11
13	Botcherby Community Centre	13
22	Brampton Community Centre	22
21	Currock Community Centre	21
14	Denton Holme Community Centre	14
9	Greystone Community Centre	9
25	Harraby Community Centre	25
27	Longtown Community Centre	27
29	Morton Community Centre	29
12	Petteril Bank Community Centre	12
7	Yewdale Community Centre	7
190	Grants paid to Community Centres	190

Officers

During 2020/21 20 officers who are key management personnel were asked to declare any direct financial relationship through outside bodies or companies with the Council for the financial year 2020/21. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Council during 2020/21.

Other Public Bodies

Other related party transactions are as follows:

- the City Council's transactions with the Cumbria County Council Pension Fund, which are shown in Note 4.22 to the Financial Statements. The Council owed £214,376 to the Pension fund at 31 March for transactions in 2020/21, and this is shown as a creditor in the balance sheet.

4.22 Pension Costs

In 2020/21, the City Council paid an employer's contribution of £2,285,121 into the Cumbria County Council Pension Scheme, representing 19.9% (2019/20: £1,629,618 representing 15.6% and £955,700 deficit funding) of pensionable pay. The contribution rate is based on the triennial actuarial valuation carried out at 31 March 2020 by the Fund's Actuary. This contribution rate is effective for the three-year period commencing 1 April 2020. The Council is also responsible for all pension payments relating to unfunded added years benefits awarded to its employees together with any related increases. In 2020/21 the value of these benefits amounted to £40,147 representing 0.35% of pensionable pay (2019/20: £286,478 and 2.64% respectively). The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 are as follows:

2019/20 £000		2020/21 £000
3,609	Current Service Cost	3,682
87	Administration Expenses	92
2,068	Past Service Cost / (Gain)	0
431	Curtailment Cost	66
(3,653)	Interest on Plan Assets	(3,498)
4,626	Pension Interest Costs	4,603
7,168	Total	4,945
(3,026)	Contributions paid to Pension Scheme	(2,563)
4,142	Contributions (to) / from Pension Reserve	2,382

The reassessment of the pension liability for the effects of the McCloud judgement are shown in the above figures. Further detail can be found at note 4.41.

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

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for the year 2020/21 is as follows: -

2019/20 £000		2020/21 £000
16	Other	169
16	Total	169

4.24 Revenue Expenditure Funded from Capital Under Statute

Items of revenue expenditure funded from capital under statute, which are not financed by government grants, are written off to the Comprehensive Income and Expenditure Statement during the year. The value for 2020/21 is as follows: -

2019/20				2020/21		
Expend- iture £000	Grants Utilised £000	Amounts Written Off £000		Expend- iture £000	Grants Utilised £000	Amounts Written Off £000
2,252	(1,937)	(315)	Disabled Facilities Grants	1,905	(1,905)	0
1,338	0	(1,338)	Central Plaza	0	0	0
0	0	0	Temporary Leisure Facilities	1,074	(252)	(822)
300	(50)	(250)	Other	126	(105)	(21)
3,890	(1,987)	(1,903)	Total	3,105	(2,262)	(843)

4.25 Revaluations Charged to CIES

During 2020/21 the value of Non-Current Assets that were revalued and charged to the surplus/deficit on Provision of Services within the Comprehensive Income and Expenditure Statement were £7.900million (2019/20: £1.758million). This was split between investment properties £5.116million (downward revaluation) (2019/20: £2.917million (downward revaluation) and other items of Property, Plant and Equipment and surplus assets £2.784million (downward revaluation) (2019/20: £1.159million (upward revaluation). Change in fair value of Investment Properties were charged to the Comprehensive Income and Expenditure Statement under Financing and Investment Income as per Note 4.8. Movements in other Property, Plant and Equipment are shown in the Comprehensive Income and Expenditure Account within Net cost of Services. The table below shows the service line that all revaluations were originally charged to.

2019/20 £000		2020/21 £000
(1,028)	Community Services	999
(131)	Governance and Regulatory Services	1,785
(1,159)	Total Included in Net Cost of Services	2,784

Balance Sheet**4.26 Property Plant and Equipment**

2020/21	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2020	241	54,736	16,469	6,125	4,103	2,540	1,129	85,343
Additions/Enhancements	0	1,711	1,315	104	102	3,263	(31)	6,464
Disposals	0	(49)	(378)	0	(10)	(62)	0	(499)
Reclassifications	0	0	0	0	0	0	0	0
Revaluations Taken to Revaluation Reserve	(1)	(2,678)	0	0	0	0	(4)	(2,683)
Revaluations Charged to Surplus/Deficit on Provision of Services 2020/21	(10)	(3,444)	0	0	0	0	49	(3,405)
Valuation as at 31 March 2021	230	50,276	17,406	6,229	4,195	5,741	1,143	85,220
Depreciation								
Accumulated Dep'n at 1 April 2020	0	0	(10,573)	(1,011)	0	0	0	(11,584)
Depreciation Charge to CIES 2020/21	(19)	(2,112)	(1,305)	(138)	0	0	0	(3,574)
Depreciation on Disposals	0	2	282	0	0	0	0	284
Depreciation w/out to Revaluation Reserve	9	1,499	0	0	0	0	0	1,508
Depreciation w/out to Surplus/Deficit on Provision of Services	10	611	0	0	0	0	0	621
Accumulated Dep'n at 31 March 2021	0	0	(11,596)	(1,149)	0	0	0	(12,745)
Net Book Value at 31 March 2021	230	50,276	5,810	5,080	4,195	5,741	1,143	72,475
Net Book Value at 31 March 2020	241	54,736	5,896	5,114	4,103	2,540	1,129	73,759
Nature of Asset holding								
Owned	230	50,276	5,810	5,080	4,195	5,741	1,143	72,475
	230	50,276	5,810	5,080	4,195	5,741	1,143	72,475
Historic Cost Valuation								
Net Book Value 31 March 2021	100	26,374	5,810	5,080	4,195	5,741	916	48,216
Net Book Value 31 March 2020	113	28,754	5,896	5,114	4,103	2,540	898	47,418

2019/20	OPERATIONAL					NON OPERATIONAL		Total £000
	Council Dwelling £000	Other Land & Buildings £000	Vehicles Equip & Plant £000	Infra- structure £000	Community Assets £000	Assets under Constr £000	Surplus assets £000	
Cost or Valuation								
Valuation as at 1 April 2019	249	54,143	16,330	6,119	4,051	1,230	1,184	83,306
Additions/Enhancements	0	196	1,033	6	52	1,310	0	2,597
Disposals	0	(66)	(894)	0	0	0	0	(960)
Reclassifications	0	0	0	0	0	0	0	0
Revaluations Taken to Revaluation Reserve	1	(35)	0	0	0	0	(99)	(133)
Revaluations Charged to Surplus/Deficit on Provision of Services 2019/20	(9)	498	0	0	0	0	44	533
Valuation as at 31 March 2020	241	54,736	16,469	6,125	4,103	2,540	1,129	85,343
Depreciation								
Accumulated Dep'n at 1 April 2019	0	0	(10,106)	(896)	0	0	0	(11,002)
Depreciation Charge to CIES 2019/20	(19)	(2,223)	(1,299)	(115)	0	0	0	(3,656)
Depreciation on Disposals	0	3	832	0	0	0	0	835
Depreciation w/out to Revaluation Reserve	9	1,593	0	0	0	0	0	1,602
Depreciation w/out to Surplus/Deficit on Provision of Services	10	627	0	0	0	0	0	637
Accumulated Dep'n at 31 March 2020	0	0	(10,573)	(1,011)	0	0	0	(11,584)
Net Book Value at 31 March 2020	241	54,736	5,896	5,114	4,103	2,540	1,129	73,759
Net Book Value at 31 March 2019	249	54,143	6,224	5,223	4,051	1,230	1,184	72,304
Nature of Asset holding								
Owned	241	54,736	5,896	5,114	4,103	2,540	1,129	73,759
	241	54,736	5,896	5,114	4,103	2,540	1,129	73,759
Historic Cost Valuation								
Net Book Value 31 March 2020	113	28,754	5,896	5,114	4,103	2,540	898	47,418
Net Book Value 31 March 2019	125	28,779	6,224	5,223	4,051	1,230	853	46,485

(a) Depreciation

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

Asset Category	Rate	Basis
Dwellings & Other Buildings	10 – 50 Years	Straight Line
Infrastructure Assets	40 – 80 Years	Straight Line
Vehicles, Plant, Furniture & Equipment	3 – 20 Years	Straight Line
Intangible Assets	5 Years	Straight Line

(b) Capital Commitments

At 31 March 2021, the Council has entered several contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years; budgeted to cost £23,684,000. Similar commitments at 31 March 2020 were £9,479,000. The major commitments are:

2019/20 £000		2020/21 £000
680	Improvement Grant Commitments	901
3,397	Gateway 44	0
671	Vehicle Replacements	75
3,019	Civic Centre Redevelopment	1,742
1,712	Sands Centre Development	19,544
0	Carlisle Citadels	529
0	Towns Deal Projects	844
0	Other Capital Commitments	49
9,479		23,684

(c) Effects of Changes in Estimates

In 2020/21, the Council made no material changes to its processes and techniques for making accounting estimates for Property, Plant and Equipment.

4.27 Bases of Valuation

From 1 April 1994 all the City Council's property, plant and equipment have been valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set out in Note 4.0 (Statement of Accounting Policies).

Valuations are carried out via an annual revaluation programme. Valuations for 2020/21 were carried out by G Cooper (Senior Disposals Surveyor) MRICS and Chris Soar (MRCIS) of Montague Evans as at 31 March 2021. Community Assets, Vehicles, Plant and Equipment and Infrastructure assets are all held at Historic Cost and are not subject to revaluations.

At the valuation date, there were still uncertainties around the impact on valuations due to the Covid-19 pandemic. Valuations reported were based on 'material valuation uncertainty' in accordance with RICS guidelines. However, implications of the pandemic for the valuation of properties could not be fully determined at the valuation date so specific adjustments to values were not made.

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

31 March 2020		31 March 2021
1	Civic Centre	1
11	Depots and Workshops	11
13	Off Street Car Parks	13
1	Leisure Centres	1
1	Swimming Pool	1
2	Museums	2
250ha	Parks & Recreation Grounds	250ha
1	Market Hall	1
3	Cemeteries	3
4	Hostels/Homeshares	4
1	Crematorium	1
75	Industrial/Retail Units	75
12	Community Centres	12
7	Industrial Estates	7

4.28 Investment Properties

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

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

The fair value of Investment property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2020/21 were carried out by G Cooper (Senior Disposals Surveyor) MRICS and Chris Soar (MRCIS) of Montague Evans as at 31 March 2021. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

2019/20 £000		2020/21 £000
95,174	Opening Balance at 1 April of Investment Property	90,590
1,607	Additions to existing assets	4,603
(3,274)	Disposals	(698)
(2,917)	Net gains or losses from fair value adjustments	(5,116)
90,590	Closing Balance at 31 March of Investment Property	89,379

An Investment Property Under Construction is held in relation to the construction of a retail site and is measured at cost but will be subject to fair value measurement once construction is complete.

4.28a Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

2020/21 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2021 £000
Development Land	0	4,833	2,415	7,248
Retail	0	23,780	0	23,780
Industrial Sites	0	55,352	0	55,352
Residential	0	1,322	0	1,322
Education	0	257	0	257
Office Units	0	1,128	0	1,128
Airport	0	292	0	292
Total	0	86,964	2,415	89,379

2019/20 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2020 £000
Development Land	0	4,968	3,499	8,467
Retail	0	26,437	0	26,437
Industrial Sites	0	52,247	0	52,247
Residential	0	1,348	0	1,348
Education	0	298	0	298
Office Units	0	1,511	0	1,511
Airport	0	282	0	282
Total	0	87,091	3,499	90,590

4.28b Transfers between Levels of the Fair Value hierarchy

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

4.28c Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties**Significant Observable Inputs – Level 2**

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

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

Significant Unobservable Inputs – Level 3

The council's development land has been valued using the residual method of available market data (estimated revenue streams, profit margins and construction costs) with consideration given to the variables that will have an impact on the valuations.

4.28d Highest and Best Use of Investment Properties

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

4.28e Valuation Techniques

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

4.28f Reconciliation of Fair Value Measurements (using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy)

2019/20 £000	Assets categorised within Level 3	2020/21 £000
5,327	Opening Balance	3,499
(400)	Transfers out of Level 3	0
392	Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(4,810)
1,437	Additions/enhancements	3,726
(3,257)	Disposals	0
3,499	Closing Balance	2,415

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

4.28g Quantitative information about Fair Value Measurement in Investment Properties using significant Unobservable Inputs – Level 3

The table below shows which method has been used to measure Fair Value and the inputs and sensitivity around the valuations made:

	Value as at 31/03/21 £000	Valuation technique used to measure fair value	Unobservable inputs
Development Land	2,415	Residual Approach	Estimated revenue streams, profit margins and construction costs

4.28h Valuation process for Investment properties

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

4.29 Surplus Properties

The fair value of Surplus property held on the Balance Sheet is based on the valuations which are reviewed annually. Valuations for 2020/21 were carried out by G Cooper (Senior Disposals Surveyor) MRICS and Chris Soar (MRCIS) of Montague Evans as at 31 March 2021. These valuations were based on market conditions and known factors currently affecting specific assets, e.g. assets in the process of being marketed to sale.

4.29a Fair Value Hierarchy

Details of the Council's Surplus properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

2020/21 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2021 £000
Development Land	0	583	0	583
Retail	0	351	0	351
Residential	0	209	0	209
Total	0	1,143	0	1,143

2019/20 Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2020 £000
Development Land	0	583	0	583
Retail	0	333	0	333
Residential	0	213	0	213
Total	0	1,129	0	1,129

4.29b Transfers between Levels of the Fair Value hierarchy

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

4.29c Highest and Best Use of Surplus Properties

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

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

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

Significant Unobservable Inputs – Level 3

There are no surplus assets measured at level 3.

4.30 Heritage Assets

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

	Statues, Monum- ents & historic Land- marks £000	Pictures, Prints & Sculpture £000	China, Glass & Porcelain £000	Archaeol- ogy £000	Natural History £000	Other Museum Collection £000	Civic Regalia £000	Total £000
Cost or Valuation								
Valuation as at 1 April 2019	817	14,000	950	1,300	500	1,550	385	19,502
Additions	11	0	0	0	0	0	0	11
Revaluations for additions	(11)	0	0	0	0	0	0	(11)
Valuation as at 31 March 2020	817	14,000	950	1,300	500	1,550	385	19,502
Cost or Valuation								
Valuation as at 1 April 2020	817	14,000	950	1,300	500	1,550	385	19,502
Additions	0	0	0	0	0	0	0	0
Revaluations for additions	0	0	0	0	0	0	0	0
Valuation as at 31 March 2021	817	14,000	950	1,300	500	1,550	385	19,502

The Council is undertaking a revaluation of the pictures, prints and sculptures collection for insurance purposes in 2021/22 and any change in values being reflected in the balance sheet in 2021/22.

a) Statues, Monuments and Historic Landmarks

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

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

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

b) Pictures, Prints and Sculptures

The Council's collection of pictures, prints and sculptures is reported in the Balance Sheet at insurance valuation. The schedule covers some 4,800 items. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values. There is one item that has an individual valuation of £600,000 and this is a painting from 1868 titled Risen at Dawn: Gretchen Discovering Faust's Jewels, by Dante Gabriel Charles Rossetti. There are a further 4 items with an individual valuation of £250,000 each and a further 10 items valued over £100,000 each.

c) China, Glass and Porcelain

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

d) Archaeology

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

e) Natural History

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

f) Other Museum collection

The Council's other museum collections include items of social history, silver, coins and medals, firearms, musical instruments and costumes and clothing and is reported in the Balance sheet at insurance valuation. The schedule covers c.22,000 items. The insurance cover is renewed annually and is adjusted to reflect market indices or any known changes to values. There is one significant item within this part of the collection that is valued at £500,000.

g) Civic Regalia

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

h) Other heritage assets not included in the balance sheet

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

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

4.31 Heritage Assets: Further information on the Museum's Collections

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

Fine and Decorative Art**a) Scope of the Collections**

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

Purchase Scheme 1933-75 (200 works)

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

Emily and Gordon Bottomley Bequest 1949 (600 works)

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

Carel Weight Bequest 1999 (91 works)

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

Pre-Raphaelite Collection (48 works)

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

Local Art and Artists Collection (1,000 works)

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

Decorative Art (1,500 items)

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

Natural Sciences**a) Scope of the collections**

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

Zoology (c. 210,000 items)

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

Botany (c. 26,000 items)

Lakeland and British herbaria, including mosses and lichens.

Fungi (c. 1,500 items)

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

Geology (c.9,000 items)

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

Cumbria Biodiversity Data Centre (570,000 records)

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

Social History**a) Scope of Collections** (c.22,000 items)

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

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

Archaeology**a) Scope of Collections** (c.20,000 items)

The collections cover the period from the arrival of humans into Cumbria up to the 1644-5 Civil War. It consists of artefacts and their associated documentation covering the whole period.

This documentation includes original paper documents, photographs, digital records, publication offprints and other secondary sources. In addition, the museum is a repository for excavation archives undertaken by various bodies in the area, including English Heritage, Oxford Archaeology North, and North Pennines Archaeological Trust.

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

Preservation and Management

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

4.32 Financial Instruments**(a) Categories of Financial Instruments**

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

Financial Assets

	Non Current		Current		Total
	Investments	Debtors	Investments	Debtors	
2020/21	31-Mar 2021 £000	31-Mar 2021 £000	31-Mar 2021 £000	31-Mar 2021 £000	31-Mar 2021 £000
Fair Value through Profit & Loss	3,289	0	0	0	3,289
Amortised Cost	0	113	11,804	3,615	15,532
Total Financial Assets	3,289	113	11,804	3,615	18,821
Non-Financial Assets	0	0	0	5,563	5,563
Total	3,289	113	11,804	9,178	24,384

N.B Current investments includes cash and cash equivalents

	Non Current		Current		Total
	Investments	Debtors	Investments	Debtors	
2019/20	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000
Fair Value through Profit & Loss	3,313	0	0	0	3,313
Amortised Cost	0	125	27,708	4,175	32,008
Total Financial Assets	3,313	125	27,708	4,175	35,321
Non-Financial Assets	0	0	0	1,619	1,619
Total	3,313	125	27,708	5,794	36,940

Financial Liabilities

	Non Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
2020/21	31-Mar 2021 £000	31-Mar 2021 £000	31-Mar 2021 £000	31-Mar 2021 £000	31-Mar 2021 £000
Amortised Cost	12,813	1,746	506	3,097	18,162
Total Financial Liabilities	12,813	1,746	506	3,097	18,162
Non-Financial Liabilities	0	0	0	4,767	4,767
Total	12,813	1,746	506	7,864	22,929

	Non Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
2019/20	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000	31-Mar 2020 £000
Amortised Cost	13,287	1,764	15,978	2,254	33,283
Total Financial Liabilities	13,287	1,764	15,978	2,254	33,283
Non-Financial Liabilities	0	0	0	3,200	3,200
Total	13,287	1,764	15,978	5,454	36,483

Financial Instruments Designated at Fair Value through Profit or Loss

The Council only holds one Financial Asset designated at Fair Value through Profit or Loss. This is the long-term investment held in the CCLA property fund. The Council originally invested £3million (before entry costs) in 2014/15. The investment now has a notional value of £3.289million. The notional gain from this investment is held in the Pooled Investment Fund Adjustment account. This investment is held as a long-term investment for the Council due to the illiquid nature of the holding. Therefore, fluctuations in property valuations will determine the gains and losses in fair value. The fund invests in different classifications of property and at 31 March 2021 had an overall fund value of £1.203billion, making the Council's investment 0.27%.

The Council has seen its initial investment grow by £452,000 since 2014/15 and has benefited from increased investment dividend returns over the period when compared to standard investments with banks and building societies.

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

Industrial assets continued to be well supported but values weakened again in retail sub-sectors with both capital values and rents under pressure. The one bright spot here were retail warehouses, supported by resilient demand for bulk goods and 'change of use' interest in sector assets from companies seeking local distribution hubs. Offices were mixed, regional prices held up well but yields in central London edged higher on concerns over the potential impact on demand from changes in working practices. Overall capital values were steady, continuing the improvement which began towards the end of 2020.

It is likely that there may be further changes in the valuation of the council's investment over the forthcoming year, however, the Council's investment has made over 10% gains in investment valuation since the initial investment, and it continues to receive dividends that exceed the standard returns on investment through money market transactions.

(b) Income, Expense, Gains and Losses

2019/20			2020/21	
Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000		Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
123	0	Net (Gains)/Losses on:	24	0
33	0	Financial Assets measured at Fair Value through Profit or Loss	(73)	0
		Financial Assets measured at Amortised Cost		
156	0	Total Net (Gains)/Losses	(49)	0
		Interest Revenue:		
(146)	0	Financial Assets measured at Fair Value through Profit or Loss	(147)	0
(296)	0	Financial Assets measured at Amortised Cost	(90)	0
(442)	0	Total Interest Revenue	(237)	0
		Interest Expense:		
1,445	0	Financial Liabilities measured at Amortised Cost	407	0
1,445	0	Total Interest Expense	407	0

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

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

- The Council has based its fair value report on the borrowing/deposit rate for the same financial instrument from a comparable lender.
- A consistent approach has been applied to assets and liabilities.
- Estimated fair values have been calculated using the equivalent market interest rates as at 31 March 2021
- Early repayment or impairment is not recognised; and
- The fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.
- The valuation basis adopted in this report uses **Level 2** Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

31 March 2020			31 March 2021	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
29,265	28,073	Financial Liabilities held at amortised cost	13,319	12,761
1,764	1,764	Long Term Creditors	1,746	1,746
2,254	2,254	Short Term Operational Creditors	3,097	3,097
33,283	32,091	Total	18,162	17,604

The fair value is less than the carrying amount in 2020/21 because the Council's loan portfolio includes fixed rate loans where the interest rate payable is less than the rates available for similar loans at the Balance Sheet date.

31 March 2020			31 March 2021	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
16,065	16,065	Financial Assets held at amortised cost	5,002	5,002
125	125	Long Term Debtors	113	113
4,175	4,175	Short Term Debtors	3,615	3,615
11,643	11,643	Cash & Cash Equivalent	6,802	6,802
32,008	32,008	Total	15,532	15,532

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

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

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

2019/20 £000		Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	2020/21 £000
3,313	Financial Assets measured at Fair Value through profit or loss	Level 1	Unadjusted quoted priced in active markets for identical shares	3,289
3,313	Total			3,289

(e) Risks arising from Financial Instruments

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

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council.

- **liquidity risk** – the possibility that the Council might not have funds available to meet its payment commitments; and
- **market risk** – the possibility that a financial loss might arise for the Council because of movements in interest rates.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance team, under policies approved by Council in the Annual Treasury Management Strategy Statement. The Council also maintains Treasury Management Practices (TMP's) that provide written principles for overall risk management as well as specific areas covering interest rate risk, credit risk and the investment of surplus cash.

(f) Credit Risk

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

Credit Risk Management Practices

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

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

The Council receives continual and up-to-date updates from its Treasury advisors on the credit ratings of all potential counterparties. As at 31 March the council's investment portfolio for Financial Assets held at amortised cost was as follows with the expected potential credit loss being immaterial.

Counterparty	Principal £000	Moody's Short Term Credit Rating	Historic Risk of Default	Expected Credit Loss £
Santander UK PLC	5,000,000	P1	0.023%	1,162
HSBC UK Bank	6,000,000	P1	0.000%	8
	11,000,000			1,170

Amounts arising from Expected Credit Losses

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

	Value at 31 March 2021 £000	% Default based on previous experience	% Default adjusted for current market conditions	Estimated maximum exposure to default £000
Deposits with banks and other financial institutions	15,093	Nil	Nil	0
Gross Operational Debtors	4,942	45.26%	26.85%	1,327
				1,327

The percentage defaults shown in the above table are high due to the potential bad debt provision of £1,291,000 in relation to Housing Benefit overpayments. The remainder of the bad debt provision relates to sundry debtors and car park fines.

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

The Council does not generally allow credit to its customers. The current value at 31 March 2021 of outstanding debt excluding Housing Benefit Overpayments is £1.381million. Of this amount £0.904million is past its due date for payment. The aged-debt analysis of this sum is as follows:

2019/20 £000		2020/21 £000
715	Less than 3 months	443
9	3-5 months	45
238	More than 5 months	416
962	Total	904

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

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

2019/20 £000		2020/21 £000
1,502	Opening Balance	1,424
(111)	Write Offs in Year	(24)
33	(Decrease)/Increase to Provisions	(73)
1,424	Closing Balance	1,327

(g) Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready

access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The budget set in February 2021 has identified a future borrowing requirement to finance new capital expenditure.

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

2019/20 £000		2020/21 £000
15,978	Less than 1 year	506
950	Between 1 and 2 years	950
1,425	Between 2 - 5 years	1,425
10,912	Over 5 years	10,438
29,265	Total	13,319

(h) Market Risk

The Council is exposed to some risk due to movements in interest rates on its loans and investments. As nearly all the Council's borrowing and investments have been placed at fixed rates, this risk has to a large extent been minimised. Nevertheless, there remain some risks:

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

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

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

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on Surplus/Deficit on provision of services	0
Decrease in Fair Value of investments (Excluding Property Fund)	0
Decrease in Fair Value of Borrowings	(1,479)

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

The Council carries out its borrowing and investment function within parameters set out in its Treasury Management Strategy, which assesses interest rate exposure to feed into the budget process. Forecasts are updated regularly throughout the year, which allows any significant changes to interest rates to be reflected in current budget projections. The Treasury

Management Strategy also advises on the limits for new variable and fixed–rate borrowing for the year.

4.33 Short Term Debtors

2019/20 £000		2020/21 £000
574	Central Government Bodies	1,400
203	Other Local Authorities	1,897
7,032	Bodies external to government	7,781
(2,015)	Expected Credit Losses	(1,900)
5,794	Total	9,178

4.34 Cash and Cash Equivalents

2019/20 £000		2020/21 £000
1,243	Cash and Bank	802
10,400	Short Term Investments with maturity of less than 3 months	6,000
11,643	Total	6,802

4.35 Short and Long-Term Creditors

2019/20 £000	Short Term Creditors	2020/21 £000
(1,585)	Central Government Bodies	(3,957)
(1,203)	Other Local Authorities	(421)
(2,574)	Other Entities and Individuals	(3,441)
(92)	Employee Benefits	(45)
(5,454)	Total	(7,864)

Long Term Creditors relate to Section 106 agreements received that will be payable after 12 months. These are funds that have been received as part of planning consents agreed by the Council for further amenity work and projects that will be ongoing as part of a development. The long-term element of these amounts to £1,746,489 in 2020/21 (2019/20: £1,764,349).

4.36 Receipts in Advance

2019/20 £000		2020/21 £000
(1,991)	Central Government Bodies	(3,997)
(14)	Other Local Authorities	(66)
(526)	Other Entities and Individuals	(631)
(2,531)	Total	(4,694)

4.37 Provisions

The movement in the level of provisions held by the Council during 2020/21 is as follows: -

	1 April 2020 £000	Additions in year £000	Used in year £000	Unused Amounts reversed £000	31 March 2021 £000
Insurance Claims	155	132	(43)	0	244
Cemeteries Perpetuity Fund	75	0	0	0	75
Land Charges Provision	34	0	0	0	34
Rickergate Properties Ringfenced Account	173	10	(11)	0	172
Other Provisions	159	6	(59)	(9)	97
Total	596	148	(113)	(9)	622
Business Rate Appeals (City Council Share)	1,694	266	(618)	0	1,342
Total (All Provisions)	2,290	414	(731)	(9)	1,964
Split as:					
Falling due within 1 year	1,849	398	(661)	0	1,586
Falling due after 1 year	441	16	(70)	(9)	378

(i) Insurance Claims

The Council has established a provision totalling £244,037 to meet insurance claims arising from public liability, employer's liability, motor vehicle and other claims. This figure is based on the estimated gross value of claims against the Council at 31 March 2021 and the insurance provision will therefore cover this value in full. However, it is expected that £196,377 will be reimbursed by the Council's insurers and through other third-party claims. It is difficult to predict the expected timings of any outflows relating to insurance claims due to their complicated nature.

(ii) Municipal Mutual Insurance (MMI)

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

wound up. During 2012/13 the Scheme of Arrangement was triggered giving rise to a liability for the Council. At 31 March 2021 the estimated maximum amount liable to clawback, in the event of the scheme being triggered, was £1,042,613. An initial levy of 15% was set by the Scheme administrators, Ernst, and Young in January 2014, and this was increased to 25% in April 2016 to achieve a solvent run off for MMI. A total levy of £253,638 has been paid by the Council to date with a further £7,015 potentially required to be paid as at 31 March 2021.

(iii) **Other Provisions**

a. **Business Rate Retention Appeals**

An appeals provision has been established in accordance with the new scheme. The City Council share of the outstanding appeals is £1,341,375 and this is also reflected in the Collection Fund Statement. The overall provision for appeals within the Collection Fund is £3,197,997.

b. **Cemeteries Perpetuity Fund**

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

c. **Land Charges Provision**

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

d. **Rickergate Properties Ringfenced Account**

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

e. **Other Provisions**

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

4.38 Unusable reserves

(a) **Revaluation Reserve**

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2019/20 £000		2020/21 £000
44,499	Balance at 1 April	45,025
3,643	Upward Revaluation of Assets	884
(2,174)	Downward Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(2,059)
1,469	Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on Provision of Services	(1,175)
(943)	Difference between Fair Value Depreciation and Historic Cost Depreciation	(907)
0	Accumulated gains on assets sold or scrapped	0
45,025	Balance at 31 March	42,943

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisitions, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

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

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

Note 4.4 provides details of the source of all the transactions posted to the Account.

2019/20 £000		2020/21 £000
128,963	Balance at 1 April	122,857
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(3,656)	Charges for depreciation and impairment of non-current assets	(3,574)
(14)	Amortisation of Intangible Assets	(14)
1,159	Revaluation losses on Property, Plant and Equipment	(2,784)
(3,890)	Revenue Expenditure Funded from Capital under Statute	(3,105)
(3,399)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(913)
(9,800)		(10,390)
943	Adjusting Amounts written out of the Revaluation reserve	907
(8,857)	Net written out amount of the cost of non-current assets consumed in the year	(9,483)
120,106		113,374
	Capital Financing Applied in the year	
1,671	Use of Capital Receipts Reserve to finance new capital expenditure	2,615
2,234	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,505
0	Application of grants to capital financing from the Capital Grants Unapplied Account	10
21	Statutory provision for the financing of capital investment charged against the General Fund	0
1,742	Capital expenditure charged against the General Fund	2,623
5,668		10,753
(2,917)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,116)
122,857	Balance at 31 March	119,011

(c) Pensions Reserve

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

2019/20 £000		2020/21 £000
(41,080)	Balance at 1 April	(47,322)
(2,100)	Remeasurements of the net defined benefit liability/(asset)	(3,950)
(7,168)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,945)
3,026	Employer's pensions contributions and direct payments to pensioners payable in the year	2,563
(47,322)	Balance at 31 March	(53,654)

(d) Collection Fund Adjustment Account

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

The deficit on the Business Rates Collection Fund for 2020/21 is larger than normal due to the granting of extended retail and nursery relief at the start of the COVID-19 pandemic in 2020/21. Government granted 100% rating relief to businesses in these categories and compensated the billing authority for the loss of business rates collected with a Section 31 grant. Therefore, the £9,530,909 Carlisle share of the deficit which is shown in the Collection Fund Adjustment Account is offset by the additional income in General Fund where Section 31 grants are accounted for. This additional income has been set aside in an earmarked reserve to offset the recovery of the deficit in 2021/22.

2019/20 £000		2020/21 £000
305	Balance at 1 April	(262)
(567)	Amount by which council tax income and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(9,308)
(262)	Balance at 31 March	(9,570)

(e) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20 £000		2020/21 £000
(151)	Balance at 1 April	(243)
151	Settlement or cancellation of accrual made at the end of the previous period	243
(243)	Amounts accrued at the end of the current year	(288)
(92)	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	(45)
(243)	Balance at 31 March	(288)

(f) Pooled Investment Fund Adjustment Account

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

2019/20 £000		2020/21 £000
599	Balance at 1 April	476
(123)	Upward/(Downward) Revaluation of Investments	(24)
(123)		(24)
476	Balance at 31 March	452

(g) Deferred Capital Receipts Reserve

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 authority does not treat these gains as usable for financing new capital expenditure until they are backed by a cash receipt. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

2019/20 £000		2020/21 £000
0	Balance at 1 April	1,628
1,628	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure reserve	0
0	Transfer to the capital receipts reserve upon receipt of cash	(1,628)
1,628		(1,628)
1,628	Balance at 31 March	0

4.39 Capital Expenditure and Capital Financing

2019/20 £000		2020/21 £000
13,683	Opening Capital Financing Requirement	16,115
	Capital Expenditure	
2,597	Property, Plant and Equipment	6,464
1,607	Investment Properties	4,603
6	Intangible Assets	0
11	Heritage Assets	0
3,890	Revenue Expenditure funded from Capital Under Statute	3,105
8,111		14,172
	Sources of Finance	
(1,671)	Capital Receipts used to finance expenditure	(2,615)
(1,900)	Government Grants and Contributions	(2,156)
(1,742)	Revenue Financing & Reserves	(2,623)
(21)	Minimum Revenue Provision	0
(11)	Transferred Debt	(12)
(334)	Contributions from other bodies	(3,359)
(5,679)		(10,765)
16,115	Closing Capital Financing Requirement	19,522
	Explanation of Movements in year	
2,432	Increase in underlying need to borrow (unsupported by Government Finance Assistance)	3,407
2,432	Increase/(decrease) in Capital Financing Requirement	3,407

4.40 Leases

The Council acts as lessor in respect of land and property owned by it and leased to tenants, and for sub-leases on contract hire cars supplied to its staff. The value of the income from rents

associated with these agreements and included within the Council's Comprehensive Income and Expenditure Statement in 2020/21 was £4.690million (£4.181million 2019/20). At 31 March 2021 the minimum lease payments under operating leases and contract hire agreements were as follows:

2020/21	Property Leases £000
Not later than 1 year	1,032
Later than 1 year and not later than 5 years	3,692
later than 5 years	50,815
Total	55,539

2019/20	Property Leases £000
Not later than 1 year	835
Later than 1 year and not later than 5 years	2,962
later than 5 years	49,221
Total	53,018

The capital value held within the balance sheet at 31 March 2021 in respect of land and property generating leasehold income is £89.379million (£90.590million 2019/20). This figure represents the gross value of the Investment Properties and as these are non-operational fixed assets, they are not subject to a depreciation charge. The total contingent rents recognised as income in the period were £3,026,544; (2019/20: £2,933,394).

4.41 Disclosure of Net Pension Assets/Liabilities

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

The Council participates in the Local Government Pension Scheme as administered by Cumbria County Council. This is a funded defined benefit scheme which means that both the Council and employees, who are members of the Scheme, pay contributions into a fund independent of the Council's own assets. The contributions are calculated at a level estimated to balance the pension liabilities with investment assets.

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

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather when the benefits are eventually paid as pensions. However, the charge that is made against council tax is based on the cash payable in the year, resulting in the real cost of providing retirement benefits being reversed out in the Movement in Reserves

Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2020/21.

2019/20 £000		2020/21 £000
	Comprehensive Income and Expenditure Statement	
	<u>Net Cost of Services</u>	
3,696	Current Service Costs	3,774
2,068	Past Service Costs / (Gain)	0
431	(Gains)/Losses from Settlements	66
	<u>Financing and Investment Income & Expenditure</u>	
973	Net Interest Expense	1,105
7,168	Total Post Employment Benefits charged to Surplus or Deficit on Provision of Services	4,945
	<u>Other Comprehensive Income and Expenditure</u>	
	Remeasurements of the net defined benefit liability comprising:	
6,764	Return on Plan Assets (excluding the amount included in the net interest expense)	(23,886)
(7,342)	Actuarial (Gains) and losses arising on changes in demographic assumptions	0
(3,162)	Actuarial gains and losses arising on changes in financial assumptions	32,028
5,840	Experience (Gains)/Losses	(4,192)
2,100	Total Other Comprehensive Income & Expenditure	3,950
9,268	Net Charge to the Comprehensive Income & Expenditure Statement	8,895
	Movement in Reserves Statement	
7,168	Reversal of net charge made for retirement benefits in accordance with IAS 19	4,945
(3,026)	Actual amount charged against the General Fund Balance for pensions in the year	(2,563)
4,142	Contribution (to) / from Pension Reserve	2,382

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

(a) Assets and Liabilities in relation to Retirement Benefits

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

31 March 2020 £000		31 March 2021 £000
193,296	Benefit Obligation at beginning of period (1 April)	194,548
3,609	Current Service Cost	3,682
4,626	Interest on Pension Liabilities	4,603
744	Member Contributions	761
	Remeasurement (Gains) and Losses:	
5,840	Experience (Gains)/losses	(4,192)
(7,342)	Actuarial (Gains)/losses arising from changes in demographic assumptions	0
(3,162)	Actuarial (Gains)/Losses arising from changes in financial assumptions	32,028
2,068	Past Service Cost	0
431	Losses/(Gains) on Curtailments	66
(6,518)	Benefits/transfers paid	(6,313)
956	Lump Sum Pension Deficit repayment	0
194,548	Benefit Obligation at end of period (31 March)	225,183

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

31 March 2020 £000		31 March 2021 £000
153,172	Fair Value of plan assets at beginning of period (1 April)	147,226
3,653	Interest on Plan Assets	3,498
	Remeasurement gain/(loss):	
(6,764)	The return on plan assets, excluding the amount included in the net interest expense	23,886
(87)	Other - Administration Expenses	(92)
3,026	Employer Contributions	2,563
744	Member Contributions	761
(6,518)	Benefits/transfers paid	(6,313)
147,226	Fair Value of plan assets at end of period (31 March)	171,529

Pension Assets and Liabilities recognised in the Balance Sheet:

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

31 March 2020 £000		31 March 2021 £000
194,548	Present value of the defined benefit obligation	225,183
(147,226)	Fair Value of Plan Assets	(171,529)
47,322	Net Liability arising from defined benefit obligation	53,654

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

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

The actual return on scheme assets in the year was a gain of £27,383,000 (2019/20: a loss of £5,435,000).

(b) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council's liabilities within the Cumbria County Council Pension Fund have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme effective from 1 April 2020.

The main assumptions used in their calculations are:

2019/20		2020/21
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.60	Men	22.70
25.20	Women	25.30
	Longevity at 65 for future pensioners:	
24.20	Men	24.30
27.10	Women	27.20
2.10%	Rate of Inflation (CPI)	2.70%
3.60%	Rate of Increase in Salaries	4.20%
2.20%	Rate of increase in Pensions	2.80%
2.40%	Rate of discounting Scheme Liabilities	2.10%

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

2019/20		2020/21
£000		£000
54,474	Equity Investments	65,769
33,862	Government Bonds	30,226
0	Bonds	25
12,808	Property	13,787
5,742	Cash/Liquidity	7,079
40,340	Other Assets	54,643
147,226		171,529

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

2020/21		+0.1% p.a. discount Rate	+0.1% p.a. inflation	+0.1% Pay Growth	1 Year Increase in Life Expectancy	+/-1% change in 2020/21 investment returns	
£000		£000	£000	£000	£000	£000 +1%	£000 -1%
225,183 (171,529)	Liability Assets	221,450 (171,529)	228,979 (171,529)	225,600 (171,529)	232,032 (171,529)	225,183 (173,229)	225,183 (169,829)
53,654	Deficit / (Surplus)	49,921	57,450	54,071	60,503	51,954	55,354
4,694	Projected Service Cost for Next Year	4,568	4,825	4,694	4,845	4,694	4,694
1,100	Projected Net Interest Cost for Next Year	1,071	1,182	1,111	1,247	1,065	1,136

(c) Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The latest triennial valuation was completed during 2019/20 and is based on a valuation as at 31 March 2019.

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

The authority anticipated to pay £2,133,539 expected contributions to the scheme in 2020/21. For 2021/22 the Council expects to pay total employer contributions of £2,523,000.

The weighted average duration of the defined benefit obligation for scheme members is 17 years in 2020/21 (17 years in 2019/20).

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

(d) Impact of McCloud Judgement

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

4.42 Contingent Assets and Liabilities

There are no contingent assets for 2020/21. The items below are classified as contingent liabilities:

(a) Home Group

During 1992/93 the City Council entered a joint scheme with Home Group to secure the development of two sites at Heysham Nursery and Gelt Road, Brampton to provide houses to rent. To fund the development programme, Home Group have raised a total of

£100million through a stock issue, which will mature in 2037. In order to enable Home Group to raise private finance from institutional investors all participating authorities, of which there were 29 in total, were required to enter into a standard form of guarantee in which they jointly and severally guaranteed the loan stock raised by Home Group. The maximum liability of each authority under the guarantee is £100million but because the liability is jointly and severally guaranteed, authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the stock issue under their individual guarantee. Accordingly, there is a counter indemnity and contribution arrangement whereby each participating authority undertakes to reimburse any other authority, or authorities, paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the guarantee were called in, the worst situation for this Council would be that once it had recovered any contribution from other authorities it would be left to fund no more than the cost of the development in its own area. The guarantee figure as at 31 March 2021 was £2,299,000. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Group and selling them on.

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

On 9 December 2002 the City Council completed the transfer of its housing stock to Riverside. Under the terms of the transfer the City Council is committed to providing, from the date of transfer, certain environmental and non-environmental warranties in favour of Riverside and lenders to the Association for periods of 25 years and 18 years respectively. The Council had insurance cover in place to meet the cost of claims arising from any breach of the environmental warranties in the first 12 years following the date of transfer. The reserve to the value of £488,000 which was set up to meet the future cost of insurance premiums in years 13 to 25 (£292,000) and the potential costs of any future claims (£196,000) was transferred into the General Fund Balance during 2015/16. In the period from the date of the transfer to 31 March 2021, the Council has not received any claims in respect of either environmental or non-environmental warranties.

(c) Environmental Enhancements

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

(d) Business Rate Appeals

A provision has been included within the Collection Fund in relation to likely appeals made against Business Rates up to 31 March 2021. Local businesses can appeal against the rating list in 2017/18 and beyond. Because most appeals against the 2010 Rating List will now have been lodged, it is difficult to quantify any potential new appeals against the updated 2017 list. Due to the uncertainty around these potential appeals the provision that has been included in the accounts is based on historical evidence of appeals being made and being successful, however it is recognised that any appeals could result in a liability for the Council if submitted that may not be covered by the appeals provision established.

(e) Dangerous Structures

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

4.43 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director of Finance and Resources on 15 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council has received further significant grant allocations for payments to businesses and affected individuals in relation to the COVID-19 impact. These grants will be accounted for in the 2021/22 statement of accounts.

A consultation process into the future structure of Local Government in Cumbria ended on 19 April 2021. The Council (along with other Cumbrian Local Authorities) submitted a proposal in 2020/21 for a preferred option to form two new authorities in Cumbria, with Carlisle, Eden and Allerdale in the North, and Barrow, Copeland and South Lakeland in the South. In total there were four variations on how local government could be shaped in Cumbria in the future. The submission to the Government set out how this proposed Unitary Authority model, along with a Cumbrian Mayoralty, will improve local government and service delivery, whilst giving greater value for money and providing stronger strategic and local leadership. At the time of publication, the outcome of the proposals was awaited.

4.44 Authorisation for Issue

The draft Statement of Accounts were authorised for issue 15 July 2021 by the Corporate Director of Finance and Resources, Alison Taylor CPFA. This is the date up to which post balance sheet events have been considered.

Cash-Flow Statement

4.45 Cash Flow Statement – Operating Activities

2019/20 £000		2020/21 £000
10,367	(Surplus) / Deficit on the Provision of Services	6,016
	Adjustments to the net surplus or deficit on the provision of services for non cash movements	
(2,511)	Depreciation and downward revaluation charges	(6,372)
(2,917)	Movement in Fair Value of Investment Properties	(5,116)
(3,399)	Carrying amount of non current assets sold	(913)
(4,142)	Pension (IAS 19)	(2,382)
11	Increase/(decrease) in inventories	20
1,138	Increase/(decrease) in debtors	1,050
(1,519)	(Increase)/decrease in creditors	(2,949)
(956)	Lump Sum pension deficit repayment	0
(129)	Other non-cash items charged to net surplus/deficit on provision of services	385
(14,424)		(16,277)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
3,299	Proceeds from the sale of property plant and equipment, investment property and intangible assets	987
247	Capital Grants charged to Comprehensive Income and Expenditure	3,232
3,546		4,219
(511)	Net Cash Flow from Operating Activities	(6,042)
	Shown within Net Cash Flow from Operating Activities	
1,425	Interest Payable	878
(427)	Interest Receivable	(299)
998		579

4.46 Cash Flow Statement – Investing and Financing Activities

2019/20 £000		2020/21 £000
	Investing Activities	
3,852	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	10,387
32,000	Purchase of Short Term and Long Term Investments	9,000
0	Other Payments for Investing Activities	6
(1,503)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,575)
(30,500)	Proceeds from Short Term and Long Term Investments	(20,000)
(851)	Other Receipts from Investing Activities	(4,335)
2,998	Net Cash Flows from Investing Activities	(7,517)
	Financing Activities	
	Other payments for financing activities	0
(14,000)	Cash Receipts of short and long term borrowing	15,476
239	Repayments of short and long term borrowing	2,924
750	Movement in relation to Business Rates and Council Tax	
(13,011)	Net Cash Flows from financing Activities	18,400

SECTION 5 – SUPPLEMENTARY FINANCIAL STATEMENTS

5.1 The Collection Fund Statement

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

2019/20 Council Tax £000		2020/21 Council Tax £000
63,775	Amounts required by statute to be credited to the Collection Fund Council Tax (showing the amount receivable, net of benefits discounts for prompt payment and transitional relief)	66,884
63,775	Total Income	66,884
	Amounts required by statute to be debited to the Collection Fund	
	Precepts and demands from Major Preceptors and the Authority - Council Tax	
46,893	Cumbria County Council	49,654
8,689	Police and Crime Commissioner for Cumbria	9,154
7,821	Carlisle City Council	8,175
	Impairment of debts/appeals for Council Tax	
100	Write Offs of uncollectable amounts	123
304	Allowance for Expected Credit Losses (Bad Debts)	791
480	Contribution towards previous year's estimated Collection Fund Surplus - Council Tax	239
64,287	Total Expenditure	68,136
562	Opening Fund Balance - Council Tax Surplus/(Deficit)	50
50	Closing Fund Balance - Council Tax Surplus/(Deficit)	(1,202)
(512)	Movement on Fund Balance - Council Tax	(1,252)

2019/20 Non- Domestic Rates £000		2020/21 Non- Domestic Rates £000
43,398	Amounts required by statute to be credited to the Collection Fund Non Domestic Rates (showing the amount receivable, net of discretionary and mandatory reliefs)	19,666
43,398	Total Income	19,666
	Amounts required by statute to be debited to the Collection Fund Shares of Non- Domestic rating income to major preceptors and the (billing) authority - Non-Domestic Rates	
4,116	Cumbria County Council	4,255
16,466	Carlisle City Council	17,018
20,418	Central Government	20,975
567	Transitional Protection payments non-domestic rates	528
179	Charge to General Fund for allowable collection costs for Non-Domestic Rates	178
351	Disregarded Amounts - Renewable Energy Schemes	372
164	Disregarded Amounts - Enterprise Zone	297
	Impairment of debts/appeals for Non-Domestic Rates	
356	Write Offs of uncollectable amounts	474
626	Allowance for expected credit losses (bad debts)	(274)
932	Movement in Provision for Appeals	(879)
450	Contribution towards previous year's estimated Collection Fund Surplus - Non-Domestic Rates	(540)
44,625	Total Expenditure	42,404
138	Opening Fund Balance - Non-Domestic Rates Surplus/(Deficit)	(1,089)
(1,089)	Closing Fund Balance - Non Domestic Rates Surplus/(Deficit)	(23,827)
(1,227)	Movement on Fund Balance - Non Domestic Rates	(22,738)

The Summary of the Collection Fund Balances is as follows:

2019/20 £000		2020/21 £000
138	Opening Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	(1,089)
562	Opening Fund Balance - Surplus/(Deficit) - Council Tax	50
700	Total Opening Collection Fund Balance	(1,039)
(1,227)	Movement on Collection Fund - Non-Domestic Rates	(22,738)
(511)	Movement on Collection Fund - Council Tax	(1,252)
(1,738)	Total Movement on Collection Fund Balance	(23,990)
(1,089)	Closing Fund Balance - Surplus/(Deficit) - Non-Domestic Rates	(23,827)
50	Closing Fund Balance - Surplus/(Deficit) - Council Tax	(1,202)
(1,039)	Total Closing Collection Fund Balance - Surplus/(Deficit)	(25,029)

5.2 Notes to the Collection Fund

Council Tax

On the basis that surpluses and deficits are shared with the County Council and the Police and Crime Commissioner for Cumbria, the Council has accounted for the Collection Fund balance in its 2020/21 Statement of Accounts.

The £1,202,145 deficit is accounted for in line with the Code of Practice 2020 guidance, with the Council acting as the major precepting authorities' agent in the collection of Council Tax. The £144,909 Carlisle share of the deficit is shown as a balance on the Collection Fund Adjustment Account. The £894,691 share is attributable to the County Council and the £162,545 attributable to the Police & Crime Commissioner is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

Non-Domestic Rates

On the basis that surpluses and deficits are shared with Central Government and the County Council, the Council has accounted for the Collection Fund balance in its 2020/21 Statement of Accounts as follows:

The £23,827,269 deficit is accounted for in line with the Code of Practice 2020 guidance, with the Council acting as the major precepting authorities' agent in the collection of Business Rates. This deficit is larger than normal due to the granting of extended retail and nursery relief at the start of the COVID-19 pandemic in 2020/21. Government granted 100% rating relief to businesses in these categories and compensated the billing authority with a Section 31 grant. Therefore, the £9,530,909 Carlisle share of the deficit which is shown as a balance on the Collection Fund Adjustment Account is offset by the additional income in General Fund where Section 31 grants are accounted for. This additional income has been set aside in an earmarked reserve to offset the recovery of

the deficit in 2021/22. The £11,913,633 share is attributable to Central Government and the £2,382,727 attributable to the County Council is used in the calculation for the difference in cash collected on behalf of the precepting authorities and that paid out to them and the corresponding year end debtor or creditor in the Balance Sheet.

Council Tax base calculation

The council tax base set for 2020/21, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	34.69	5/9	19.27
A	14,807.84	6/9	9,871.89
B	10,214.43	7/9	7,944.56
C	6,987.87	8/9	6,211.44
D	5,330.22	9/9	5,330.22
E	2,712.89	11/9	3,315.75
F	1,125.12	13/9	1,625.17
G	379.63	15/9	632.72
H	21.25	18/9	42.50
	41,613.93		34,993.52
Relevant Amount	41,613.93		34,993.52
Estimated Collection Rate			98.50%
Council Tax Base = Relevant Amount (Band D Equivalent) x Collection Rate			34,468.62

Income from Business Ratepayers

National Non-Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual standard multiplier (51.2p in 2020/21), and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their business premises by this annual rate. The Council is responsible for collecting rates due from the ratepayers in its areas

The total rateable value for the Council's area was £110,149,285 for the year (2019/20: £109,463,641).

Billing and Precepting Authorities

Carlisle City Council is the billing authority for council tax and NNDR bills and therefore collects all the income due for the year. The Council pays over to Cumbria County Council and Cumbria Police Authority amounts they have requested to provide their services in the Council area. These sums are known as precepts and for 2020/21 the values were: -

2019/20 £		2020/21 £
7,870,724	Carlisle City Council	8,204,780
47,259,200	Cumbria County Council	49,830,611
8,752,780	Cumbria Police Authority	9,187,223

Included in the amount for the City Council is a precept of £688,198 (2019/20: £637,627) which is collected on behalf of Parish Councils. This is paid in full directly from the Councils Comprehensive Income and Expenditure Statement.

Debtors for Local Taxation

The total arrears on Council Tax at 31 March 2021 was £5,208,575. The City Council share of these arrears can be analysed as follows:

2019/20 £000		2020/21 £000
	Council Tax	
12	Less than three months	12
19	Three to Six months	21
176	Six months to One year	289
224	More than One year	305
431	Total	627

The total arrears on business rates at 31 March 2021 was £2,091,273 (including costs of £8,927). The City Council share of these arrears can be analysed as follows:

2019/20 £000		2020/21 £000
	Non-Domestic Rates	
37	Less than three months	16
69	Three to Six months	65
237	Six months to One year	358
403	More than One year	398
746	Total	837

SECTION 6 – ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

The Council has approved and adopted a local Code of Corporate Governance ('the Code'), which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. A copy of the Code can be obtained from the Council's Corporate Director of Finance & Resources. The Council has also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015)' and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

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

Global Pandemic (Impact)

From March 2020 the Council was significantly affected by the Covid-19 Global Pandemic and has had to change some processes and adapt to new ways of working; however, the principles of the Council's governance framework are unchanged.

Initial emergency decisions were made to enable the Council to continue business delivery, including the release of funding from reserves, implementation of home-working for all staff where possible, suspension of debt recovery procedures and amending casual contracts to fixed term contracts. The Council's Senior Management Team also prepared initial reports looking at the impact of the pandemic impacted on the Council's internal business processes and governance arrangements, as well as the financial aspect and impact on the local economy.

Further changes were made to the control environment as the Council had to adapt to new ways of working, including changing processes for certifying and approving financial transactions, adapting processes to scan and certify invoices and adapting financial monitoring to review and report the impact of the pandemic on Council's finances.

The Council was also involved in the local response to the pandemic following cases first appearing in Cumbria from March 2020. The CRF (Cumbria Resilience Forum) response began in February with Multi-agency Assessment Teleconferences, to monitor the disease in Cumbria and share situational awareness.

In March 2020, after a period of active monitoring, the CRF activated its Strategic Coordinating Group (SCG), at the time the UK Government declared a pandemic. The

Recovery Advisory Group (RAG) was activated in April the with the purpose of developing the approach to recovery and ensuring decisions made by the Strategic Coordinating Group (SCG) did not compromise medium to long term recovery. The County Council published a Local Outbreak Control Plan in partnership through the Health Protection Board. The ongoing work of the communications lead officer group (Strategic Media Advisory Cell, SMAC) has continued to be pivotal in warning and informing all local communities.

Throughout the year the response and recovery from the economic and health and wellbeing impacts of the pandemic was the priority for the Council. The response and an assessment of the impacts have been reported to Executive and Overview & Scrutiny Panels. This emergency has led to an unprecedented response from the community with new groups and existing organisations sharing information and coordinating local action. Carlisle has responded well through a range of partners and an exceptional local emergency response, through community groups, who are providing community level support. Communities have been very proactive with a significant increase in people volunteering.

Carlisle Partnership partners have played a key role, assisting in the wider response, for example Carlisle United offered a site to assist in testing and to share communications with their audiences for wider reach. Initial work in partnership with Cumbria CVS and Cumbria Community Foundation saw the launch of Support Cumbria and a Covid-19 Response Fund, the response then developed further with the Carlisle Community Resilience Group.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; and
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts for 2020/21.

The Governance Framework

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

The Council's vision of its purpose and intended outcomes

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a guiding document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance report presents the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015/18 was adopted by full Council in November 2015. The plan's time period has now expired, and it was refreshed in 2020/21 based on the agreed priorities of the new Executive (there was a change of administration following the reorganisation of the Council in May 2019). Due to the afore-mentioned change, during 2020/21 the Council continued to progress and report on the priorities listed in the 2015/18 plan. The Draft Carlisle Plan 2021/23 is available on the Council's CMIS website and is currently working its way through the governance process for formal approval.

Like many other local authorities, the Council declared a climate Emergency in 2019 and have now prepared and approved an Environmental Strategy, complemented by a detailed action plan, devised primarily to ensure the Council is carbon neutral by 2037.

The Council's vision – implications for governance arrangements

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

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

During 2019/20 the Council was subject to a peer review from the Local Government Association with the final results made available in April 2020. A second peer review of the governance and decision-making processes was delivered in November 2020 and the Council is continuing to work on the agreed actions identified in both reviews.

Measuring the quality of service for users

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

Performance in services provided to customers is monitored through management information indicators, highlighting short and medium-term trends which are reported to the corporate Senior Management Team¹. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive and relevant Overview & Scrutiny Panels with progress made in 2020/21 detailed below:

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

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

A clear strategy for the future vitality and viability of the city centre including development options for the regeneration opportunity sites (Carlisle Station, The Pools, Court Square, Caldew Riverside, and the Citadel) has been set out.

A programme of projects to improve the city centre have been developed that forms part of the £9.1m of investment through the Future High Street Fund. This will support the delivery projects designed to improve the vitality and viability of the city centre, including the redevelopment of the former Central Plaza site.

A strategy for the city centre has been developed into a Town Investment Plan for the city. The Plan has secured £19.7m through the Towns Deal programme. The investment will support the delivery of projects within city centre and complement those in the Future High Street Fund programme.

Outline business cases have been prepared for the regeneration of Carlisle Station and the Citadels site to draw down the funding allocated through the Borderlands Inclusive Growth Deal.

The business case for the improvements to Carlisle Station has been approved by government and £20m funding has been allocated to the project through the Borderlands Inclusive Growth Deal. Cumbria County Council will be the delivery body for the project and is in the process of letting contracts for the works, which will commence this financial year.

The business case for a new campus for the University of Cumbria on the Citadels site is nearing completion and will be submitted to government before summer this year. The business case will request £50m of funding through the Borderlands Inclusive Growth Deal to support the delivery of the project.

The Future High Street Fund and Town Deal programmes will require appropriate governance, financial and programme management arrangements. The establishment of a dedicated Economic Development Programme Management Office and creating additional resources within the Economic, Finance, Legal and Property Services is underway to ensure that the required skills and capacity are in place.

The Borderlands Partnership was established to unlock the potential for sustainable and inclusive economic growth across the South of Scotland and North of England. This has resulted in a £345 million deal with Scottish / UK Governments to deliver inclusive growth across the Borderland subregion. The Borderlands programme is focusing on ways to make the area more attractive to existing and potential residents, investors, and visitors. The Final Deal Agreement for the Borderlands Inclusive Growth Deal was signed on 18 March 2021 between the UK Government, Scotland Office, Scottish Government and council areas of Carlisle, Cumbria, Dumfries & Galloway, Northumberland, and Scottish Borders.

There is continued engagement with a broad range of infrastructure providers, including through dedicated workshops and one to one sessions, to better understand their needs moving forward not only for St Cuthbert's Garden Village but for the District as a whole. Planning consent of the Carlisle Southern Link Road was granted by Cumbria County Council in October 2020. Construction is planned to commence in March 2022 with the completion and opening in 2024.

The Masterplanning Framework for St Cuthbert's Garden Village was finalised in October 2020 and informed the consultation on the Regulation 18 "Preferred Option" Local Plan (held November/December 2020). Comments and additional evidential requirements identified will inform the formal Regulation 19 Draft Plan. Consultation on the St Cuthbert's Strategic Design Guide Supplementary Planning Document (SPD) was completed in December 2020 and the finalised SPD was formally adopted by Executive on 6 April 2021.

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

A Special Meeting of the City Council took place on the 13th October 2020 to ratify the Sands Centre redevelopment scheme. Work has commenced on the main contract and the diversion of services and demolition of the leisure centre and NHS areas has been completed and the arisings removed and recycled where appropriate. The parallel work on the flood defences around the building has been completed. A full project risk assessment has recently been undertaken to consider the pandemic and Brexit implications.

An agenda item and briefing paper on World Health Organisation Phase VII was tabled and discussed at the Healthy City Forum (Dec 2020). Partners were supportive and keen to advance Phase VII application and activity. The paper outlines the key actions and steps required to drive the agenda forward. A draft expression of interest letter has been approved by the Executive and submitted. COVID has significantly reduced capacity available to progress this as response and recovery continue.

The City Council was successful in its application to Sustainable Food Cities for both the campaigns grant (£5k) and the coordinator grant to move from Bronze to Silver Award (£10k). We have also been successful in achieving an additional £5k and a 6-month extension to the Bronze to Silver Award project due to the current Covid-19 crisis. The Sustainable Food Coordinator has been appointed in January 2021.

In February 2021, the Council attained the Better Health at Work Gold Award. This is even more notable as an achievement when considering the past 12 months, the Organisational Development team and Health Advocates had to come up with new ways of delivering wellbeing initiatives. Many organisations postponed their assessment due to the difficulties in delivering wellbeing campaigns, but Carlisle continued using various of methods to share Wellbeing initiatives and promote support available.

Roles and Responsibilities

The City Council comprises 39 elected Members during 2020/21 and holds elections by thirds in three years out of every four (although May 2020 elections were postponed due to the pandemic). The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the "Strong Leader" model whereby the Council appoints the Leader for a four-year period, who then nominates their Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

For 2020/21 the Executive comprises the Leader and five Executive Members, one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month. COVID-19 impacted only on the way these meetings were conducted i.e. virtually rather than face to face.

The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available to all on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has three Overview and Scrutiny Panels: Health & Wellbeing, Economy Growth and Business & Transformation. These Panels undertake the statutory scrutiny role set out in the Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process.

Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

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

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2020/21, comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team meets on a fortnightly basis to discuss corporate issues.

Codes of Conduct and Standards

The Council has always (since the introduction of the obligation to have one) had a formally adopted Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty & leadership) together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc.) as part of their Declaration of Acceptance of Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (appointment of 2

Independent Persons, ratified by Council). A Parish Member would be invited to attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is again provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

Following a significant project by the Local Government Association, in December 2020 they published a template National Code of Conduct for local authorities to use. The Cumbrian Monitoring Officers agreed some local amendments as required and also so as to maintain the aspirational consistency across Cumbria. Carlisle City Council adopted the new Code in April 2021 and was the first of the Cumbrian Councils to do so. The Council also approved updated arrangements for dealing with matters and updated guidance. New areas explicitly covered included bullying, harassment and the use of social media. The Code of Conduct is contained within the Council's Constitution. The Council also has employee and management competency standards which highlight expected methods of work and behaviours – these were reviewed and updated in 2020/21. There is also a formal induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as, for example, Procurement & Contracts and Budgetary Control issues and a Management Development Programme. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group.

Numerous e-learning packages (mandatory and optional) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can be targeted at relevant officers. Additional training has also been delivered throughout the year to support officers and members deal with the impact of the pandemic.

Standing Orders/Financial Procedure Rules

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegation to Officers continued to be developed which clearly set out any functions

and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council has revised and developed its risk management arrangements and has implemented a Risk Management Assurance Framework, incorporating the three lines of defence assurances model. Risk assessment is overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, led by the Deputy Chief Executive, oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through a management monitoring function in SharePoint.

A Risk Management SMT Subgroup supplements the CRMG and part of its remit is to monitor each operational risk register in place within the Council; to raise and discuss any emerging risks, audit risks and Health & Safety risks, with regular updates being provided on the Council's Insurance provision, one of the mitigating control strategies in place to manage risk. An external review of the Council's risk management arrangements was commissioned by the sub-group during 2020/21. The group have ownership of the resulting action plan and continue to undertake activity to enhance the Council's risk management framework. Internal Audit have also utilised the findings from the review to strengthen testing it carries out of the Council's risk management arrangements.

Over the last four years the Council has offered Risk Management/Liability workshops and training days to Members, Senior Management and key officers. Risk management training has been provided alongside training sessions on specific issues such as managing events safely and carrying out risk assessments. Following the flood in December 2015 work has continued to develop a programme to utilise the risk management training days with our insurers with the Council's usual Corporate Risk Management Policies & Processes training session being delivered to Members and Officers through the annual Ethical Governance training programme. During 2020/21 this included attendance at the Council's operation risk management group and delivering the review of risk management detailed above.

The Council has introduced an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR), information governance risk assessment, the retention of records and, continues to develop records management arrangements. Face to face training and guidance on data protection continues to be delivered to Members and Officers during the year as well as the requirement for staff to undertake refresher e-learning training. The Information Governance Manager monitors compliance, amongst other duties, with the new requirements of GDPR and undertakes random information governance spot checks which then inform feedback and learning. In addition, the Council's Internal Audit function continues to review records management as part of all individual audits.

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

In accordance with the "Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption did not take place during the year but an e-learning module on Money Laundering is available to all staff. Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers. Internal Audit continue to deliver

an annual review of counter-fraud arrangements (started in 2019/20) to identify improvements against best practice and have also reviewed and suggested improvements to the Counter-Fraud Policy during 2020/21.

Ensuring effective management of change and transformation

The Council developed a savings strategy several years ago to deliver efficiency savings under the Government's efficiency agenda and has been successful in achieving a significant amount of revenue savings. The current savings programme has identified that a further £2.050 million is required to be found by 2023/24. Until further details are known of how the Fair Funding Review, Comprehensive Spending Review and the Business Rate Retention Scheme are to affect the Council, these savings have been found on a non-recurring basis where possible. The impact of COVID-19 on the Council's financial position will continue to be closely monitored during 2021/22 with shortfalls of income, additional expenditure, and the overall economic recovery and the impact on the Collection Fund being the main risks.

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

Financial Management Arrangements

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the 'Role of the Chief Financial Officer in Local Government' and during 2020/21 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council's Corporate Director of Finance & Resources is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. They lead and direct an adequately resourced, fit for purpose, finance function, comprising 20 officers, who support the proper administration of the Council's financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.

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

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The plan has been revised during 2020/21 to ensure compliance with new requirements linking capital investment decisions with the Prudential Code. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. The MTFP for 2022/23 to 2026/27 will be presented to Executive, Business & Transformation Scrutiny Panel (BTSP) and Council between August and September 2021. CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code is intended to improve the financial resilience of

organisations by embedding enhanced standards of financial management. With the impact of Covid-19 and the additional pressures 2020/21 has become a shadow year with full implementation from April 2021. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes.

All executive decisions are subject to a full impact assessment from a financial and legal perspective. In addition, full option appraisals are included for all business cases for specific projects.

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

Value for Money benchmarking exercises are usually undertaken across service areas when required, though no specific exercises were performed during 2020/21 due to resource issues as a result of the pandemic. However, the Council continued to procure services following appropriate, established processes designed to ensure value-for-money is achieved. Use of a specialised online application to perform enhanced benchmarking is to be developed and introduced during 2021/22.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and BTSP. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts are produced in accordance with the statutory deadlines (revised by the Government as a result of the Covid-19 pandemic) and year-end actual results are reported against budgets. For 2019/20 there was a slight delay due to the increased scrutiny of asset valuations and the requirement to undertake a full Revaluation exercise; however the Accounts for 2020/21 have benefited from this exercise and have been produced in line with the revised Covid-19 deadlines. The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit Committee and are considered by Executive, BTSP and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

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

The Council's Code of Corporate Governance determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and

Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

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

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Developing the entities capacity, including the capacity of its leadership and individuals within it' incorporating the requirement of 'ensuring that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained'. The Council's Constitution clearly sets out their role and responsibilities in respect of management structures and the discharge of functions by the Council. They will report to Council on:

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

They are currently supported in their role by a Deputy and three Corporate Directors and has regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Management Team meetings. The Chief Executive supports the Business and Transformation Scrutiny Panel and currently has direct line management responsibilities for Customer Services and ICT Services.

The Head of Paid Service introduced the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups are established, each led by a member of SMT, and each with clear functions and terms of reference. The aim is to promote a culture of empowerment thus ensuring that operational decisions can be made at the correct level within the organisation. SMT receive regular feedback on the work of each sub-group.

Audit Committee

As a means of ensuring best practice, the Council has an established Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities (2013)". This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members. The Council completed an effectiveness review of the Audit Committee in October 2020, and the CIPFA Skills and Knowledge Framework was utilised to assess any gaps in knowledge and to determine any training needs to inform the training programme for 2021/22.

The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the 'Role of the Head of Internal Audit' and during 2020/21 the Council continued to comply with 5 key principles of the CIPFA statement.

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

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and undertake priority risk audit (hot assurance) work on new projects and developments as they take place. During the Covid-19 pandemic Internal Audit also acted as the key point of contact in relation to any suspected fraudulent activity.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations.

A **reasonable assurance** has been provided on the adequacy and effectiveness in respect of 2020/21, though the opinion repeats previous concerns in relation to ICT Services. This is due to limited progress in implementing existing recommendations where control concerns have previously been identified predominately due to the level of vacancies within the team, including the Head of Service. The Council successfully recruited to this post during 2020/21 and Internal Audit will continue to work with the service to address identified concerns. A follow-up internal audit of outstanding ICT recommendations found that progress had been made in the year to address previous concerns, but that considerable progress is still required for other aspects. It is essential given the ever-growing risks associated with cyber-security that the Council continues to address these concerns (as well as any further emerging risks) during 2021/22 to prevent serious control concerns being reported within this area.

The Internal Audit team were subject to an External Quality Assessment in 2018/19. The assessment found the team to be compliant with Public Sector Internal Audit Standards. Actions to address minor recommendations for improvement have all been implemented. The team continue to perform annual self-assessments against the requirement of the Standards, with improvements for the coming year identified and actioned.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The Designated Head of Internal Audit and Principal Auditor attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Principal Auditor also has the authority to report directly to the Chief Executive/Chair of Audit Committee if they have concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and though assessed as fit for purpose for 2020/21, the team has experienced vacancies and long-term sickness during the year; however, temporary resources have been recruited to bridge gaps and the team achieved a similar level of coverage to previous years, enabling an unqualified opinion to be provided. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 7 years' experience in

Local Government Internal Auditing. The Principal Auditor is PIIA qualified and has 11 years' experience in local government internal auditing. The Audit team maintain a record of all training and experience within their Quality Assurance and Improvement Programme.

Ensuring Compliance with Relevant Laws

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

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

Complaints and Whistle blowing

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal initially to the Chief Executive or nominee and then, if necessary, to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role.

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

Identifying the development needs of Members and senior officers

The Council has a formal induction and appraisal scheme, which is mandatory for all officers, including all senior managers, which was reviewed and stream-lined in 2019/20 to focus on competencies and training needs. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is monitoring of compliance by SMT along with an annual report to Members of the Business and Transformation Scrutiny Panel which includes the key findings of the biennial Employee Opinion Survey. The appraisal process has been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's; clear, committed and confident, and recruitment policies are in place that support the achievement of the Council's ethical values. A Workforce Development Plan has been prepared and approved and Service Plans include workforce planning and needs and mentoring and coaching programmes are in place to promote development of all Members and Officers.

The management competency framework was developed further with ongoing provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees. A member mentoring programme is in place for members and a coaching programme has been introduced for employees.

The Council has signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Gold Better Health at Work Award in 2020/21 (having previously held the Silver award). There is an employee well-being programme in place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses.

Clear channels of communication

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports are publicly available unless justifiable reasoning is provided to maintain confidentiality and the Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local people's involvement in the design and delivery of more responsive local services.

The Council works closely with local groups representing those that are in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. There is an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public is achieved through social media and other online surveys, alongside continued growth in social media capacity, notably including a virtual consultation exercise for the St Cuthbert's Garden Village project. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Whilst the Council continues to deliver most of its key services directly there are areas where services are commissioned. Arrangements are in place, to monitor both the

administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

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

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

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres.

Good governance in respect of Partnerships

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

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

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

The Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is

reviewed quarterly by the Risk Management Group and reported to Business and Transformation Scrutiny Panel and the Audit Committee.

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

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Designated Head of Internal Audit's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates. A peer review was carried out of the Council in late 2019/20 by the Local Government Association, with a second governance peer review undertaken in November 2020. An action plan to address findings from the peer reviews will inform updates and improvements to the framework during 2021/22.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and updated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee. A full review of the Constitution is in train following the recent Peer Review.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Council's Corporate Director of Finance & Resources and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers also oversee the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis. Progress on the CRR is reported half yearly to Members. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Designated Head of Internal Audit reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control, which includes assurances obtained from self- assessment questionnaires of individual directorates, alongside the results of audit activity. The Council has also received external assurances in 2020/21 which inform this statement of assurance.

The Council also receives assurances from its external auditors, Grant Thornton, who provides annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of

resources (VFM conclusion). All recommendations provided through these opinions receive a management response and are implemented during the following year with progress being monitored by the Audit Committee.

The requirements outlined in the CIPFA/SOLACE document “Delivering Good Governance in Local Government” have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

We have been advised on the implications following the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework.

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However, we are satisfied that any necessary improvements that were identified in the review of effectiveness are not deemed to be significant in nature and are therefore not reported as part of this statement.

Signed on behalf of Carlisle City Council

John Mallinson
Leader of Council

Jason Gooding
Chief Executive

Alison Taylor
Corporate Director of Finance & Resources

Date: 15 July 2021

SECTION 7 - FINANCIAL ABBREVIATIONS USED IN THIS DOCUMENT

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

SIMPLIFIED FINANCIAL STATEMENT:

CARLISLE CITY COUNCIL

FINANCIAL PERFORMANCE STATEMENT

2020/21

1. Financial Performance Statement

We have a responsibility to feed back to you, as a local resident or tax-payer, on how we spend and manage Carlisle City Council's resources.

This financial performance statement compares the budget (what we planned to spend) at the start of the year with what we actually spent and explains the changes. If we have over or under spent, we have explained why.

This financial performance statement provides an analysis of the council's financial performance and position over the last 12 months.

As well as our annual expenditure, this statement also includes information about our longer-term financial sustainability. This is important so that you know the resources we have available to provide services into the future. The summary shows you what we own and what we owe and what we have put aside to make sure we can deliver services beyond this year.

You can have confidence in the figures in this report because we have to follow regulations and standards in compiling them, and the information from our accounts is independently audited.

This information is consistent with that reported in the council's audited accounts. A full set of the Council's Statement of Accounts for 2020/21 is available from the Council's website.

About the Council

The Council has responsibility for delivering services such as housing, planning, car parking, council tax and business rates collection, leisure, environmental health and refuse collection.

The Council is split into Directorates, each responsible for delivery of different council services.

Community Services	Economic Development	Corporate Support	Finance and Resources	Governance & Regulatory Services	Corporate Management
Arts & Leisure & Tourism	Building Control	Customer Services	Accountancy	Legal	Direct Revenue Financing
Bereavement Services	Conservation & Heritage	Digital and Information Services	Audit	Democratic, Member & Electoral Services	Non-Distributed Costs (Pensions)
Car Parking	Development Control (Planning)	Risk Management	Revenues & Benefits	Electoral Services	Other Financial Costs
Street Cleaning	Economic Development		Insurance	Environmental Health	Asset Management Costs (Depreciation)
Waste Collection	Strategic & Housing Planning Policy		Procurement	Private Sector Housing, Homelessness	
Community Centres				Property & Estates	
Emergency Planning				Licensing	
Health & Wellbeing					

Events					
Green Spaces					
HR, Organisational Development & Payroll					
Policy & Performance					

Where the council gets its money from

A local council gets money from three main sources: council tax, business rates and grants from the government. We also receive locally generated income from activities such as planning, car parking and rental income from the Council's property portfolio. All income generated by the Council is re-invested in the delivery of services.

We have to make sure that when we set the budget for the year, we can afford to pay for the services we offer. This includes any plans we make where we need to include longer-term commitments. A council must balance its budget each year and setting council tax is an important part of this process.

The total income for 2020/21 from Council Tax and Business Rates was **£14.585million** and this must support the services for a population of over 108,000.

2. Analysis of Financial Performance

Table 1 below shows what Carlisle City Council planned to spend (its budget) against what we actually spent in the year.

Where a service generates income such as fees and charges, that income will be included as well. The difference between expenditure and income is known as net spend.

The net spend (expenditure less income) can be compared to the budget, and the difference between the two is shown in the final column. The positive figures are those where we have spent more than planned and the negative (in brackets) figures are where we have spent less than planned.

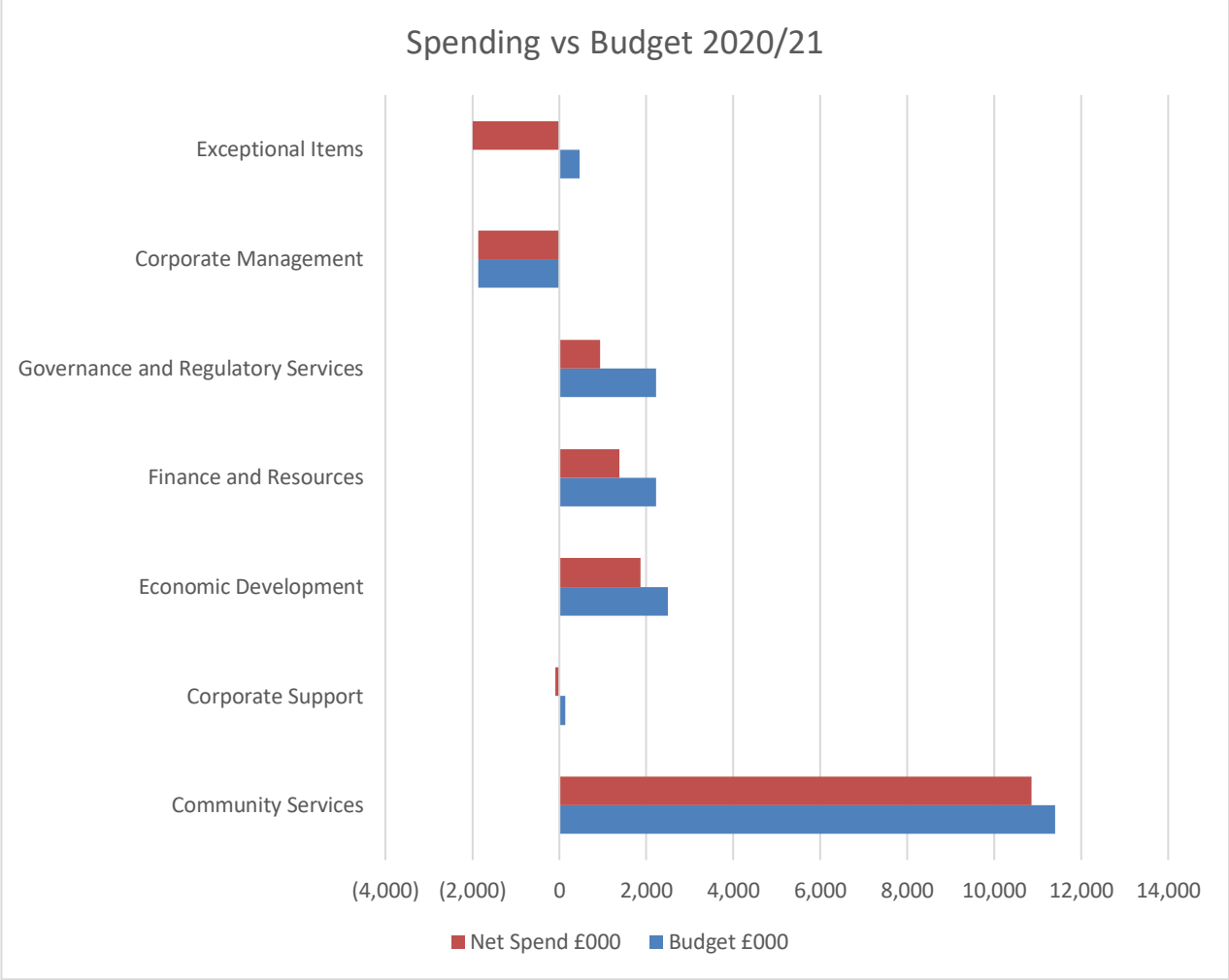
Table 1 – Carlisle City Council Budget - what we planned to spend against what we finally spent

Service	Budget (What we planned to spend) £000	Net Spending (What we actually spent) £000	Difference from Budget £000
Community Services	11,397	10,863	(534)
Corporate Support	138	(96)	(234)
Economic Development	2,488	1,864	(624)
Finance and Resources	2,219	1,373	(846)
Governance and Regulatory Services	2,229	932	(1,297)
Corporate Management	(1,858)	(1,858)	0
Exceptional Items	465	(1,993)	(2,458)
Total Service Income and Expenditure	17,078	11,085	(5,993)
Parish Precepts & Levies	688	688	0
Business Rates Income	(5,869)	(15,618)	(9,749)
Total Expenditure and Income	11,897	(3,845)	(15,742)
Transfers to/(from) Reserves	(3,692)	12,119	15,811
Council tax requirement (Our income without council tax is not enough to pay for the services we deliver - this is the amount we need to raise to cover that gap)	(8,205)	(8,274)	69

The differences from the budget are explained in Table 2 below.

The differences between what we planned to spend against what we have actually spent are demonstrated by the graph below.

Graph1 - Council service analysis - budget against spend



What were the differences?**Table 2 – Explanations for the significant differences between what we budgeted for and what we spent**

<i>The net underspend of £5.9m is due to the following significant variations :</i>		
	Explanation	Difference (£000)
Community Services	Loss of Car Parking income due to COVID-19	684
Community Services	Bereavement Services Additional Income	(230)
Community Services	One Public Estate Grant Income	(328)
Community Services	Savings on Events and Healthy Cities	(157)
Corporate Support	Savings on ICT Services	(221)
Economic Development	Additional Grant Income received for St Cuthbert's Garden Village	(602)
Finance and Resources	Savings on Loan Interest not incurred due to no new borrowing undertaken offset by lower investment returns	(587)
Finance and Resources	Additional Grant Income received for COVID-19 Council Tax Hardship Fund	(305)
Governance & Regulatory	Homelessness prevention additional grant income and losses of income from homeless accommodation due to COVID-19	(594)
Governance & Regulatory	Net Savings on Council property maintenance due to COVID-19 offset and additional costs on Strategic Property	(240)
Governance & Regulatory	Property portfolio income (Backdated rent reviews and losses of income due to COVID-19)	(473)
Exceptional Items	Funding from Government in relation to COVID-19	(2,492)
	Other Spending Differences	(448)
	Total differences between budget and spend	(5,993)

3. The Council's Financial Position

The Council uses your money to provide necessary local services. The summary financial position below (also known as the balance sheet) represents a summary, or 'snapshot,' of the financial position at a single point in time, which for councils is 31 March. Each year the council sets out what it owns and how much is owed, and the resources it has left to support the provision of future services on the 31 March.

Below we show the council's financial position at the year-end, which is a summary of the balance sheet in the council's audited accounts. This information supports the assessment of whether or not the council has a sustainable financial position and is able to support and maintain services on an on-going basis. The net financial position helps inform future financial planning and sustain the services we deliver.

Table 3 - Summary Financial Position

	£000
What we own and are owed (held as 'assets')	206,429
What we owe (held as 'liabilities')	(85,107)
Net Financial Position (assets less liabilities)	121,322
The net financial position is held in reserves as follows:	
General Reserves available to the Council	22,428
Other Reserves held for statutory and/or specific purposes	98,894
Total Reserves	121,322

Financial Sustainability - The ability to plan for the future

We have to plan for the long term to ensure that we can continue to deliver our services in future years and be able to deal with any unexpected events. As a result, it is important that our financial standing (or sustainability) is robust.

The Council has a fully developed five-year financial plan, which includes looking at risks and future demands on services. These risks will include things like the impact of changes to national welfare schemes on services such as homelessness support, and the ongoing uncertainties surrounding the future core funding of local authority services generally under the Government's comprehensive spending review.

The recent impact of the COVID-19 pandemic is also a key area where the risks to the council (through extra costs and reduced income) and the impact of government support schemes are being closely monitored as part of the council's financial planning processes.

More about our Reserves

The table below sets out a breakdown of the council's general reserves.

Table 4 – General Reserves

	Amount held as at 31 March £000
Earmarked Reserves (reserves intended to fund specific projects or other Council commitments)	17,115
Unallocated Reserves (reserves held to support future service provision and manage risk)	5,313
Total General Reserves	22,428

Council Subsidiaries, Associates and Joint Ventures

The council does not own, or part own, any companies, and therefore has not produced group accounts.

Raising debt to finance council investment

Councils can borrow to invest in property and infrastructure that supports the delivery of services, but they must ensure that they can pay this amount back. The Council has an underlying need to borrow to finance these assets (this includes leases of assets) of **£19.522m**. The council must set aside a prudent amount of resources each year so it can pay back its borrowing, and this must be affordable when compared to its annual income.

We compare what it is costing to cover our borrowing costs for these assets against the funding we receive from council tax, business rates and grants (our income streams) to show you what proportion of income is required to fund the council's investments.

Table 5 - Borrowing costs as a proportion of income

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Actual	Actual	Actual	Actual	Forecast	Forecast
9.9%	7.5%	7.2%	1.2%	5.0%	8.0%

You can find more detail on these balance sheet items in the Council's Statement of Accounts.

4. Carlisle City Council Financial Performance Data 1 April 2020 to 31 March 2021

The table below provides performance information for our key services, identifying the costs incurred by the authority (using the information in Table 1) and measuring that on a cost per head of population basis.

Table 6 - Council performance information

Directorate	Cost per person £
Community Services	100.58
Corporate Services	(0.89)
Economic Development	17.26
Finance and Resources	12.71
Governance & Regulatory Services	8.63
Corporate Management	(17.20)
Exceptional Items	(18.45)
	102.64

