



Annual Financial Report 2013/14

Cumbria County Council

Audited Annual Financial Report 2013/14

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1. INTRODUCTION

- 1.1. The purpose of this Statement of Accounts is to present the Council's financial performance for the year 2013/14 and the overall financial position of the Council as at 31st March 2014. This is to give electors, local taxpayers, Members of the Council, employees and other interested parties comprehensive information about the Council's finances.
- 1.2. This foreword provides an explanation of the Council's financial position, including the main influences affecting the accounts, to assist in the interpretation of the accounting statements. It includes a general guide to the main aspects of the Statement of Accounts and summarises key aspects of the financial performance of the Council.

2. THE STATEMENTS

- 2.1 In accordance with the Code of Practice on Local Authority Accounting, the following financial statements are included in the Statement of Accounts (the Council's financial statements are set out in Section 4) :-

- ***Comprehensive Income and Expenditure Statement.*** This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- ***Movement in Reserves Statement.*** This identifies the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. cash backed reserves which can be used to fund expenditure or reduce local taxation) and other "unusable" reserves (i.e. not cash backed). The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes.
- ***Balance Sheet.*** This 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.
- ***Cash Flow Statement.*** This 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.

- 2.2 In addition, the Statement of Accounts includes
- **Auditor's Report** (Section 3) – when available in September
 - **Statement of Accounting Policies** of the Council (Section 5)
 - **Notes and other explanatory information** (Section 6)
 - **Group Accounting Statements** which set out the accounts of the Council and its subsidiary companies (Section 7)
 - **Fire Fighters' Pension Scheme Accounts** which the Council administers (Section 8)
 - **Glossary of Terms** to assist the reader to understand key words and financial terminology (Section 9)
 - **Cumbria Local Government Pension Scheme** which the Council administers (Section 10)
 - **Cumbria Local Government Pension Scheme Auditor's Report** (Section 11) – when available in September
- 2.3 The draft **Annual Governance Statement** which sets out the main features of the Council's corporate governance arrangements and its effectiveness is presented alongside, but separate to, the Statement of Accounts. The draft Annual Governance Statement is available on the Council's website.

3. CHANGES IN ACCOUNTING STANDARDS AND POLICIES

- 3.1 The Statement of Accounts for 2013/14 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These accounts comply with International Financial Reporting Standards (IFRS) as interpreted by the Code.
- 3.2 There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1st January 2013. There is no net impact on the Balance Sheet however, the main changes are as follows:

- Expected Return on Assets

This is in relation to the return on Pension Scheme assets such as those held by the Cumbria Local Government Pension Scheme. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

- Asset Disclosures

IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not.

- Asset Disclosures continued

The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

- Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 42).

4. MAIN INFLUENCES ON THE 2013/14 ACCOUNTS

Economic Climate

- 4.1 The Council's budget for 2013/14 was set within an economic context of uncertainty around growth forecasts for the UK, with zero growth experienced in 2012 and growth forecasts for 2013 being scaled back. This resulted in the Chancellor, in the Autumn Statement 2012, extending austerity measures into 2015/16 and beyond. Reductions in Central Government funding for Local Government for 2013/14 and 2014/15 as set out in the Comprehensive Spending Review 2010 remained as planned.
- 4.2 The Medium Term Financial Plan (MTFP) agreed by Council in February 2013 established the 2013/14 budget within a three year financial envelope. After taking account of the full-year effect of existing savings being delivered in the MTFP a further £24.544m of new savings were required. This is set in the context of total reductions in the Council's revenue budget of £88m over the period 1st April 2011-31st March 2014. It is estimated that the Council needs to find an additional £70m of revenue savings over the next three financial years (2015/16 – 2017/18).
- 4.3 The provisional outturn on the Revenue Budget for 2013/14 is a balanced budget as at 31st March 2014 i.e. expenditure matches the level of income received. This is the result of a combination of Directorate overspends and underspends against budget offset by underspends on Corporate expenditure items such as Treasury Management and Inflation. It also includes a transfer to the Improvement and Efficiency Reserve which is used to provide investment across the Council to support the reshaping of the Council.
- 4.4 The prevailing economic conditions have influenced the Council's approach to Treasury Management. It has also had a significant impact on the Council's Pensions Liability.
- 4.5 With respect to Treasury Management the Council's strategy has been to use existing cash balances (from reserves) to fund capital

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expenditure rather than raising new long term loans. This also reduces the risks from investment of cash with counterparties, which is currently yielding low rates of return. The accounts show that long term borrowings had decreased marginally to £308.413m from £315.939m in 2012/13, despite capital investment during the year of £66.927m. This strategy, along with the impact of slippage in the 2012/13 capital programme i.e. expenditure occurring later than originally budgeted, helped deliver significant revenue savings in respect of Treasury Management costs during the year. This contributed to the overall balanced budget for the Council in 2013/14.

- 4.6 This deferred borrowing strategy will not continue indefinitely and in the longer term the Council will need to raise new loans to fund its capital expenditure as revenue balances are utilised.
- 4.7 The current economic climate has also had a significant impact on the Council's Pensions Liability. One of the significant changes on the Balance Sheet for 2013/14 is the decrease in the Council's Pensions Liability of £124.572m to £501.132m (£625.704m in 2012/13). A key driver behind this change is the impact on pension liabilities of bond yields.
- 4.8 Bond yields are a fundamental building block in setting the discount rate applied to the estimated pension liabilities to reflect the 'time value of money' i.e. £1 now is worth more than £1 in the future (assuming no deflation in the future). The lower the discount rate the higher the pension liability. Due to the long timeframes involved in pensions liabilities (70 years plus), a small change in the discount rate can lead to large changes in the estimated promised retirement benefits. At the point of calculation of the pension liability in the prior year (i.e. as at 31st March 2013) bond yields were at an exceptionally low level and the liability in 2012/13, therefore, was high (it had increased by £112.170m - 21.8% - on the liability as at 31st March 2012). During 2013/14, however, bond yields moved away from this low point and the impact of this increase in yields on the discount rate resulted in a decrease in the Council's Pension Liability as at 31st March 2014.

Transfer of Services into the Council

Public Health

- 4.9 Public Health Services transferred to the Council on the 1st April 2013. The Health and Social Care Act 2012 abolished Primary Care Trusts and replaced them with Clinical Commissioning Groups (CCG). As a result of this legislation Public Health responsibilities were transferred to Local Authorities. To support the commissioning of Public Health services the Council received £14.176m for 2013/14 which will increase to £15.594m for 2014/15 as a specific ring fenced grant. This allows the Council to secure services to prevent disease, prolong life and promote health.

Transfer of Services out of the Council
Orian Solutions Ltd

- 4.10 Orian Solutions Ltd was established as a facilities management company on the 1st April 2013 to provide foodservice and cleaning activities. The company is wholly owned by Cumbria County Holdings Ltd which in turn is wholly owned by the Council. The new facilities management company, Orian Solutions Ltd, has been capitalised by £1.25m in 2013/14. The capitalisation included £0.370m for the purchase of shares and £0.880m as a payment direct to the company. This capitalisation was approved by Council as part of the 2013/14 budget in February 2013.

5. REVIEW OF 2013/14

- 5.1 This section provides background to the Council's financial strategy and budget for 2013/14 and compares actual expenditure against the budget. It provides an indication of financial stewardship i.e. how well the Council has managed the resources allocated to services.
- 5.2 Council spending can be classified as revenue or capital. Revenue spending is on items which are generally consumed within a year and they are financed from Council Tax, Business Rate income, Government grants and other income. Capital expenditure generally relates to items of expenditure that will give benefits to the Council for a period of more than one year. The financing of capital expenditure is mainly from capital receipts, capital grants and contributions, revenue contributions or long term borrowing.

Revenue Expenditure

- 5.3 The Council agreed the net Revenue Budget for 2013/14 at its meeting in February 2013. The net Revenue Budget requirement was £393.282m with no Council Tax increase as Council chose again to accept the Council Tax Freeze Grant from Government for the fourth year in succession. The Council Tax levels set by the Council for 2013/14 remained at the same level as that set in 2010/11 (£1,161.50 per Band D property).
- 5.4 The net Revenue Budget was financed from Government grant funding (£185.552m), Retained Business Rates (£17.889m) and Council Tax income (£186.991m) totalling £390.432m. The budget also planned the use of earmarked reserves of £2.850m resulting in total net expenditure on Directorate services and Corporate costs of £393.282m (See Table 1).
- 5.5 Within the net revenue budget for 2013/14 **£24.544m** of savings were agreed. These savings included a restructure of the Senior Management Team which was introduced during 2013/14 following the permanent appointment of the new Chief Executive on the 11th September 2013. Savings also included a restructure of the Highways service following the insourcing of the service at the end of the contract

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with Amey Ltd from 1st April 2012, general efficiency savings across the Directorates and savings on commissioning and procurement of contracts. In addition savings continued to be realised from the continued investment in Social Care services to support Health service provision.

- 5.6 A small number of savings were not delivered in 2013/14 including savings from changes to the Household Waste Recycling Centres (HWRC) which have been delayed due to ongoing negotiations with the PPP contractor Shanks (£1.274m) and the introduction of Electronic Recording at Home within Adults (£0.750m) where discussions with service providers are ongoing. Compensatory savings were delivered during the year which allowed for an overall provisional outturn position, as at 31st March 2014, of a balanced budget.
- 5.7 The Final Net Budget as at 31st March 2014 was £413.084m. This is an increase of £19.802m. This relates to additional Government Grants of £25.488m being received/ reclassified and £5.686m reduced use of earmarked reserves. During the year the Council received notification of a number of new Government Grants (£4.715m) many of which were announced late in the financial year. In addition the Council was required to reclassify a number of specific directorate grants to be shown as general non ring fenced grants (£11.299m). This means that in terms of presentation they are part of the Council's general sources of funding rather than being reported as gross income. Overall though the reclassification did not change the total funding received by the Council from these grants. There was also an adjustment on PFI grants (£9.474m).
- 5.8 The Council actively monitored and managed delivery of the 2013/14 budget throughout the year, reporting to Corporate Management Team monthly and Cabinet quarterly. The final budget position reflects the Council's proactive approach to financial management during the year and the need to effectively manage the use of reserves throughout the year.
- 5.9 The table below summarises the final outturn position for 2013/14 reported to Council at its meeting in June 2014.

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Table 1 – Summary of Final Outturn Position 2013/14 as at 31st March 2014

	Original Budget	Final Budget	Actual	Variance Overspend / (Underspend)
	£m	£m	£m	£m
Children's Services	67.319	79.176	84.232	5.056
Adults and Local Services	141.537	138.925	139.818	0.893
Environment	87.241	97.276	98.102	0.826
Safer and Stronger Communities	23.546	25.793	25.677	(0.116)
Local Committees	12.755	13.541	13.541	0
Chief Executives	4.132	4.636	4.444	(0.192)
Resources	30.975	39.450	38.939	(0.511)
Other Items Charged Corporately (Dividends, Insurance, residual and past service pensions costs)	10.387	12.476	12.609	0.133
Treasury Management costs, capital costs and inflation	15.390	1.811	(4.278)	(6.089)
Total Net Expenditure	393.282	413.084	413.084	0
Financed by:				
Government Grants	185.552	211.040	211.040	0
Retained Business Rates	17.889	17.889	17.889	0
Council Tax	186.991	186.991	186.991	0
Use of Reserves – Earmarked Reserves	2.850	(2.836)	(2.836)	0
Total Financing	393.282	413.084	413.084	0

5.10 The areas where the Council experienced the greatest cost pressure were in Children's Services (£5.056m), Adult & Local Services (£0.893m), Environment (£0.826m) and Other Items Charged Corporately (£0.133m).

5.11 The Council has mitigated these Directorate pressures through careful management of other directorate budgets to minimise expenditure where possible, and in particular, the careful management of vacancies. The Directorate pressures referred to above were partly offset by underspending on Chief Executive's Office, Safer and Stronger Communities and Resources Directorate as shown in Table 1 above.

5.12 In addition the Council achieved an underspend of £6.089m within the Treasury Management (as referred to in paragraph 4.4 to 4.6), capital costs and inflation and contingency budgets.

5.13 As shown in Table 1 above the original budget planned the use of revenue earmarked reserves of £2.850m. Adjustments during the year in respect of transfers to and from revenue earmarked reserves reflect

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the active management of resources and transfer of budgets between financial years. This resulted in a net increase in budgeted transfers to revenue earmarked reserves of £2.836m (including schools).

- 5.14 Included in the £2.836m is the transfer to earmarked reserves for the Local Committee net revenue carry forwards of £0.452m and Local Member Schemes carried forward of £0.899m totalling £1.351m. This allows the Local Committees to carry forward unspent balances from 2013/14 to be spent in 2014/15.
- 5.15 This transfer to earmarked reserves will enable the continuation of agreed schemes and activities funded from resources which were allocated as part of the 2013/14 budget to be delivered in 2014/15.

Table 2 – Movement on Revenue Earmarked Reserves

	31 st March 2013 £000	Transfers		Net Movement £000	31 st March 2014 £000
		Out £000	In £000		
General Fund Balance	15,133	0	0	0	15,133
Earmarked Reserves					
Schools & DSG Reserves	13,757	(8,711)	7,540	(1,171)	12,586
Non School Reserves					
Revenue Grants	32,261	(9,882)	10,646	764	33,025
Equal Pay & Modernisation	23,906	(2,758)	140	(2,618)	21,288
Insurance	5,644	(879)	1,747	868	6,512
Directorate Reserves	11,358	(3,708)	8,225	4,517	15,875
Other Reserves	6,138	(3,519)	3,995	476	6,614
	79,307	(20,746)	24,753	4,007	83,314
Total Earmarked Reserves	93,064	(29,457)	32,293	2,836	95,900

- 5.16 The General Fund Balance remained at £15.133m as at 31st March 2014 (Balance Sheet page 25). This is consistent with the target set by Council in February 2013 of holding General Fund balances of £15m and in line with the Reserves and Balances Strategy of the Council in the Medium Term Financial Plan.
- 5.17 The Council's approach to budget management reporting (outturn position), reflected in the summary in Table 1 differs from the figures presented in the Comprehensive Income and Expenditure Statement (CIES) (Page 23). The CIES is required to comply with International Financial Reporting Standards in reporting costs and income and is also required to report costs in categories of spend defined by the Service Reporting Code of Practice.

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- 5.18 Note 4 - Amounts Reported for Resource Allocation provides a reconciliation between the Net Expenditure reported to management (£413.084m in 2013/14) and the Cost of Services reported in the CIES (£410.620m in 2013/14). The reconciliation shows the:
- Amounts included in the Net Expenditure figures that are required in the CIES to be reported below the Cost of Services position (Investment income, interest paid and received, precepts and trading account results).
 - Amounts reported in the Net Expenditure figures that are not included in the CIES (Revenue Contributions to Capital, capital grants and contributions transferred to reserves and pooled fund transactions).
 - Amounts included in the CIES but not in the Net Expenditure figures which are a result of technical accounting requirements (IAS 19 adjustments, Employee benefit accrual, Revaluation gains and losses and Capital charges).
- 5.19 Note 4 also provides analysis of the Net Expenditure reported to management on a subjective basis, which is also then reconciled to the Cost of Services in the CIES. The Note then goes on to show the full subjective analysis of the Surplus/ Deficit on Provision of Services in the CIES.
- 5.20 The net revenue position on the Comprehensive Income and Expenditure Statement is a net surplus of £96.267m, which compares with a net deficit of £125.473m in 2012/13. This is an improvement of £221.740m.
- 5.21 The significant improvement in the net revenue position from 2012/13 is mainly attributable to the remeasurement of the net defined liability (asset), previously called Actuarial Gains / Losses on Pensions Assets and Liabilities. In 2012/13 there was a net Actuarial Loss of £96.548m and in 2013/14 it is a net Actuarial Gain of £147.923m. This is an increase of £244.471m. These changes to the Council's net pensions liabilities arise because events have not coincided with assumptions made at the last actuarial valuation or because of updated assumptions. As stated in para 4.8 financial assumptions, and in particular bond yields, can have a significant impact on the estimated net pension liabilities. (See Note 42).
- 5.22 There was a net £3.329m decrease within the Cost of Services that is a combination of reduced spend across Directorates following the implementation of the majority of the planned savings during 2013/14, under and over spends across Directorates (as reported in Table 1) and the impact of changes year on year in the technical accounting adjustments.
- 5.23 The decrease in Net Expenditure for the Cultural and Related Services relates primarily to a one off revaluation loss of £2m charged in 2012/13. The significant reduction in the Highways and Transport Services Net Expenditure reflects the impact of savings being implemented, reduced capital charges and reduced revaluation losses

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charged in 2013/14 compared to 2012/13. The increase in Education and Children's services reflects the costs pressures within this service reported in Table 1. The cost pressures are due to higher than budgeted costs for Looked After Children. Work is ongoing within the Council to understand and actively manage these cost pressures. The increase in the Fire and Rescue Services reflects the increase in PFI unitary payments following the opening of the Workington Fire station. The increased Non Distributed Costs reflects the increased actuarial strain costs payable to the pension fund in respect of staff leaving the Council through voluntary redundancy.

- 5.24 The technical accounting adjustment changes within the Cost of Services have a significant impact on the net expenditure position from one year to the next. For example IAS 19 adjustments resulted in a £6.290m increase to costs in the CIES compared to 2012/13, there was a £2.034m reduction in Employee benefit accrual from 2012/13 and a reduced charge for revaluation losses of £8.235m from £23.534m in 2012/13 to £15.299m in 2013/14.

Capital Expenditure

- 5.25 Capital expenditure relates to the cost of provision or enhancement of assets or other expenditure where the benefit extends beyond the financial year in which it occurs. It includes expenditure on buildings, adaptations, roads, equipment and intangible assets such as software and licences. Capital expenditure is defined by the Capital Financing Regulations and capital and revenue transactions must be accounted for separately.
- 5.26 In 2013/14, the Council's capital investment totalled £66.927m (£127.066m in 2012/13) as reported in Note 20.
- 5.27 The reduced capital investment for 2013/14 compared to 2012/13 reflects the fact that the 2012/13 capital programme included significant one off investments relating to both Waste and Fire PFI assets being included for the first time on the balance sheet (£33m), completion of the majority of the Academies programme (£22m) and investment in the Highways Fleet (£7m). In 2013/14 Furness Academy was completed which completes the overall Academy programme.
- 5.28 In 2013/14 significant investment into key developments in schools continued benefiting the children in Cumbria. This included the Primary Capital Programme, which involves upgrading schools in the Barrow area, which is now complete. Investment in prioritised capital maintenance schemes were also delivered in 2013/14 reflecting the need to invest in the overall school estate and manage the significant backlog maintenance issues.
- 5.29 The final PFI scheme for Workington Fire Station became operational during the year at a cost of £3.689m. This completes the Capital investment into five new Fire Stations as part of the joint fire station PFI programme (Note 22).

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- 5.30 Significant progress was made on the build of a new Elderly Persons Home in Barrow with an expected completion date of Spring 2015. Alongside this the programme of extending Extra Care housing provision across the County continued in Kirkby Stephen with further schemes planned for 2014/15 onwards.
- 5.31 The planned investment programme at the Port of Workington continued in 2013/14.
- 5.32 Additional flood recovery grant from the Department for Transport was confirmed during the year which will enable completion of the recovery work following the floods Cumbria experienced in 2009/10. Significant planned maintenance and improvements to the County's infrastructure network continued.
- 5.33 Investment in the Better Places for Work programme, which will transform the working environment and create opportunities to release efficiency savings across the Council, progressed into 2013/14 and will continue into 2014/15.
- 5.34 A summary of the capital expenditure and how it was financed is shown in Note 20 to the Statement of Accounts. The Council considers carefully capital financing to ensure it is prudent, affordable and sustainable in the medium and long term. The total capital receipts generated in 2013/14 totalled £4.417m (£5.309m in 2012/13), note 39.2 refers. Capital receipts are earmarked for specific schemes where appropriate.
- 5.35 The capital investment of £66.927m was financed as shown in the table below.

Table 3 – Capital Financing 2013/14

	£m
Capital Receipts	2.786
Capital Grants	51.158
Revenue Contributions	2.338
Supported Borrowing	0.215
Prudential Borrowing	6.741
PFI lease arrangements (new assets)	3.689
Total Capital Financing	66.927

6.0 BALANCE SHEET

- 6.1 The Council's Balance Sheet demonstrates a strong financial position for the Council at the end of 2013/14, with a net asset value of £222.868m. This is an increase of £96.267m from 2012/13 this is predominantly due to the decrease in the pensions liabilities of £124.572m (as stated in paragraph 4.7). A summary of the key changes to each section of the balance sheet is set out below.

Long Term Assets

- 6.2 Property, Plant and Equipment (PPE) assets have reduced by £36.008m as a result of the capitalisation of expenditure incurred in 2013/14 of £59.533m offset by a net reduction in valuation of £17.250m net disposals of £46.553m and net depreciation / impairment charges of £31.294m. Assets with a net value of £0.444m transferred from PPE to Current Assets Held for Sale.
- 6.3 A number of the disposals relate to the transfer of three school assets to Academies for nil consideration when they become independent from the Council. It also reflects the Council's asset management strategy which is to consolidate the Council's property portfolio. This policy is actively being pursued and has resulted in a significant disposal programme and resulting capital receipts for 2013/14.
- 6.4 The value of intangible assets has reduced by £3.555m primarily due to the amortisation of the assets during the year offsetting the purchase of £0.412m of new assets during the year. (Note 26).
- 6.5 Long term investments have increased by £0.370m as a result of the purchase of ordinary share capital in Orian Solutions Ltd on 1st April 2013.
- 6.6 Long term debtors decreased during the year to £8.157m from £8.222m in 2012/13 as shown in Note 28. £6.548m (£6.849m 2012/13) of this debt is in respect of residential care charges and is either secured on property or is part of a deferred payment agreement.

Current Assets and Liabilities

- 6.7 The net increase in current assets and liabilities of £15.336m reflects in the main an increase in cash and cash equivalents of £48.012m, decrease in short term investments of £20.516m and a decrease in short term debtors of £5.050m offset partially by an increase in revenue grants received in advance of £0.716m and an increase in short term provisions of £0.690m.
- 6.8 The Accounting Statements show short term provisions of £3.896m which relate to insurance (motor and fire), Equal Pay commitments and Voluntary redundancies as set out in Note 37. This is an increase in the short term provisions of £3.452m (from 31st March 2013) offset by the use of provisions of £2.762m.

Long Term Liabilities

- 6.9 Long term liabilities have decreased by £120.189m primarily due to the decrease in the pension's liability of £124.572m and the net increased PFI liabilities of £3.606m linked to the new PFI asset (Workington Fire Station) recognised on the balance sheet for the first time in 2013/14.

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- 6.10 The Prudential Code for Capital Finance in Local Authorities regulates Local Authority borrowing and gives freedom to Councils to borrow, providing they are capable of meeting the revenue costs of borrowing and the borrowing strategy is in keeping with Prudential Indicators and guidelines. The Council's borrowing strategy and limit is agreed annually, at the February Council meeting when the budget is set, and the strategy is part of the Treasury Management Strategy. The Council's authorised limit for external debt for 2013/14 was £563m and the operational limit was £528m. In 2013/14 the Council operated within the agreed authorised limits.
- 6.11 The long term borrowing shown in the Balance Sheet (page 25) relates to the financing of capital expenditure incurred prior to 2013/14. The balance at 31st March 2014 is £308.413m, which has changed little (£7.526m) from the balance at 31st March 2013 (£315.939m). This in the main relates to a £7.5m loan which is due to mature within the next twelve months and is therefore now shown in current liabilities. The strategy of using existing cash balances to fund capital expenditure rather than raising new long term loans is referred to in paragraph 4.5.
- 6.12 The Accounting Statements show long term provisions of £8.954m which is a £2.290m increase from 2012/13. The long term provisions relate to insurance (employers and public liability) commitments and Business Rates appeals as set out in Note 37. The increase is made up of an increase in the long term insurance provisions of £1.540m following independent advice received on expected future claims, the introduction of a new provision of £2.974m in respect of Business Rates Appeals (following the introduction of the Business Rate Retention Scheme in 2013/14) and the transfer of £2.224m Equal Pay Provision from long term to short term provisions.
- 6.13 The Business Rate Retention Scheme allows Local Authorities to retain a proportion of business rates raised locally but with that Local Authorities are now also liable for successful appeals against business rates charged. Therefore a provision for those appeals (for 2013/14 and three previous years) is required to be included in the Accounts. The County Council receives a 10% share of District Council's retained business rates and hence the County Council's provision is based on a 10% share of the provision calculated by the six District Councils in Cumbria.

Reserves

- 6.14 Reserves are reported as either usable or unusable. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are not available to fund services and include reserves that hold unrealised gains and losses (for example the revaluation reserve) where amounts may only become available when the assets are sold.

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- 6.15 Usable reserves for the Council include the General Fund whose purpose is to provide a general contingency to cushion the impact of unplanned events or emergencies and to provide flexibility to manage short term fluctuations between planned and actual levels of income and expenditure.
- 6.16 Council agreed a target of £15m for the General Fund Balance when setting the 2013/14 Budget in February 2013. The General Fund Balance as at 31st March 2014 is £15.133m which is unchanged from 31st March 2013.
- 6.17 Overall usable reserves for the Council have increased by £5.520m during 2013/14. This includes an additional £1.631m of capital receipts. It also reflects an increase in earmarked revenue reserves of £2.836m (see Table 2). The most significant movements in earmarked revenue reserves are explained in the following paragraphs. Note 39.1 sets out the Council's Earmarked Reserves.

Dedicated School Grant (DSG) funded reserves

- 6.18 DSG funded reserves decreased by £1.171m to £12.586m as at 31st March 2014 (£13.757m as at 31st March 2013). This comprised a net decrease in balances held by individual schools of £0.330m and a reduction of £0.841m relating to drawdown of centrally managed DSG budgets.
- 6.19 There is a small net decrease (£0.330m) in balances held by schools from £8.743m to £8.413m as a result of the Council working with schools to maintain the emphasis on reducing both the number and the financial value of schools with financial deficit. This has reduced the number of schools with a deficit from 61 to 49 and the value of all school deficits has decreased from £3.121m to £2.707m representing a reduction of 13%.
- 6.20 The number of schools with surplus balances has increased from 233 to 244, however the value of these surpluses has decreased by 6% from £11.864m to £11.120m. This decrease is set within the context of the National School Funding Reforms introduced from 1st April 2014.

Revenue grants reserve

- 6.21 During 2013/14 there was a net increase in the Revenue Grants reserve of £0.764m to £33.025m. This reflects grants that have been received but which will not be applied until future years. The balance includes £23.528m of PFI grant to support the Carlisle North Development Route PFI and replacement fire stations project. The balance also includes £4.199m Performance Reward Grant which will be spent to support delivery of the Connecting Cumbria (IT Superfast Broadband) project.

CUMBRIA COUNTY COUNCIL

SECTION 1 – EXPLANATORY FOREWORD

Equal Pay and Modernisation Reserve

- 6.22 The drawdown from the Equal Pay and Modernisation Reserve of £2.618m was to fund voluntary redundancies as part of the Council's overall reshaping programme. Many of the savings agreed as part of the 2013/14 budget included reducing staff numbers.

Insurance Reserve

- 6.23 During 2013/14 there was a net increase in the Insurance Reserve of £0.868m advised by the professional assessment of future claims risk.

Directorate and Other Reserves

- 6.24 Overall the carry forward and drawdown from the directorate and other reserves, as detailed in Note 39.1, shows a net increase of £3.139m from 2012/13. These include the carry forward of budget across financial years for various commitments into 2014/15 to enable the continuation of agreed schemes and activities. It also includes the net underspending on Local Committee budgets as explained in para 5.16.

7.0 PENSION COSTS

- 7.1 The Council is legally obliged to offer guaranteed pension benefits to its employees. The Accounting Policies (policy (vii)) explain the accounting treatment of retirement benefits and costs applicable to the Council only are reflected in the Comprehensive Income and Expenditure Statement and the Balance Sheet. Under the International Accounting Standard (IAS) 19, the Council is required to recognise the cost of retirement benefits in the cost of services when earned by employees (shown in the Comprehensive Income and Expenditure Statement) rather than when the benefits are eventually paid as pensions. However, adjustments through the Movement in Reserves Statement ensure that the amount charged to taxpayers as Council Tax relate to cash payable in the year i.e. the employer's contributions payable to the scheme.
- 7.2 In the Council's Balance Sheet (page 25), the Council's long-term net pension liability has decreased by £124.572m from £625.704m at 31st March 2013 to £501.132m at 31st March 2014. The decrease in the Council's net pension liability in 2013/14 is due to a change in the financial assumptions used in the actuarial valuations. However, statutory arrangements for funding the liability (deficit) mean that the financial position of the Council remains healthy.
- 7.3 From 1st April 2011 the Council has changed the method by which it makes payments to the Pension Fund to cover past service liabilities, in line with the strategy to cover these liabilities over a period of 19 years. Previously, amounts have been set aside for this purpose through a supplement to the employer's pension contribution rate, within Directorate budgets. From 1st April 2011 the total amount recommended by the actuary each year is met by an annual lump sum corporate contribution to the Pension Fund. This is a more prudent approach during a period of workforce reduction. The contribution for 2013/14 for past service costs was £8.325m. This is shown in Note 42.

8.0 PENSION FUND

- 8.1 The Council is the administering body for the Cumbria Local Government Pension Scheme (LGPS) which is managed by the Council on behalf of 111 employers, across the county, and the Firefighters' Pension Schemes, hence the Council's Statement of Accounts include supplementary financial statements for these pension funds. Section 10 set out these financial statements and relevant notes.
- 8.2 Following the enactment of the 2013 Public Sector Pensions Act, pensions across all the public sector are entering a period of unprecedented change as they move from final salary benefit schemes to career average revalued earnings benefits structures. This will take place from April 2014 for the LGPS and April 2015 for the Firefighters' Schemes.
- 8.3 Additionally for the LGPS, Officers and Members have been actively involved in the Government consultation on national structural reform changes, which will potentially affect control and ownership of the investment assets of the 89 individual LGPS across England & Wales. 2013/14 also saw the finalising of the 2013 Triennial Valuation of the Scheme, including communicating with all employers on changes to individual employer contribution rates; aiding Scheme employers regarding the introduction of auto enrolment and implementation and communication of system and process changes required for the introduction of 2014 LGPS benefit structure from April 2014.
- 8.4 Following the May 2012 Investment Strategy Review by the Fund to restructure its investments for approximately half of the total portfolio (£880m), 74% (£652m) of this restructuring had been completed as at March 2014 (90%; £796m as at June 2014).
- 8.5 During the year to 31st March 2014 the Cumbria LGPS Fund value increased by £115.665m to £1,774.730m (i.e. £1.8bn). This compares to an increase of £192.647m to £1,659.065m during the year 2012/13. The Scheme returned 7.6% for the year which was an outperformance of 1.4% on the fund's bespoke benchmark for the year of 6.2%.
- 8.6 Despite market turbulence many asset classes performed well over the year, with equities in particular providing strong returns but this varied by sector and geography. Generally it was seen that the value of UK equity increased by 8.8% (FTSE All Share), North American equities by 10.3%, and European equity by 17.3% (excluding UK); but for Japan, Pacific and Emerging markets performance was negative. While UK index linked bonds fell in value by 3.8%.
- 8.7 The Scheme benefited from this equity growth during the year as it was temporarily overweight in equities, particularly UK equities, during the transition to its Investment Strategy.

CUMBRIA COUNTY COUNCIL
SECTION 1 – EXPLANATORY FOREWORD

8.8 The Scheme has also performed well over the medium to longer term with the three-year return of 8.9% outperforming the bespoke hedged benchmark of 8.3% (per year). While the ten year Scheme return was 7.8% resulting in a direct match to the benchmark.

9.0 ONGOING IMPACT OF CURRENT ECONOMIC CLIMATE ON THE COUNCIL

9.1 The Council continues to be affected by the reductions in Government funding for local government as part of the national economic strategy to reduce the national deficit. Earlier paragraphs have outlined the impact of funding reductions in 2013/14.

9.2 The Chancellor's Budget Statement in March 2013 confirmed the Government's austerity programme will continue up until 2017/18 with an expectation that nationally the Government will be in surplus by 2018/19. This was reaffirmed in the Chancellor's Autumn Statement (on the 5th December 2013).

9.3 The Council's budget for 2014/15 agreed by Council in February 2014, included additional planned savings of £24.375m. Within its overall Medium Term Financial Plan (MTFP) it also envisaged that further savings of £25.083m and £23.306m would be required in 2015/16 and 2016/17 respectively.

9.4 The Council continuously reviews its Medium Term Financial Plan to take into account recent updates in respect of national and local data and intelligence to inform the level of new savings required in future years. It was reported to Council in April that an additional £20m of savings is estimated to be required for 2017/18. Minor adjustments have been made to the expected savings for 2015/16 and 2016/17 which collectively mean that there is an estimated £70m of new savings still to be identified by the Council for the period 2015/16 – 2017/18.

9.5 Although estimates have been provided for 2016/17 and 2017/18 confirmation of future funding reductions will be subject to decisions made as part of the next Spending Review, which is expected to follow the General Election in May 2015.

9.6 The Council's Medium Term Financial Plan therefore considers future Government funding risk and the uncertainties associated with projections of future pay, prices, interest rates, levels and timing of income, delivery of efficiency and change programmes and potential liabilities. These risks are provided for through the level of contingency set in the annual budget and uncommitted revenue General Fund Reserves. The balance on the General Fund Reserve of £15.133m at 31st March 2014 is in line with target set in the 2014/15 Budget and Medium Term Financial Plan.

10 OTHER ITEMS

- 10.1 Assumptions made about the future in preparing the Statement of Accounts are set out in Note 3.
- 10.2 A prior period adjustment has been made to the Council's 2012/13 published financial statements in relation to the changes in the international accounting standard IAS 19 (Employee Benefits). There have been several significant changes in relation to IAS19 Employee Benefits which are detailed in note 47. This has resulted in changes to accounting treatment for financial years starting on or after 1st January 2013. There are changes to the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Cash Flow Statement. There is no net impact on the Balance Sheet.
- 10.3 The Group Accounting Statements set out in Section 7 show an increase of £97.164m in the total value of the Group net assets (from £135.906m at 31st March 2013 to £223.070m at 31st March 2014). The increase relates mainly to the Council's reduced net Pension Liability (£124.572m) impacting on the Group Accounts.
- 10.4 The entities to be included within the group accounts have been re-considered this year with a careful regard to their materiality. During 2012/13 Cumbria County Holdings Ltd (CCHL) was incorporated. The Council exchanged its 2,813,000 shares, with a £1 nominal value, in CWM Ltd for an equal number of shares in the CCHL, which is wholly owned by the Council. CCHL wholly owns CWM Ltd and a new company Orian Solutions Ltd. CCHL and its subsidiaries remain as Group Account entities.

11. POST BALANCE SHEET EVENTS

- 11.1 The Code requires the disclosure of the date the financial statements are authorised for issue and therefore, the date after which events will not have been recognised in the Statement of Accounts. This date has been set at the 24th September 2014 in respect of the audited Statement of Accounts for 2013/14.
- 11.2 There have been no material events after the reporting date that are required to be taken into account in the financial statements.

CUMBRIA COUNTY COUNCIL
SECTION 2 – STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

Corporate Directors' Responsibilities

- The Chief Executive and other Corporate Directors are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy, including effective ongoing budgetary control, with appropriate support and advice from the Assistant Director - Finance.
- Each Corporate Director is responsible for ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities.

The Chief Finance Officer's Responsibilities

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

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

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

The Assistant Director – Finance has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the 31st March 2014 and its expenditure and income for the year ended the 31st March 2014.

Signed :

Julie Crellin, Assistant Director – Finance (S151 Officer)
24th September 2014

CUMBRIA COUNTY COUNCIL
SECTION 2 – STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS

Certificate of Approval of the Council's Statement of Accounts

I certify that the accounts set out in this document have been considered by the Council's Audit and Assurance Committee at its meeting held on 24th September 2014 and have been approved by a resolution of this Committee.

Signed on behalf of Cumbria County Council

Mr. T Knowles
Chair of Audit and Assurance Committee

24th September 2014



INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CUMBRIA COUNTY COUNCIL

Opinion on the financial statements

We have audited the financial statements of Cumbria County Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, and the related notes 1 to 48 and include the firefighters’ pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Cumbria County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director - Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Assistant Director - Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director - Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cumbria County Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis of qualified conclusion

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In May 2012, a joint report by Ofsted and the Care Quality Commission concluded

CUMBRIA COUNTY COUNCIL
SECTION 3 – INDEPENDENT AUDITOR’S REPORT

that arrangements for protection of children in the Cumbria County Council area were judged to be inadequate. A further report by Ofsted in May 2013 confirmed that, although the Council had made some improvements, overall arrangements for the protection of children remained inadequate. In a subsequent update letter from the Department of Education in August 2014, it was also highlighted that significant improvements are still required to these services.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects, Cumbria County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Cumbria County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jackie Bellard
Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

25th September 2014

CUMBRIA COUNTY COUNCIL

SECTION 4 – ACCOUNTING STATEMENTS

Section 4 sets out four accounting statements in respect of the Council's activities in 2013/14, showing the previous year's comparators.

Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement which identifies the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. cash backed reserves which can be used to fund expenditure or reduce local taxation) and other "unusable" reserves (i.e. not cash backed). The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is 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 the 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' and detailed in note 10.

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.

CUMBRIA COUNTY COUNCIL
SECTION 4 – ACCOUNTING STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2014

The 2012/13 Comprehensive Income and Expenditure Account has been restated to reflect the changes in IAS19 Employee Benefits, details of the restatement are in note 47.

2012/13			Service	Note to the Accounts	2013/14		
Restated Gross Expenditure £000	Gross Income £000	Restated Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Services:				
3,238	(1,420)	1,818	Central Services to the Public		3,013	(1,398)	1,615
12,437	(700)	11,737	Cultural and Related Services		9,587	(633)	8,954
37,682	(1,066)	36,616	Environmental and Regulatory Services		36,641	(1,086)	35,555
19,407	(7,748)	11,659	Planning Services		15,831	(4,771)	11,060
67,947	(7,714)	60,233	Highways and Transport Services		60,425	(6,599)	53,826
412,366	(300,594)	111,772	Education and Childrens' Services		416,805	(299,908)	116,897
202,136	(49,590)	152,546	Adult Social Care		204,288	(54,162)	150,126
22,455	(1,038)	21,417	Fire & Rescue Services		22,794	(336)	22,458
0	0	0	Public Health		12,943	(12,943)	0
10,059	(3,676)	6,383	Corporate and Democratic Core		14,596	(7,128)	7,468
1,288	0	1,288	Non Distributed Costs		4,024	0	4,024
444	(1,473)	(1,029)	Exceptional Items - IAS19 Settlements	6	860	(2,223)	(1,363)
8,722	(9,213)	(491)	Exceptional Items - IAS19 Business Combinations	6	0	0	0
798,181	(384,232)	413,949	Cost of Services	4	801,807	(391,187)	410,620
46,760	0	46,760	Other Operating Expenditure	7	44,021	0	44,021
55,545	(8,647)	46,898	Financing and Investment Income and Expenditure	8	57,833	(5,161)	52,672
0	(475,313)	(475,313)	Taxation and Non Specific Grant Income	9	0	(457,736)	(457,736)
900,486	(868,192)	32,294	(Surplus)/Deficit on Provision of Services	4	903,661	(854,084)	49,577
		134	Other (Gains)/Losses				0
	(3,401)		(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	40.1			2,091
	(12)		(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets	40.4			(12)
		96,458	Remeasurements of the net defined benefit liability (asset)	42.1			(147,923)
		93,179	Other Comprehensive Income and Expenditure				(145,844)
		125,473	Total Comprehensive Income and Expenditure				(96,267)

CUMBRIA COUNTY COUNCIL
SECTION 4 – ACCOUNTING STATEMENTS

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2014

The 2012/13 Movement in Reserves Statement has been restated to reflect the changes in IAS19 Employee Benefits, details of the restatement are in note 47.

Restated 2012/13	Note to the Accounts	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31st March 2012		15,756	82,940	5,321	5,781	1,183	2,813	113,794	146,823	514,166	134	(513,534)	(545)	1,535	(10,299)	138,279	252,073
Movement in Reserves during 2012/13																	
Surplus or (deficit) on the provision of services		(32,294)	0	0	0	0	0	(32,294)	0	0	0	0	0	0	0	0	(32,294)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(93,179)
Total Comprehensive Income and Expenditure		(32,294)	0	0	0	0	0	(32,294)	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(125,473)
Adjustments between accounting basis and funding basis under regulations	10	43,147	0	0	1,615	(669)	0	44,093	(5,684)	(23,806)	0	(15,712)	0	1,079	30	(44,093)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		10,853	0	0	1,615	(669)	0	11,799	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(125,473)
Transfers (to) Earmarked Reserves		(32,898)	32,898	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves		22,774	(22,774)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves		(3)	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves	39.3	(1,349)	0	0	0	1,349	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2012/13		(623)	10,124	3	1,615	680	0	11,799	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(125,473)
Balance at 31st March 2013		15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	0	(625,704)	(533)	2,614	(10,269)	1,008	126,601
Movement in Reserves during 2013/14																	
Surplus or (deficit) on the provision of services		(49,577)	0	0	0	0	0	(49,577)	0	0	0	0	0	0	0	0	(49,577)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	(2,091)	0	0	147,923	12	0	0	145,844	145,844
Total Comprehensive Income and Expenditure		(49,577)	0	0	0	0	0	(49,577)	(2,091)	0	0	147,923	12	0	0	145,844	96,267
Adjustments between accounting basis and funding basis under regulations	10	54,041	0	0	1,631	(575)	0	55,097	(9,206)	(22,447)	0	(23,351)	0	(2,157)	2,064	(55,097)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		4,464	0	0	1,631	(575)	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267
Transfers (to) Earmarked Reserves	39.1	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	39.1	29,457	(29,457)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to) Capital Grants & Contributions Unapplied Reserves	39.3	(1,628)	0	0	0	1,628	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2013/14		0	2,836	0	1,631	1,053	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267
Balance at 31st March 2014		15,133	95,900	5,324	9,027	2,916	2,813	131,113	133,243	467,913	0	(501,132)	(521)	457	(8,205)	91,755	222,868

CUMBRIA COUNTY COUNCIL
SECTION 4 – ACCOUNTING STATEMENTS

BALANCE SHEET AS AT 31st MARCH 2014

31st March 2013 £000		Notes to the Accounts	31st March 2014 £000
	Long Term Assets:		
	Property, Plant and Equipment		
661,720	Other Land and Buildings		595,271
23,037	Vehicles, Plant, Furniture and Equipment		24,865
405,157	Infrastructure		422,710
59	Community Assets		59
15,707	Assets Under Construction		3,318
18,625	Surplus Properties Not Held For Sale		42,074
1,124,305	Total Property, Plant and Equipment	23	1,088,297
533	Heritage Assets	25	533
185	Investment Properties		185
6,475	Intangible Assets	26	2,920
2,813	Long Term Investments	27	3,183
8,222	Long Term Debtors	28	8,157
1,142,533	Total Long Term Assets		1,103,275
	Current Assets:		
579	Current Assets Held for Sale	29	600
1,005	Inventories	30	1,434
50,409	Short Term Debtors and Prepayments	31	45,359
75,694	Short Term Investments	32.1	55,178
58,051	Cash and Cash Equivalents	34	106,063
185,738	Total Current Assets		208,634
	Current Liabilities:		
(4,673)	Short Term Borrowings	32.1	(12,166)
0	Short Term PFI Liability	22	(368)
(72,678)	Short Term Creditors	35	(73,766)
(11,856)	Revenue Grants Receipts in Advance	36	(12,572)
(3,206)	Short Term Provisions	37	(3,896)
(6,842)	Bank Overdraft	32.1 & 34	(4,047)
(99,255)	Total Current Liabilities		(106,815)
	Long Term Liabilities:		
(315,939)	Long Term Borrowings	32	(308,413)
(4,003)	Long Term Creditors		(3,699)
(113,913)	Long Term PFI Liability	22	(117,519)
(36,192)	Capital Grants Receipts in Advance	38	(42,509)
(6,664)	Long Term Provisions	37	(8,954)
(625,704)	Pensions Liability	42	(501,132)
(1,102,415)	Total Long Term Liabilities		(982,226)
126,601	Net Assets		222,868
	Usable Reserves		
15,133	General Fund Balance		15,133
93,064	Earmarked Reserves	39.1	95,900
5,324	Earmarked Capital Reserve	39.1	5,324
7,396	Usable Capital Receipts Reserve	39.2	9,027
1,863	Capital Grants and Contributions Unapplied Reserve	39.3	2,916
2,813	Long Term Investment Reserve	39.4	2,813
125,593			131,113
	Unusable Reserves		
144,540	Revaluation Reserve	40.1	133,243
490,360	Capital Adjustment Account	40.2	467,913
(625,704)	Pensions Reserve	40.3	(501,132)
(533)	Financial Instruments Adjustment Account	40.4	(521)
2,614	Collection Fund Adjustment Account	40.5	457
(10,269)	Accumulated Absences Account	40.6	(8,205)
1,008			91,755
126,601	Total Reserves		222,868

CUMBRIA COUNTY COUNCIL
SECTION 4 – ACCOUNTING STATEMENTS

CASH FLOW STATEMENT AS AT 31st MARCH 2014

Restated 2012/13			2013/14	
£000	£000		£000	£000
	(32,294)	Net Surplus/(Deficit) on the Provision of Services		(49,577)
		<u>Adjust net surplus or (deficit) on provision of services for non cash movements</u>		
30,881		Depreciation	31,293	
3,851		Amortisation	3,966	
23,534		Revaluations downwards	15,299	
(12)		Adjustments for effective interest rates	(12)	
(18)		Increase/(Decrease) in Interest Creditors	(7)	
6,606		Increase/(Decrease) in Creditors	(645)	
(267)		Increase/(Decrease) in Interest and Dividend Debtors	366	
(585)		(Increase)/Decrease in Debtors	(2,646)	
456		(Increase)/Decrease in Inventories	(429)	
15,712		Pension Liability	23,351	
2,055		Contributions to Provisions	2,980	
50,604		Carrying Amount of non current assets sold	46,836	
	132,817			120,352
		<u>Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities</u>		
(59,009)		Capital grants credited to surplus or (deficit) on the provision of services	(45,586)	
(5,181)		Proceeds from the sale of property, plant and equipment, investment properties or intangible assets	(4,417)	
	(64,190)			(50,003)
	36,333	Net Cashflows from Operating Activities ***		20,772
		Net Cashflows from Investing Activities		
(87,629)		Purchase of PPE, Investment property and intangible assets	(54,110)	
(428,950)		Purchase of short term and long term investments	(358,370)	
0		New Long Term Loan	(340)	
5,315		Proceeds from the sale of PPE, Investment property and intangible assets	4,417	
419,800		Proceeds from short term and long term investments	378,150	
52,883		Other receipts from investing activities - capital grants	60,017	
	(38,581)			29,764
		Net Cashflows from Financing Activities		
(1,079)		Appropriation to / from Collection Fund adjustment account	0	
(622)		Payments for the reduction on PFI liability	285	
(23)		Payment for the reduction of long term borrowing	(14)	
	(1,724)	Net cashflows from Financing Activities		271
	(3,972)	Net Increase or (Decrease) in Cash and Cash Equivalents		50,807
	55,181	Cash and Cash Equivalents at the Beginning of the Reporting Period		51,209
	51,209	Cash and Cash Equivalents at the End of the Reporting Period (Note 34)		102,016

*** The Net Cashflows from Operating Activities in 2013/14 include interest received of £1.667m (2012/13 £1.547m), dividends received £2.000m (2012/13 £3.045m) and interest paid of £29.236m (2012/13 £26.505m).

The 2012/13 Cash Flow Statement has been restated to reflect the changes in IAS19 Employee Benefits, details of the restatement are in note 47.

CUMBRIA COUNTY COUNCIL
SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

Section 4 provides details of the significant accounting policies and estimation techniques used in the preparation of the Council's accounts.

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CUMBRIA COUNTY COUNCIL
SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

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CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its overall financial position as at 31st March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice for Local Authorities 2013/14, supported by International Financial Reporting Standards (IFRS).

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

ii. Accounting Concepts

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

ii. Accounting Concepts continued

Accruals of Income and Expenditure continued

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

Relevant

The information in the accounts is useful in assessing the Council's stewardship of public funds and for making economic decisions.

Reliable

The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors

Comparable

A consistent approach to accounting policies is used in preparing the accounts to ensure that they may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed.

Understandable

The Council endeavours to ensure that an interested reader can understand the accounts.

Materiality

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

Going Concern

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

Primacy of Legislative Requirements

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

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

iii. Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

iv. Charges to Revenue for Non Current Assets

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

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

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

For assets financed by supported borrowing the Council still uses the 4% reducing balance previously required under statute.

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

v. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). Costs are apportioned on the basis of time spent, space occupied or facilities used.

The following two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services:

Corporate and Democratic Core - Costs relating to the Council's status as a multi functional, democratic organisation e.g. the direct cost and cost of supporting Council Members and Corporate Management.

Non Distributed Costs - The cost of employees retiring early and any depreciation and impairment losses chargeable on non operational properties.

vi. Principal and Agent Transactions

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

The accrual is charged to services in the Comprehensive Income and Expenditure Statement. It is then reversed out through the Movement in Reserves Statement. This ensures that holiday benefits are charged to revenue in the financial year in which the absence occurs.

vii. Employee Benefits continued

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the relevant service(s) line within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw an offer relating to the termination of the employment of an officer or group of officers, or to encourage voluntary redundancy.

Post Employment Benefits

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

a) Teachers' Pensions

This scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government has established a notional fund as the basis for calculating the employers' contributions. The Council contributes at rates determined by the Department for Education. The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

b) Firefighters' Pensions

There are currently two pension schemes for uniformed firefighters.

- The 1992 Scheme which has now been closed to new entrants.
- The 2006 Scheme available to both full time and part time uniformed personnel.

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

vii. Employee Benefits continued

Post Employment Benefits continued

c) The NHS Pension Scheme

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

d) The Local Government Pension Scheme

All other full time and most part time employees of the Council are eligible to join the Local Government Pension Scheme administered by Cumbria County Council on behalf of the local authorities of Cumbria and other admitted bodies. With effect from 1st April 2009 local authorities have been required to implement International Accounting Standard 19 (IAS19) in full. The accounts have, therefore, been prepared in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Accounting for Retirement Benefits.

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

1. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds).
2. The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Equities
 - Government and Other Bonds
 - Property
 - Cash and Other

vii. Employee Benefits continued

Post Employment Benefits continued

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

a) Service cost comprising:

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **net interest on the net defined benefit liability i.e. net interest expense for the authority** - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

b) Remeasurement comprising:

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

c) Contributions paid to the Cumbria Local Government Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

viii. Exceptional Items

When items of income and expenditure are material, 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.

ix. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. If there is reasonable assurance that the condition will be met, but this has not yet occurred, any grant / contributions received will be held on the Balance Sheet as Grant Receipts in Advance (in Liabilities).

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

Capital Grants and Contributions

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

A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

CUMBRIA COUNTY COUNCIL
SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

ix. Government Grants and Contributions continued

Revenue Grants

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

x. Leases

The Council's general approach is to optimise the balance between the use of operating leases, finance leases, and prudential borrowing for the acquisition of property, vehicles and equipment to ensure the most economic approach for the Council. The Council will assess whether it is appropriate to borrow money to purchase an asset, or alternatively enter into a lease agreement.

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

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

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

The Council as Lessee

Buildings

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

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

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

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

Land

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

All other leases will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

x. Leases continued

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid in the year under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Buildings

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

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

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

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

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

x. Leases continued

Land

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

All other leases will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long term debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

x. Leases continued

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Initial direct costs incurred in negotiating and arranging the lease are charged as an expense as they occur.

xi. Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and
- lifecycle replacement costs – are either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out or if required a prepayment is posted to the Balance Sheet for the lifecycle costs payable in that year and then recognised as additions to PPE when the relevant works are carried out. Where it is not possible to evidence that lifecycle replacements costs meet the capital expenditure definition then it is treated as revenue.

xii. Property, Plant and Equipment

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

Recognition

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

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

Componentisation

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

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

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

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

CUMBRIA COUNTY COUNCIL
SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

xii. Property, Plant and Equipment continued
Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

xii. Property, Plant and Equipment continued
Impairment

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

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

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

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

Revaluation losses

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

Disposals and non current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Within the County Council accounts these assets will only be reclassified at 31st March of the financial year. The following criteria have to be met before an asset can be classified as held for sale:

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

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

xii. Property, Plant and Equipment continued

Disposals and non current assets held for sale continued

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Depreciation

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

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

CUMBRIA COUNTY COUNCIL
SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

xii. Property, Plant and Equipment continued
Depreciation continued

Operational Buildings	Up to 60 years
Waste Disposal Sites	30 years
Infrastructure assets	Up to 40 years
Vehicles, Plant, Furniture & Equipment	Up to 15 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Land	Infinite life and therefore no depreciation charged

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

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

Non Current Assets not owned by the Council

Some community schools are not owned by the Council. These schools are, however, included within non current assets as the Council receives the benefit from the use of these properties and substantially bears the risks and responsibilities of ownership for them.

Voluntary Aided schools and Foundation schools are not included within non current assets as no substantial risks and responsibilities apply.

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

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

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

xiv. Heritage Assets

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

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets, in particular, where authorities are unable to obtain valuations of heritage assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where any heritage assets are disposed of the proceeds will be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. The Council deems heritage assets to have an indeterminate life and therefore depreciation is not charged.

xv. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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 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.

xvi. Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences and goodwill) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

xvii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average cost formula.

Work in progress is included at cost including an allocation in respect of the overheads reasonably attributable to the works.

Financial Instruments

xviii. Financial Liabilities

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

Borrowing

The Council's borrowing is presented in the Balance Sheet as the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Borrowing is classed as either a long term liability, repayable after 12 months or longer, or a current liability if it is repayable within 12 months.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the period in which the repurchase or settlement is made. Through the Movement in Reserves Statement this will then be adjusted to neutralise the effect on the amounts to be raised through council tax in the year, by charging or crediting the Financial Instruments Adjustment Account. This reserve will in turn be written off over the remaining life of the new loan through the Movement in Reserves Statement as permitted by statute.

Creditors

Creditors are recognised when a supplier has provided goods and services to the Council 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 as at 31st March as a proxy for amortised cost.

xix. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Financial Instruments continued

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available for sale Assets

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

Financial Instruments continued

xix. Financial Assets continued

Changes in fair value are balanced by an entry in the Available for sale Reserve and the gain/loss is recognised in the 'surplus or deficit on revaluation of available for sale financial assets' within the Other Comprehensive Income and Expenditure part of the Comprehensive Income and Expenditure Statement. Impairment losses are debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Statement of Recognised Gains and Losses under UK GAAP accounting. In future such gains / losses will be recognised in the other comprehensive income and expenditure part of the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably (such as the investment in Cumbria County Holdings Ltd) the instrument is carried at cost (less any impairment losses).

xx. 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. Cash equivalents will only be money market fund deposits, as fixed maturity deposits have penalties built in for early redemption.

xxi. 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties, and are classified as current or non current liabilities on the Balance Sheet.

xxi. Provisions continued

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

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

xxii. Reserves

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

The Council's main reserves are as follows:

- The General Fund is set aside to meet general future revenue expenditure and to protect the Council against exposure to unexpected events.
- Under the Government's Fair Funding arrangements individual schools manage their own budgets and are allowed to carry forward accumulated surpluses and deficits as reserves.
- Earmarked reserves are set aside to meet specific items of future expenditure.

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

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

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

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

xxiii. Interests in Companies and Other Entities

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

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

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

xxiv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xxv. 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.

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

xxvi. 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.

xvii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- 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.

xxviii. Taxation

The Council is exempt from income and corporation taxes under Section 519 of the Income and Corporation Taxes Act (1988) and from capital gains tax under Section 217 of the Taxation of Capital Gains Act (1992).

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the Council is not able to recover VAT on expenditure.

The Council incurs landfill tax, which is charged on a tonnage basis to the Council by its waste disposal contractors. Reduction in the exposure to this tax is dependent on public take up of the waste reduction and recycling initiatives promoted in conjunction with the District Councils, the bodies that are responsible for waste collection.

In addition, the Council incurs stamp duty land tax on the acquisition of property freeholds and leaseholds, climate change levy on its energy bills and insurance premium tax on its insurance costs. Also, the Council incurs employer's national insurance contributions based on a percentage of staff salaries.

CUMBRIA COUNTY COUNCIL

SECTION 5 – STATEMENT OF ACCOUNTING POLICIES

xxviii. Taxation continued

There are a number of initiatives that enable the Council to reduce its exposure to tax, and it takes advantage of these as and when these arise. Where the Council incurs tax, this cost is charged to services in the Comprehensive Income and Expenditure Account using SeRCOP rules.

xxix. Pooled Funds

Both Adult and Local Services and Children's Services work with authorities outside the Council to ensure that a coordinated approach to service delivery is achieved. Operating surpluses or deficits are shared in accordance with the agreements between the parties. The Council only accounts for its own share of income, expenditure and assets and liabilities in accordance with IAS 28 Investments in Associates or IAS 31 Interests in Joint Ventures.

xxx. Carbon Reduction Commitment Energy Efficiency Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

xxxi Council Tax and Business Rates

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

xxxii Acquired Operations

The Council will account for acquired operations from other public sector bodies in line with the principles that apply to group reorganisations. Assets and liabilities will be transferred at carrying value and reflected in the opening balance sheet and shown in the Movement in Reserves Statement. Where functions have been acquired they will be separately identified on the face of the Comprehensive Income and Expenditure Statement with no prior year comparative figures stated.

CUMBRIA COUNTY COUNCIL
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1. Accounting Standards that have been Issued but have not yet been Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1st April 2014. If these had been adopted for the financial year 2013/14 no material changes would be required to the Statement of Accounts as detailed below. A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have subsidiaries and has produced consolidated accounts for this financial year on the basis of materiality. Further information is provided below in line with the new disclosure requirements of IFRS 12.
- IFRS 11 Joint Arrangements – This standard addresses the accounting for a ‘joint arrangement’, which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities.
- IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated ‘structured entities’. The Council has a number of arrangements with other entities under IFRS12.
- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
- IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

2. Critical Judgements in Applying Accounting Policies

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

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

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

Leases

The Council has to decide whether the leases it enters into should be treated as operating or finance leases, and whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the Council's valuers, accountants and procuring officers using flowchart assessments in the Contract Procedure Rules based on criteria set out in IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The relevant accounting policy is applied based on the outcome of the assessment.

Land and Buildings

The Council has to decide whether land and buildings owned by the Council are investment properties. The Council's valuers and accountants make judgements in accordance with IAS 40 Investment Property. It has been determined that the Council has one investment property from which £0.017m net income was generated in 2013/14 (£0.021m 2012/13).

The Strategic Investment & Property Unit are required to exercise judgement in determining the carrying value of land and buildings on the Council's Balance Sheet.

The Council owns a large and diverse range of property assets. During 2009/10 the Council impaired its general property base due to the national property market slump. Throughout 2013/14 the valuers have assessed that there has been no further general impairment.

Judgement is required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council's quantity surveyors, valuers and accountants worked together to determine this. It has been judged that the useful lives of the Council's properties as they currently stand provide a depreciation charge that is an accurate proxy for component accounting purposes.

2. Critical Judgements in Applying Accounting Policies continued

Group Accounts

The Council has to decide whether there is a group relationship between the Council and other entities. Finance staff assess each relationship that exists between the Council and other entities that may result in a group accounts relationship using a flowchart of decisions based on CIPFA group accounting guidance. It has been determined that there is one material group relationship that requires the production of group accounts.

Provisions and Contingent Liabilities

The Council has to decide whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability. These decisions are taken by a combination of the Council's finance staff, solicitors and departmental officers based on their detailed knowledge of the circumstances.

Investments

The Council has an investment valued at £3.183m representing a 100% shareholding in Cumbria County Holdings Limited (CCHL), a private limited company. It has been determined that the Council does have control of the company and it is accounted for as a subsidiary of the Council. As the fair value of the shares cannot be determined and it does not have a quoted market price in an active market, the investment is carried at cost as a proxy for fair value. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data.

Grants Receivable

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

Schools

The Council has, for a number of years, excluded the non current assets for Voluntary Aided (VA), Foundation, and Foundation Special schools from the Council's Balance Sheet. Community and Voluntary Controlled (VC) schools have been included within the Council's Balance Sheet at appropriate values.

There is an ongoing debate about the correct accounting treatment for the various types of schools in Local Authority Balance Sheets. CIPFA/LASAAC, as part of its "2012/13 Update to the Code of Practice on Local Authority Accounting in the UK", consulted on proposals for the accounting treatment in relation to schools' non current assets.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

2. Critical Judgements in Applying Accounting Policies continued
Schools continued

CIPFA initially suggested in its consultation document that only Community schools' and Community Special schools' land and buildings in England and Wales should be recognised as non current assets on Council Balance Sheets. They suggested that VC, VA and Foundation schools and Foundation Special schools land and buildings should not be recognised as non current assets of the Local Authority. A working party (Accounting for Schools in Local Authorities Working Party) was set up by CIPFA to consider the consultation responses and additional information provided by stakeholders. At that time the Working Party concluded that they were not yet persuaded by the arguments, and did not recommend any changes to CIPFA/LASAAC in the provisions of the 2013/14 Code of Practice on Local Authority Accounting in relation to accounting for schools in local authorities.

In March 2014 CIPFA/LASAAC consulted again following the conclusion of the Working Party's work in February 2014. The Working Group has concluded that for community schools, voluntary controlled, voluntary aided and foundation local authority maintained schools the balance of control is with the local authority and therefore their transactions should be included in the local authority financial statements. It follows that academies and free schools are not under local authority control. These schools are outside the scope of this consultation.

The table below sets out the number and type of schools within the County as at 31st March 2014.

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Nursery Schools	No of Special Schools
Community	121	12	6	5
Voluntary Controlled	48	1	0	0
Voluntary Aided	75	4	0	0
Foundation	14	2	0	0
Academies	13	18	0	0
Total	271	37	6	5

For VC schools it is acknowledged that some are not owned by the Council, but the Council does receive the benefit from the use of the schools and has a substantial obligation to rebuild or replace the school in the event of a disaster. The Council therefore bears the majority of the risks and responsibilities of ownership. The definition of an asset is "a resource controlled by the authority as a result of past events and from which future economic benefits or service potential are expected to flow to the authority".

The Council responded to the consultation setting out its disagreement with proposed approach. The Council concluded that it is still the correct accounting treatment to include the income, expenditure, liabilities and reserves for all maintained schools but to exclude the non current assets for VA, Foundation, and/or Foundation Special schools from the Council's Balance Sheet on the basis that the Council bears no substantial risks or responsibilities.

2. Critical Judgements in Applying Accounting Policies continued
Schools

For Community and VC schools the Council is able to control the admissions policy and direct the occupation and the use of premises as the Council sees fit. As such the Council has a degree of control over the flow of service potential.

The timetable for the year end closedown for Chequebook schools is to be complete by the middle of March. Therefore they have to make use of estimates for March payroll costs.

Accounting for Schools - Transfers to Academy status

When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status.

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction (part of Property Plant and Equipment), whilst the Academy is constructed. Once the construction is complete the Asset is transferred to Other Land and Buildings (within Property Plant & Equipment), on the date of transfer to Academy the Council accounts for this as a disposal for nil consideration.

Closed Landfill Sites

Consideration of the Issue

Although there was an expectation that CIPFA would produce specific guidance this year, there is nothing currently published and no further guidance is now expected. The sites have already been returned to the levels/standards required of any original planning consent; most are already in use for example as grazing land. The only spend that is being incurred is in ensuring that the space remains fit for purpose. A reliable estimate of the future costs that relate to the closed landfill sites cannot be made because of the age of the sites and lack of information on the type and volumes of waste disposed of and they are not engineered sites.

The Council has considered this issue again in 2013/14 and has concluded that no provision is required for the 2013/14 accounts but will continue to make disclosure in contingent liabilities (note 45).

Background to the Sites

The Council has responsibility for 35 closed landfill sites (26 for non inert waste and 9 for inert waste). The sites are spread throughout the County and are relatively small scale in nature. The 9 sites that have inert waste landfilled were closed between 1970 and 1995. These sites are not subject to Environmental Agency formal monitoring under the permit scheme, although they are monitored by the Council as the sites could have an environmental impact. These sites by the nature of the waste landfilled are of low risk and monitoring is typically only required for 2 to 3 years after closure. For example the Environment Agency only requires financial provision and monitoring plans for 2 to 3 years after closure of inert sites under the "Guidance on Financial Provision for Landfill" published in 2011.

2. Critical Judgements in Applying Accounting Policies continued

Background to the Sites

All the sites vary considerably in size and the nature of the waste landfilled. However all of the 26 sites that contain non inert waste were closed a number of years ago (between 18 and 40+ years ago). This means they predate current site engineering methods.

The Council spends in the region of £0.400m per annum monitoring sites and carrying out any minor remedial works required.

Modern Sites Engineering

Modern landfill sites are engineered into cells, which are used as a mechanism to contain harmful liquids and gases, and hence minimise the potential for future environmental harm. This site engineering and its regulation of what waste can be landfilled into each cell gives more certainty about how it will degrade and hence the estimate of future costs.

This is not the case in older sites (such as those for which the Council is responsible) and as they are not engineered it makes any future costs extremely difficult to estimate.

Older Sites

Not only are the sites for which the Council is responsible not engineered, in many cases they operated before detailed regulations were in place. The Council is therefore unsure as to exactly what type and volume of waste they contain. This makes it very difficult to estimate when they will become dormant and when monitoring can cease. It also makes it difficult to estimate any likely future remedial costs required.

Financial provisions for landfills were not required until 1994 by the Environmental Protection Act and this was not fully enshrined into law for pre existing sites until 2001. Sites that were operational in July 2001 (and those since) were required under the Landfill Directive to make financial provisions for aftercare, which were assessed as part of the permit process. There is therefore, no legal requirement for a financial provision for older sites. Current financial provision methodology is by its nature based on the more recent engineered sites and is not applicable to older sites.

Site Management

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

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31st March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers, a firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, for the LGPS a 0.1% increase in the discount rate assumption would result in a decrease in the net pension deficit of £23.514m, a 0.1% increase in inflation would result in an increase of £23.949m in the net pension deficit and a 1 year increase in life expectancy would increase net deficit by £24.375m. For the Fire Pension Schemes a 0.1% increase in the discount rate assumption would result in a decrease in the net pensions deficit of £3.184m and a 1 year increase in life expectancy would result in an increase of £3.267m in the net pensions deficit.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to deliver the backlog maintenance programme following the condition surveys recently undertaken, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for operational buildings would increase by £0.9m for every year that useful lives had to be reduced.

Provisions

Equal Pay

The Council has a provision of £2.371m at 31st March 2014 for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount.

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty continued

Insurance

The insurance provision represents the sum estimated to meet motor, employers liability, public liability and education related fire claims identified and also claims incurred. The estimate is based on the advice of consulting actuaries – Marsh Risk Consulting. The provision is estimated at £6.277m at 31st March 2014. If the estimate of the insurance provision was underestimated by 10% then the charge to the accounts would increase by £0.628m.

Business Rates

Since the introduction of Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have challenged up to 31st March 2014. The Council's provision for the Business Rates appeals is based on a 10% share of the provision calculated by each of the six District Councils in Cumbria. The provision as at 31st March 2014 is £2.974m, if the District Councils had either under or over estimated their provisions by 10% then the Council provision would be increased or decreased respectively by £0.297m.

4. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Directorates, which are prepared on a different basis from the accounting policies used in the financial statements.

The net revenue position at 31st March 2014 is summarised in the Explanatory Foreword (Table 1) and this shows net expenditure of £413.084m (£344.660m in 2012/13). This is expanded in the segmental analysis over the page showing the subjective analysis (the main categories of income and expenditure) by Directorate.

The main changes between the years in the Net Expenditure (directorate) subjective analysis are:

- Reduced Total Income from 2012/13 of £53.241m reflecting the reclassification of specific grants as general grants
- Reduced Interest and Investment Income of £1.562m from 2012/13.
- Increased Employee costs of £3.970m from 2012/13. Taking just direct salary costs these have reduced from £356.912m in 2012/13 to £355.264m in 2013/14. The overall increase relates to the increase in the cost of exit packages in 2013/14.
- Overall running expenses reduced by £3.771m from 2012/13.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

4. Amounts Reported for Resource Allocation Decisions continued

The income and expenditure of the Council's principal Directorates recorded in the budget monitoring reports for the year is as follows:

2013/14 Segmental Reporting

Directorate income and expenditure 2013/14	Children's Services £000	Adults and Local Services £000	Environment £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executive £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(18,908)	(58,831)	(8,272)	(224)	(109)	(1,144)	(4,438)	(995)	(92,921)
Other income	(2,976)	(11,046)	(930)	(666)	(61)	(72)	(608)	40	(16,319)
Internal income	(5,640)	(51)	(15,996)	(1,621)	0	(925)	(640)	(969)	(25,842)
Interest & Investment Income	(54)	0	(1)	0	0	0	(53)	(3,245)	(3,353)
Service Specific Grant income	(275,605)	(499)	(2,473)	0	0	(12,308)	(2,990)	(673)	(294,548)
Total Income	(303,183)	(70,427)	(27,672)	(2,511)	(170)	(14,449)	(8,729)	(5,842)	(432,983)
Employee costs	248,257	68,051	20,661	19,484	106	5,166	17,699	9,357	388,781
Interest Payable	0	0	13,634	1,321	0	0	0	14,262	29,217
Precepts Paid	0	0	0	0	0	0	0	777	777
Running expenses	139,158	142,194	91,479	7,383	13,605	13,727	29,969	(10,223)	427,292
Total Expenditure	387,415	210,245	125,774	28,188	13,711	18,893	47,668	14,173	846,067
Net Expenditure	84,232	139,818	98,102	25,677	13,541	4,444	38,939	8,331	413,084

Reconciliation of directorate income & Expenditure to Cost of Services in CI&ES	2013/14	
	£000	£000
Net expenditure in directorate analysis above		413,084
<u>Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES</u>		
Trading accounts Premises - included in Resources	(182)	
Trading accounts Port of Workington - included in Environment	(1,081)	
Precepts - included in Other Corporate	(777)	
Property Disposal Costs	(81)	
Interest received	3,300	
Interest paid included in CoS transferred to Financing & Investment Income	(14,262)	
PFI Interest paid included in CoS to Financing & Investment Income	(14,955)	
Investment property income from CoS to Financing & Investment Income	53	
Investment property expenditure from CoS to Financing & Investment Income	(36)	(28,021)
<u>Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES</u>		
PFI Principal (MRP) included in CoS moved to MIRS	286	
Pooled Budget adjustment - Income	13,329	
Pooled Budget adjustment - employee costs	(2,782)	
Pooled Budget adjustment - running exps	(10,547)	
RCCO included above moved to MIRS	(2,338)	
Capital Grants and contributions transferred to capital grants unapplied reserve	(1,628)	(3,680)
<u>Amounts included in Cost of Services not reported to Management</u>		
MRP included above moved to MIRS	(16,358)	
IAS19 Adjustment - past service cost and curtailments	4,024	
IAS19 Adjustment - current service cost	(5,561)	
IAS19 Adjustment - Settlements & Combinations expenditure	860	
IAS19 Adjustment - Settlements & Combinations income	(2,223)	
Employee benefit accrual	(2,064)	
Capital charges	35,260	
Revaluation (gains) / losses	15,299	
REFCUS Expenditure	6,612	
REFCUS Grants	(6,612)	29,237
Cost of Services in Comprehensive I&E Statement		410,620

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

4. Amounts Reported for Resource Allocation Decisions continued

2012/13 Segmental Reporting

The 2012/13 Segmental Reporting note has been restated to reflect the changes in respect of IAS19.

Directorate income and expenditure Reported to Management 2012/13	Children's Services £000	Adults and Local Services £000	Environment £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(17,230)	(45,595)	(8,077)	(573)	(73)	(2,458)	(5,703)	(736)	(80,446)
Other income	(4,429)	(17,712)	(2,123)	(3,137)	(37)	(190)	(1,067)	112	(28,582)
Internal income	(6,240)	(66)	(16,344)	0	0	951	(7,900)	(888)	(30,486)
Interest & Investment Income	(71)	0	(1)	0	0	0	(100)	(4,743)	(4,915)
Service Specific Grant income	(272,089)	(985)	(2,105)	(222)	(44)	(4)	(2,962)	(651)	(279,063)
General Grants	0	0	0	0	0	0	0	(62,732)	(62,732)
Total Income	(300,058)	(64,359)	(28,651)	(3,933)	(154)	(1,701)	(17,732)	(69,637)	(486,224)
Employee costs	245,928	65,487	20,208	19,514	75	3,302	21,164	9,132	384,811
Interest Payable	0	0	0	0	0	0	0	14,253	14,253
Precepts Paid	0	0	0	0	0	0	0	757	757
Running expenses	132,567	145,665	110,397	9,278	14,915	2,196	29,110	(13,066)	431,063
Total Expenditure	378,495	211,153	130,606	28,793	14,990	5,498	50,274	11,076	830,884
Net Expenditure	78,437	146,794	101,955	24,860	14,836	3,797	32,542	(58,561)	344,660

Reconciliation of directorate income & Expenditure to Cost of Services in CI&ES	Restated 2012/13 £000	£000
Net expenditure in directorate analysis above		344,660
<u>Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES</u>		
Trading accounts Premises - included in Resources	733	
Trading accounts Port of Workington - included in Environment	(1,711)	
Precepts - included in Other Corporate	(757)	
Interest received	4,860	
Interest paid included in CoS transferred to Financing & Investment Income	(14,253)	
PFI Interest paid included in CoS to Financing & Investment Income	(12,222)	
Investment property income from CoS to Financing & Investment Income	55	
Investment property expenditure from CoS to Financing & Investment Income	(34)	
General Grants included above	62,732	39,403
<u>Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES</u>		
PFI Principal (MRP) included in CoS moved to MIRS	(623)	
Pooled Budget adjustment - Income	12,446	
Pooled Budget adjustment - employee costs	(2,309)	
Pooled Budget adjustment - running exps	(10,137)	
RCCO included above moved to MIRS	(1,014)	
Capital Grants and contributions transferred to capital grants unapplied reserve	(1,349)	(2,986)
<u>Amounts included in Cost of Services not reported to Management</u>		
MRP included above moved to MIRS	(15,720)	
IAS19 Adjustment - past service cost and curtailments	1,288	
IAS19 Adjustment - current service cost	(8,958)	
IAS19 Adjustment - Settlements & Combinations expenditure	9,166	
IAS19 Adjustment - Settlements & Combinations income	(10,686)	
Employee benefit accrual	(30)	
Capital charges	34,732	
Revaluation (gains) / losses	23,534	
REFCUS Expenditure	11,774	
REFCUS Grants	(11,774)	
Other post provisional outturn adjustments	(454)	32,872
Cost of Services in Comprehensive I&E Statement		413,949

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

4. Amounts Reported for Resource Allocation Decisions continued

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The reconciliation below shows how the figures in the analysis of Net Expenditure -Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

The budget reports and Directorate analysis are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

Restated 2012/13 £000	Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)	2013/14 £000
344,660	Net expenditure in the Directorate Income & Expenditure Reported to Management	413,084
39,403	Amounts included in Directorate Income & Expenditure reported to Management reported below Cost of Services in CIES	(28,021)
384,063	Sub Total	385,063
(2,986)	Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES	(3,680)
32,872	Amounts included in Cost of Services not reported to Management	29,237
413,949	Cost of Services in Comprehensive Income and Expenditure Statement	410,620

In 2012/13 General Grants of £62.732m were included in the £344.660m Net Directorate Income and Expenditure Reported to Management. For the Comprehensive Income and Expenditure Account they are reported "below the line" in the Taxation and Non Specific Grant Income.

In 2013/14 General Grants were reclassified during the year and reported to management as part of Total Financing and hence reported directly "below the line" in the Comprehensive Income and Expenditure Statement. This explains the significant difference in both these figures between 2012/13 and 2013/14.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

4. Amounts Reported for Resource Allocation Decisions continued

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of Directorate Income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14 Subjective Analysis

Subjective Analysis 2013/14	Directorate Income & Expenditure Reported to Management £000	Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES £000	Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES £000	Amounts included in Cost of Services not reported to Management £000	Cost of Services - Sub Total £000	Amounts Reported Below Cost of Services in CIES £000	(Surplus) or deficit on the provision of services £000
Fees, charges and other service income	(109,240)	7,972	13,329	(2,223)	(90,162)	(1,710)	(91,872)
Interest and investment income	(3,353)	3,353	0	0	0	(3,317)	(3,317)
Income from Council Tax	0	0	0	0	0	(186,479)	(186,479)
Government grants and contributions	(294,548)	135	0	(6,612)	(301,025)	(271,391)	(572,416)
Total Income	(407,141)	11,460	13,329	(8,835)	(391,187)	(462,897)	(854,084)
Employee expenses	388,781	(869)	(2,782)	(2,741)	382,389	869	383,258
Other service expenses (less Internal income)	401,450	(8,618)	(14,227)	(9,746)	368,859	2,238	371,097
Depreciation and amortisation	0	0	0	35,260	35,260	0	35,260
Revaluation (gains)/losses	0	0	0	15,299	15,299	0	15,299
Interest payable	29,217	(29,217)	0	0	0	54,726	54,726
Precepts and levies	777	(777)	0	0	0	777	777
IAS19 Administration Expenses	0	0	0	0	0	743	743
Gain or loss on disposal of non current assets	0	0	0	0	0	42,501	42,501
Total Expenditure	820,225	(39,481)	(17,009)	38,072	801,807	101,854	903,661
(Surplus) or deficit on the provision of services	413,084	(28,021)	(3,680)	29,237	410,620	(361,043)	49,577
(Surplus) or deficit on the provision of services from CI&ES					410,620	(361,043)	49,577

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

4. Amounts Reported for Resource Allocation Decisions continued

2012/13 Subjective Analysis

The 2012/13 subjective analysis has been restated to reflect the prior period adjustment in respect of IAS19 (note 47 refers). The format has also been amended to ensure the movement from provisional outturn to Comprehensive Income & Expenditure Statement is more transparent.

Restated Subjective Analysis 2012/13	Directorate Income & Expenditure Reported to Management £000	Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES £000	Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES £000	Amounts included in Cost of Services not reported to Management £000	Cost of Services - Sub Total £000	Amounts Reported Below Cost of Services in CIES £000	(Surplus) or deficit on the provision of services £000
Reconciliation to subjective analysis							
Fees, charges and other service income	(109,030)	3,767	12,446	(578)	(93,395)	(3,767)	(97,163)
Interest and investment income	(4,915)	4,915	0	0	0	(4,880)	(4,880)
Income from council tax	0	0	0	0	0	(206,952)	(206,952)
Government grants and contributions	(341,794)	62,732	0	(11,774)	(290,836)	(268,361)	(559,197)
Total Income	(455,739)	71,414	12,446	(12,352)	(384,231)	(483,960)	(868,192)
Employee expenses	384,811	(6,870)	(2,309)	1,466	377,099	6,523	383,622
Other service expenses (less Internal income)	400,578	(10,131)	(13,123)	(14,508)	362,816	(1,779)	361,037
Depreciation, amortisation and impairment	0	0	0	34,732	34,732	0	34,732
Revaluation (gains)/losses	0	0	0	23,534	23,534	0	23,534
Interest Payable	14,253	(14,253)	0	0	0	50,801	50,801
Precepts and levies	757	(757)	0	0	0	757	757
IAS19 Administration Expenses	0	0	0	0	0	576	576
Gain or loss on disposal of non current assets	0	0	0	0	0	45,427	45,427
Total Expenditure	800,399	(32,011)	(15,432)	45,224	798,181	102,305	900,486
(Surplus) or deficit on the provision of services	344,660	39,403	(2,986)	32,872	413,949	(381,655)	32,294
(Surplus) or deficit on the provision of services from CI&ES					413,949	(381,655)	32,294

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

5. Material Items of Income and Expense

The Council has considered items within the Comprehensive Income and Expenditure Statement and the following payments to contractors are included but have not been disclosed separately.

- Shanks Waste Management Ltd of £25.432m which comprises £19.770m unitary charge and £5.662m for services (2012/13 total £25.171m, £18.584m unitary charge and £6.587m for services) in respect of the Public Private Partnership for Waste Management.
- Connect CNDR Ltd of £13.292m (2012/13 £12.489m) in respect of the Carlisle Northern Development Route PFI scheme.

The Council received grant income for the funding of 16 to 18 year olds in Further Education colleges of £10.097m (2012/13 £11.656m) which was paid out in the year to those colleges.

The Council received income from Cumbria Clinical Commissioning Group in respect of the Joint Commissioning Pooled Budget. Note 13 sets out pooled budget arrangements.

6. Exceptional Item

In 2013/14 as part of the Council's IAS19 calculations for the Local Government Pension Scheme the Actuary has made an allowance for the transfer of staff to Academies (2 Academies in 2013/14 and 4 in 2012/13) during the year. The initial effect at the date of transfer is shown as "Settlements" in the LGPS assets and liabilities in note 42.

In 2012/13 an allowance was also made for the closure of the ICT contract with Agilisys and the transferring of the pension assets and liabilities to the Council. The initial effect of this transfer is shown in the two "Business Combination" figures in the LGPS assets and liabilities in note 42. These were disclosed as an Exceptional Item in the Comprehensive Income and Expenditure Statement.

2012/13 £000		2013/14 £000
	<u>Transfer of staff from the Council to Academies and Orian Solutions Ltd</u>	
444	Settlement – assets	860
(1,473)	Settlement – liabilities	(2,223)
(1,029)		(1,363)
	<u>Transfer of staff to the Council</u>	
(9,213)	Business Combinations – assets	0
8,722	Business Combinations - liabilities	0
(491)		0

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

7. Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

Restated 2012/13 £000	Other Operating Expenditure	2013/14 £000
757	Precepts	777
45,427	(Gains)/losses on the disposal of non current assets	42,501
576	IAS 19 Admin Expenses	743
46,760	Total	44,021

The net loss on disposal £42.501m relates primarily to the transfer of Whitehaven School (£17.4m), at no consideration, which became an Academy and a new school which was built for Furness Academy (£22.6m) during the year. Pennybridge School also became an Academy during the year, however as it was a Voluntary Aided School it was only included on the Council's Balance Sheet at a value of £1.

In 2012/13, the net loss on disposal of £45.427m related primarily to the losses from transfer of schools which became Academies during the year (£46.305m). These losses were offset by gains on disposal.

8. Financing and Investment Income and Expenditure

Financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement.

Restated 2012/13 £000	Financing and Investment Income and Expenditure	2013/14 £000
26,474	Interest payable and similar charges	29,218
24,326	Pensions interest cost and expected return on pensions assets	25,508
978	Net deficit on trading operations	1,263
(1,814)	Interest receivable and similar income	(1,300)
(21)	Income and expenditure in relation to investment properties	(17)
(3,045)	Investment Income	(2,000)
46,898	Total	52,672

The majority of the increase in interest payable is as a result of the PFI/PPP interest charges increasing from £12.222m in 2012/13 to £14.955m in 2013/14 as the final PFI asset (Workington Fire Station) was brought into use (see note 22 for further details). Further details on the Pension interest cost and return on pension assets can be found in note 42. Interest receivable has decreased as a result of the prevailing poor interest rate returns. The investment income for 2013/14 is the ordinary share dividends received from Cumbria County Holdings Ltd. In 2012/13 the investment income is ordinary and preference share dividend from, Cumbria Waste Management Ltd.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

9. Taxation and Non Specific Grant Income

Taxation and non specific grant income included in the Comprehensive Income and Expenditure Statement.

2012/13 £000	Taxation and Non Specific Grant Income	2013/14 £000
206,952	Council tax income	186,479
145,058	Non domestic rates / Retained Business Rates	16,243
65,643	Non ring fenced government grants	211,043
57,660	Capital grants and contributions	43,971
475,313	Total	457,736

In 2013/14 there were a number of changes to the way Local Government was funded. The six District Councils in Cumbria introduced their own Local Council Tax Support Schemes (LCTSS) which replaced the existing Council Tax Benefit schemes. The Schemes introduced discounts to Council Tax payers, which resulted in an overall reduction in the Council tax base and hence Council Tax income. Recognising this reduction Government provided a non-ring fenced government grant, included within RSG, of £23.020m to fund 90% of the expected reduction in Council Tax Income. To fund the remaining 10% reduction District Councils were able to implement changes to other Council Tax discounts, for example, reduced second homes discounts and reduced discounts for empty properties to potentially fund the gap. Council Tax income for 2013/14 was £20.473m less than in 2012/13.

The Business Rate Retention Scheme was also introduced in 2013/14 under which, rather than receiving a proportion of the National Non Domestic Rate (NNDR) income (£145.058m in 2012/13) the Council instead receives a Top up grant (£59.225m), retains 10% of business rates raised in Cumbria (£16.243m) and received additional Revenue Support Grant (£116.670m).

The increased Revenue Support Grant (RSG) for 2013/14 is also due to a number of non-ring fenced government grants being rolled directly into RSG. This includes Learning Disabilities Grant and Early Intervention Grant.

Overall the level of taxation and Non Specific Grant Income for 2013/14 was £17.577m less than in 2012/13.

CUMBRIA COUNTY COUNCIL

SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

10. Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14 Movement in Reserves Statement

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	0	(625,704)	(533)	2,614	(10,269)	1,008	126,601
Movement in Reserves during 2013/14																
Surplus/(deficit) on the provision of services	(49,577)	0	0	0	0	0	(49,577)	0	0	0	0	0	0	0	0	(49,577)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(2,091)	0	0	147,923	12	0	0	145,844	145,844
Total Comprehensive Income and Expenditure	(49,577)	0	0	0	0	0	(49,577)	(2,091)	0	0	147,923	12	0	0	145,844	96,267
Adjustments between accounting basis and funding basis under regulations (Note 10)																
Reversal of items debited / credited to CI&E statement																
Depreciation of non current assets	31,294	0	0	0	0	0	31,294	0	(31,294)	0	0	0	0	0	(31,294)	0
Depreciation and impairment of Intangible assets	3,966	0	0	0	0	0	3,966	0	(3,966)	0	0	0	0	0	(3,966)	0
Net Revaluation (Gains) / Losses on Property, Plant & Equipment	15,299	0	0	0	0	0	15,299	0	(15,299)	0	0	0	0	0	(15,299)	0
Revenue Expenditure Funded from Capital Under Statute	6,612	0	0	0	0	0	6,612	0	(6,612)	0	0	0	0	0	(6,612)	0
Grants on revenue expenditure funded from capital under statute	(6,612)	0	0	0	0	0	(6,612)	0	6,612	0	0	0	0	0	6,612	0
Net (Gains) and losses on disposal of non current assets	42,419	0	0	4,417	0	0	46,836	0	(46,836)	0	0	0	0	0	(46,836)	0
Insertion of items not debited / credited to CI&E statement																
Minimum Revenue Provision	(16,072)	0	0	0	0	0	(16,072)	0	16,072	0	0	0	0	0	16,072	0
Capital expenditure charged to the general fund balance	(2,338)	0	0	0	0	0	(2,338)	0	2,338	0	0	0	0	0	2,338	0
Other adjustments																
Collection fund adjustment account	2,157	0	0	0	0	0	2,157	0	0	0	0	0	(2,157)	0	(2,157)	0
Accumulated Absences Adjustment	(2,064)	0	0	0	0	0	(2,064)	0	0	0	0	0	0	2,064	2,064	0
Employers contributions payable to pension funds	(43,784)	0	0	0	0	0	(43,784)	0	0	0	43,784	0	0	0	43,784	0
IAS 19 retirement benefit charges	67,135	0	0	0	0	0	67,135	0	0	0	(67,135)	0	0	0	(67,135)	0
Receipts used in financing	0	0	0	(2,786)	0	0	(2,786)	0	2,786	0	0	0	0	0	2,786	0
Capital Grants Unapplied - used in financing	(43,971)	0	0	0	(575)	0	(44,546)	0	44,546	0	0	0	0	0	44,546	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(6,199)	6,199	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,007)	3,007	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (Note 10)	54,041	0	0	1,631	(575)	0	55,097	(9,206)	(22,447)	0	(23,351)	0	(2,157)	2,064	(55,097)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	4,464	0	0	1,631	(575)	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267
Transfers (to) Earmarked Reserves (Note 39.1)	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves (Note 39.1)	29,457	(29,457)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to) Capital Grants & Contributions Unapplied Reserves (Note 39.3)	(1,628)	0	0	0	1,628	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2013/14	0	2,836	0	1,631	1,053	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267
Balance at 31st March 2014	15,133	95,900	5,324	9,027	2,916	2,813	131,113	133,243	467,913	0	(501,132)	(521)	457	(8,205)	91,755	222,868

CUMBRIA COUNTY COUNCIL

SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

10. Adjustments Between Accounting Basis and Funding Basis under Regulations continued

2012/13 Movement in Reserves Statement

The Movement in Reserves Statement has been restated to reflect the changes in IAS19. Note 47 sets out the detailed changes.

Restated 2012/13	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31st March 2012	15,756	82,940	5,321	5,781	1,183	2,813	113,794	146,823	514,166	134	(513,534)	(545)	1,535	(10,299)	138,279	252,073
Movement in Reserves during 2012/13																
Surplus/(deficit) on the provision of services	(32,294)	0	0	0	0	0	(32,294)	0	0	0	0	0	0	0	0	(32,294)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(93,179)
Total Comprehensive Income and Expenditure	(32,294)	0	0	0	0	0	(32,294)	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(125,473)
Adjustments between accounting basis and funding basis under regulations (Note 10)																
Reversal of items debited / credited to CI&E statement																
Depreciation of non current assets	30,881	0	0	0	0	0	30,881	0	(30,881)	0	0	0	0	0	(30,881)	0
Depreciation and impairment of Intangible assets	3,851	0	0	0	0	0	3,851	0	(3,851)	0	0	0	0	0	(3,851)	0
Net Revaluation (Gains) and Losses on Property, Plant & Equipment	23,534	0	0	0	0	0	23,534	0	(23,534)	0	0	0	0	0	(23,534)	0
Revenue Expenditure Funded from Capital Under Statute	11,774	0	0	0	0	0	11,774	0	(11,774)	0	0	0	0	0	(11,774)	0
Grants on Revenue expenditure funded from capital under statute	(11,774)	0	0	0	0	0	(11,774)	0	11,774	0	0	0	0	0	11,774	0
Net (Gains) and losses on disposal of non current assets	45,295	0	0	5,309	0	0	50,604	0	(50,604)	0	0	0	0	0	(50,604)	0
Insertion of items not debited / credited to CI&E statement																
Minimum Revenue Provision	(16,343)	0	0	0	0	0	(16,343)	0	16,343	0	0	0	0	0	16,343	0
Capital expenditure charged to the general fund balance	(1,014)	0	0	0	0	0	(1,014)	0	1,014	0	0	0	0	0	1,014	0
Other adjustments																
Collection fund adjustment account	(1,079)	0	0	0	0	0	(1,079)	0	0	0	0	0	1,079	0	1,079	0
Accumulated Absences Adjustment	(30)	0	0	0	0	0	(30)	0	0	0	0	0	0	30	30	0
Employers contributions payable to pension funds	(40,601)	0	0	0	0	0	(40,601)	0	0	0	40,601	0	0	0	40,601	0
IAS 19 retirement benefit charges	56,313	0	0	0	0	0	56,313	0	0	0	(56,313)	0	0	0	(56,313)	0
Receipts used in financing	0	0	0	(3,694)	0	0	(3,694)	0	3,694	0	0	0	0	0	3,694	0
Capital Grants Unapplied - used in financing	(57,660)	0	0	0	(669)	0	(58,329)	0	58,329	0	0	0	0	0	58,329	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(2,691)	2,691	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(2,993)	2,993	0	0	0	0	0	0	0
2010/11 Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (Note 10)	43,147	0	0	1,615	(669)	0	44,093	(5,684)	(23,806)	0	(15,712)	0	1,079	30	(44,093)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	10,853	0	0	1,615	(669)	0	11,799	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(125,473)
Transfers (to) Earmarked Reserves	(32,898)	32,898	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	22,774	(22,774)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves	(3)	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves	(1,349)	0	0	0	1,349	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2012/13	(623)	10,124	3	1,615	680	0	11,799	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(125,473)
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	0	(625,704)	(533)	2,614	(10,269)	1,008	126,601

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

11. Acquired and Discontinued Operations

Public Health Services transferred to the Council on the 1st April 2013. The Health and Social Care Act 2012 abolished Primary Care Trusts and replaced them with Clinical Commissioning Groups (CCG). One of the key outcomes of this move was the transfer of Public Health responsibilities to Local Authorities. To support the commissioning of Public Health services the Council received £14.176m for 2013/14 increasing to £15.594m for 2014/15 as a specific ring fenced grant. This allows the Council to secure services to prevent disease, prolong life and promote health, which are all fully funded by the grant and there is no impact on the Council's surplus or deficit on the provision of services.

The transfer of schools to Academy status continued with 2 schools (4 in 2012/13) converting during the year, this resulted in a reduction in gross income of £2.239m and expenditure of 1.975m. This transfer of responsibility also resulted in a reduction of £40m in the net book value of land, buildings and equipment recorded on the Balance Sheet.

The transfer of the Premises Unit to Orian Solutions Ltd occurred on 1st April 2013.

12. Trading Operations

The Council operates a number of trading units that undertake work on behalf of the Council and for outside bodies, subject to Government regulations on external trading.

In 2012/13, the main areas of trading took place in the following directorates:

- Environment Directorate which operates the Port of Workington.
- Resources Directorate where the Premises Unit provides cleaning and catering services.

On 1st April 2013 the Premises Unit was transferred to Orian Solutions Ltd, there were some residual transactions in 2013/14.

	Premises		Port of Workington		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Income from charges	(1,947)	(140)	(1,819)	(1,705)	(3,766)	(1,845)
Internal Income	(7,169)	(98)	0	0	(7,169)	(98)
	(9,116)	(238)	(1,819)	(1,705)	(10,935)	(1,943)
Expenditure	8,372	409	1,531	1,916	9,903	2,325
Depreciation	11	11	787	870	798	881
Revaluation Losses	0	0	1,212	0	1,212	
(Surplus) / Deficit	(733)	182	1,711	1,081	978	1,263

13. Pooled Budgets

Within Adult and Children's Social Care, there are occasions where the needs of service users cannot be met in full from within the Council. In particular, there is a need to work with the Cumbria Clinical Commissioning Group (Cumbria CCG) as well as the Police and Probation services. The Council has entered into a number of arrangements with these agencies to ensure proper care is provided in a coordinated manner. These arrangements are known as 'Pooled Funds' and the Council and these agencies contribute to the costs of care. Grants are also received from Government.

Surpluses and deficits are shared in accordance with the agreements made with the agencies and the Council's share of overall surpluses or deficits are credited or charged to Adult and Local Services and Children's Services.

Youth Offending Service

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

The Council operates three pooled funds (detailed below) in partnership with NHS Cumbria under section 75 of the Health Act 2006. All three funds are hosted by the Council.

Learning Disabilities Pooled Fund

The purpose of the pool is to arrange for the commissioning and provision of services to improve general wellbeing and life chances of adults with a learning disability.

Integrated Community Equipment Services

The Integrated Community Equipment Service (ICES) provides a stock management and delivery service for occupational therapy equipment used in the community across health and social care.

Locality

The Locality pooled fund includes Generic Care, Intermediate Care and Prevention services. Six district based Health and Social Care Joint Management teams use funds flexibly across these three services to develop local services that maintain the independence of (predominantly) older people, by helping them to stay at home for longer, preventing admission to hospital and assisting discharge from hospital.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

13. Pooled Budgets continued

The Council's share of the results of each of the above Pooled funds is:

2013/14	Youth Offending Service	Learning Disability Pooled Fund	Integrated Community Equipment Services	Locality
Pooled Funds	£000	£000	£000	£000
<u>Income</u>				
Cumbria County Council	(619)	(40,558)	(298)	(3,632)
Cumbria CCG	(145)	(7,799)	(298)	(3,587)
Police Authority Home Office Grant	(59)	0	0	0
Cumbria Police Service	(153)	0	0	0
Cumbria Probation Service	(117)	0	0	0
	(1,093)	(48,357)	(596)	(7,219)
<u>Expenditure</u>	921	49,147	614	7,655
(Surplus)/Deficit for year	(172)	789	18	436
Council's share of (surplus)/deficit	(172)	662	9	238

2012/13	Youth Offending Service	Learning Disability Pooled Fund	Integrated Community Equipment Services	Locality
Pooled Funds	£000	£000	£000	£000
<u>Income</u>				
Cumbria County Council	(588)	(39,776)	(468)	(4,124)
Cumbria CCG	(145)	(7,918)	(184)	(3,789)
Police Authority Home Office Grant	(57)	0	0	0
Cumbria Police Service	(153)	0	0	0
Cumbria Probation Service	(117)	0	0	0
	(1,060)	(47,694)	(652)	(7,913)
<u>Expenditure</u>	1,072	48,094	735	7,871
(Surplus)/Deficit for year	12	400	83	(42)
Council's share of (surplus)/deficit	12	334	59	(20)

14. Members' Allowances

Allowances and expenses paid to elected Members (Councillors) during 2013/14 were:

2012/13	Type of Allowance	2013/14
£000		£000
671	Basic Allowances	670
262	Special Responsibility Allowance	251
124	Expenses	138
1,057		1,059

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

CUMBRIA COUNTY COUNCIL

SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

15. Officers' Remuneration

The Accounts and Audit Regulations 2011 extended the disclosure requirements for Officer's remuneration. The requirements provide greater transparency in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. Senior officers include the Chief Executive, Corporate Directors, the Monitoring Officer and the Chief Finance Officer whose post titles are Assistant Director - Legal and Democratic Services and Assistant Director - Finance respectively. The remuneration paid to the Council's senior employees (as members of Corporate Management Team) is shown in the table on the next page.

Definitions

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

Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2013/14 the Council's mileage rate was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2013/14.

Employer's Current Service Pension Contribution - LGPS 12.9%, Firefighters' Pension Scheme 21.3% - on continuing employment and in relation to the salary thereof.

Under the terms of the LGPS, officers who, with the agreement of the employer, retire on the grounds of efficiency of the service or voluntary redundancy and are over the age of 55 are statutorily entitled to access their pension. As a result of retiring in advance of the statutory retirement age, there is a cost charged from the Pension Fund to the Council, is known as "pension strain". The Council in determining the contribution rate to the Pension Fund at the last actuarial fund valuation in 2011 decided to pay additional contributions to provide for the expected increase in pension strain payable implementing a voluntary redundancy and efficiency programme across the Council. Therefore the pension strain costs in 2013/14 had been provided for. This was part of the strategic budget planning approach set in the context of £88m savings in the period 2011 to 2014.

A restructure of the Extended Leadership Team commencing with the Chief Executive and other members of the Corporate Management Team started in April 2013. The new Extended Leadership structure was agreed by Chief Officers Panel in October 2013.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

2013/14 Senior Officers' Remuneration

Post Title	Name	Salary £	Payment upon Termination of Employment £	Total Remuneration excluding pension contributions £	Employer's contributions (including Pension Strain) to Pension Fund £	Total Remuneration including pension contributions £
Chief Executive (to 16/5/13)	Jill Stannard (note 1)	26,079	87,500	113,579	297,446	411,025
Chief Executive (from 17/5/13)	Diane Wood (note 2)	122,312	0	122,312	15,778	138,090
Corporate Director – Resources (to 16/5/13)	Diane Wood	16,180	0	16,180	2,087	18,267
Corporate Director – Resources (from 10/6/13)	Dominic Donnini (note 3)	101,042	0	101,042	13,034	114,076
Corporate Director – Adults & Local Services (to 30/11/13)	Richard Parry (note 4)	83,333		83,333	10,750	94,083
Corporate Director – Health & Care Services (from 1/12/13)	Richard Parry	41,667	0	41,667	5,375	47,042
Corporate Director – Environment (to 30/11/13)	Jim Savege (note 4)	83,333		83,333	10,750	94,083
Corporate Director – Environment & Community Services (from 1/12/13)	Jim Savege	41,667	0	41,667	5,375	47,042
Corporate Director – Safer & Stronger (to 31/10/13)	Dominic Harrison (note 5)	93,933	70,000	163,933	16,424	180,357
Corporate Director – Children's Services	Julia Morrison (note 6)	125,000	87,384	212,384	16,125	228,509
Acting Corporate Director – Children's Services (from 7/11/13)	John Macilwraith (note 7)	48,611	0	48,611	5,692	54,303
Assistant Director - Finance	Julie Crellin	90,000	0	90,000	11,610	101,610
Assistant Director – Legal & Democratic Services (to 12/9/13)	Angela Harwood (note 8)	50,019	45,200	95,219	5,225	100,444
Monitoring Officer (interim arrangements)	Caroline Elwood (note 9)	50,010	0	50,010	0	50,010
Monitoring Officer (interim arrangements)	Debbie Storr (note 10)	5,509	0	5,509	0	5,509
Acting Director – Public Health	Rebecca Wagstaff (note 11)	109,280	0	109,280	13,979	123,259
		1,087,975	290,084	1,378,059	429,650	1,807,709

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

2013/14 Senior Officers' Remuneration continued

Notes

1. Jill Stannard left post on 16/5/13, the annualised salary in 2013/14 was £170,000.
2. Diane Wood was appointed Acting Chief Executive from 17/5/13 and permanently appointed to the post from 11/9/13, the annualised salary is £140,000.
3. Dominic Donnini was appointed Acting Corporate Director Resources from 10/6/13 and appointed permanently on 9/12/13, the annualised salary is £125,000.
4. Richard Parry and Jim Savege were appointed to the posts of Corporate Director – Health & Care Services and Corporate Director – Environment & Community Services with effect from 1/12/13.
5. Dominic Harrison received an additional £4,190 salary arising from the evaluation of his post by the Chief Officer Panel on 27/6/13. The annual salary was increased from £117,817 to £125,000 with effect from 1/9/12. Mr Harrison left his post on 31/10/13, the annualised salary was £125,000.
6. Julia Morrison was the Corporate Director – Children's Services for the full year 2013/14. She left her post on 30/4/14.
7. John Macilwraith was acting Corporate Director – Children's Services from 7/11/13 to cover for a period of absence of the Corporate Director from 7/11/13 to 31/3/14.
8. Angela Harwood was the Assistant Director Legal & Democratic Services and the Council's Monitoring Officer until she left her post on 12/9/13, the annualised salary was £90,000. During her periods of absence in the year appropriate cover arrangements were put in place.
9. Caroline Elwood was appointed Interim Assistant Director Legal & Democratic Services from 4/2/13 and acted as Monitoring Officer for the period 1/4/13 to 23/4/13, 12/9/13 to 9/12/13 and 3/2/14 to 31/3/14.
10. Debbie Storr (from South Lakeland District Council) acted as the Monitoring Officer for the period 10/12/13 to 2/2/14. Payment was made to South Lakeland District Council.
11. Rebecca Wagstaff was appointed Acting Director of Public Health from 1/4/13 when the Council took over the responsibility for Public Health Services and this position was introduced.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

15. Officers' Remuneration continued

2012/13 Senior Officers' Remuneration

Post Title	Name	Salary £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Employer's contributions (including Pension Strain) to Pension Fund £	Total Remuneration including pension contributions £
Chief Executive	Jill Stannard	170,000	0	170,000	21,930	191,930
Corporate Director – Resources	Diane Wood	128,062	5	128,067	16,520	144,587
Corporate Director – Adults & Local Services	Richard Parry	125,000	878	125,878	16,125	142,003
Corporate Director – Organisational Development	Jim Savege (note 1)	49,091	0	49,091	6,333	55,424
Corporate Director – Environment	Jim Savege (note 1)	73,117	0	73,117	9,432	82,549
Corporate Director – Safer & Stronger	Dominic Harrison	117,817	0	117,817	25,095	142,912
Corporate Director – Children's Services	Julia Morrison	125,000	0	125,000	16,125	141,125
Assistant Director – Finance	Julie Crellin (note 2)	86,029	0	86,029	11,047	97,076
Assistant Director – Legal & Democratic Services	Angela Harwood (note 3)	90,000	897	90,897	11,610	102,507
Acting Assistant Director – Legal & Democratic Services	Shamin Lindsay (note 5)	27,647	0	27,647	3,309	30,956
Interim Assistant Director – Legal & Democratic Services	Caroline Elwood (note 4)	21,491	0	21,491	0	21,491
		1,013,254	1,780	1,015,034	137,526	1,152,560

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

Notes

1. From 1/9/2012 the number of Directors was permanently reduced from six to five with the merger of Organisational Development and Resources Directorates. Jim Savege (formerly Corporate Director - Organisational Development) was appointed as Corporate Director – Environment from 1/9/2012.
2. Julie Crellin was Acting Assistant Director - Finance for the period 1/4/2012 to 2/12/2012. She was permanently appointed to the post on 3/12/2012.
3. Angela Harwood is the Assistant Director - Legal & Democratic Services and the Council's Monitoring Officer. During her two periods of absence in the year appropriate cover arrangements were put in place.
4. Shamim Lindsay was acting Assistant Director - Legal & Democratic Services for the periods 13/8/2012 to 26/11/2012 and 26/12/2012 to 3/2/2013. The salary for these periods shown in the table above also includes a payment of £2,000 for acting up from her substantive post of Senior Manager – Legal Practice.
5. Caroline Elwood was appointed as interim Assistant Director - Legal & Democratic Services with effect from 4/2/2013.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

15. Officers' Remuneration continued

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

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

There were 26 non-school staff (11 for 2012/13) that were only included in the note as they received payments upon the termination of their employment that brought their total remuneration above £50,000.

	2012/13 Number of Staff			2013/14 Number of Staff		
	School Staff	Other Staff	Total	School Staff	Other Staff	Total
£50,000 - £54,999	103	83	186	100	65	165
£55,000 - £59,999	73	25	98	82	23	105
£60,000 - £64,999	32	2	34	42	18	60
£65,000 - £69,999	10	20	30	11	24	35
£70,000 - £74,999	2	4	6	4	4	8
£75,000 - £79,999	7	3	10	7	1	8
£80,000 - £84,999	3	7	10	1	9	10
£85,000 - £89,999	4	4	8	5	4	9
£90,000 - £94,999	2	3	5	1	3	4
£95,000 - £99,999	1	2	3	1	7	8
£100,000 - £104,999	0	0	0	1	2	3
£105,000 - £109,999	1	0	1	0	1	1
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	1	1
£120,000 - £124,999	1	0	1	0	1	1
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	1	1
	239	153	392	255	164	419

16. Exit Packages and Termination Benefits

Exit Packages

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

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

16. Exit Packages and Termination Benefits continued

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

The total value of exit packages agreed in 2013/14 was £5.365m for 226 employees, an average of £23.7k (£4.402m for 213 employees in 2012/13, an average of £20.6k). The value of exit packages related to schools in 2013/14 was £0.542m for 41 employees (£0.892m for 77 employees in 2012/13).

Schools

Exit package total cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 £'000	2013/14 £'000
£0-£20,000	17	2	54	33	71	35	709	352
£20,001-£40,000	1	0	4	4	5	4	120	85
£40,001-£60,000	0	1	0	1	0	2	0	105
£60,001-£80,000	0	0	1	0	1	0	63	0
Total	18	3	59	38	77	41	892	542

Non-Schools

Exit package total cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 £'000	2013/14 £'000
£0-£20,000	8	0	80	104	88	104	782	972
£20,001-£40,000	0	0	18	38	18	38	461	1,087
£40,001-£60,000	0	0	14	27	14	27	670	1,304
£60,001-£80,000	0	0	9	6	9	6	675	396
£80,001-£100,000	0	0	2	6	2	6	165	538
£100,001-£150,000	0	0	3	3	3	3	406	328
£150,001-£200,000	0	0	2	1	2	1	351	198
Total	8	0	128	185	136	185	3,510	4,824

Total

Exit package total cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 £'000	2013/14 £'000
£0-£20,000	25	2	134	137	159	139	1,491	1,324
£20,001-£40,000	1	0	22	42	23	42	581	1,172
£40,001-£60,000	0	1	14	28	14	29	670	1,409
£60,001-£80,000	0	0	10	6	10	6	738	396
£80,001-£100,000	0	0	2	6	2	6	165	538
£100,001-£150,000	0	0	3	3	3	3	406	328
£150,001-£200,000	0	0	2	1	2	1	351	198
Total	26	3	187	223	213	226	4,402	5,365

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

16. Exit Packages and Termination Benefits continued

Termination Payments

Termination payments to employees include: redundancy payments, payment in lieu of notice, or any other departure payments, but do not include any pension costs. In 2013/14 the termination payments made to employees totalled £3.617m and related to 226 staff.

In 2012/13 payments were made to 187 employees totalling £2.713m, some of these payments were to staff for which exit packages had already been agreed in 2011/12 and a provision made.

17. External Audit Costs

Grant Thornton became the Council's external auditors from 1st October 2012 replacing the Audit Commission. The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and other services provided by the Council's external auditors:

2012/13 £000	External Audit Costs	2013/14 £000
157	Fees payable to the Audit Commission and Grant Thornton with regard to external audit services carried out by the appointed auditor	153
(13)	Rebate on audit fee received from Audit Commission	(21)
10	Fees payable to the Audit Commission and Grant Thornton for the certification of grant claims and returns	5
2	Fees payable in respect of other services (Note 1)	23
156		160

Note 1: In 2012/13 this is made up of £2,375 fees paid to the Audit Commission relating to the National Fraud Initiative (NFI). In 2013/14 this was made up of £3,725 in fees paid to the Audit Commission relating to the NFI and £19,350 paid to Grant Thornton for a Review of Internal Audit.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

18. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund Academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2011. The Schools' Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school

Details of the deployment of DSG receivable for 2013/14 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Total Carry Forward £000
DSG figure as issued by the Department in July 2013 (1)			323,828	
Academy Figure Recouped for 2013/14			(70,661)	
Total DSG After Academy Recoupment for 2013/14			253,167	
Add Brought Forward from 2012/13			5,014	
Less Carry forward to 2014/15 agreed in advance			0	
Agreed initial budgeted distribution in 2013/14	33,149	225,031	258,181	
Add In Year Adjustments 2013/14	0	0	0	
Final Budgeted Distribution for 2013/14	33,149	225,031	258,181	
Less Actual central expenditure	(31,458)			
Less Actual ISB deployed to schools		(222,549)		
Add Council contribution for 2013/14	0	0		
Carry forward to 2014/15	(1,691)	(2,482)		(4,173)
Total Carry Forward				(4,173)

(1) This does not include the Early Years January 2014 adjustment

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

19. Grant Income

Central government has moved to providing more of its funding as non ring fenced general grants rather than specific grants. For example the Troubled Families Grant was a specific grant in 2012/13 however for 2013/14 it is a general grant. An exception to this was the receipt of a new specific grant for Public Health of £14.176m of which £12.307m was utilised in 2013/14 (see Table below) and £1.869m was carried forward to 2014/15 as a Revenue Grant Receipt in Advance (Note 36).

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

- £56,437 Police and Crime Panel Grant from the Home Office in 2013/14 (£32,170 2012/13). This grant is made to Cumbria County Council, as the host authority, for the maintenance of the police and crime panel for the Cumbria police area in 2013/14.
- £40,000 in 2012/13 and 2013/14 towards the salary of Independent Domestic Violence Advisors (IDVA).
- £15,000 in 2012/13 and 2013/14 towards the salary costs of Multi Agency Risk Assessment Conference (MARAC) coordinators that deal with coordination of the different organisations that deals with cases of domestic violence.

Specific grants are credited to services and shown as Gross Income in the Comprehensive Income and Expenditure Account.

The Council received the following specific grants in 2013/14 that were credited to Services.

2012/13 £000	Grants Credited to Services	2013/14 £000
250,589	Dedicated Schools Grant	253,167
6,637	Pupil Premium	9,825
0	Primary PE and Sports Funding	886
11,656	Sixth Form Funding from YPLA	10,097
2,743	Adult & Community Learning	2,491
1,065	Troubled Families Grant	0
1,073	Youth Offending Teams	904
0	Public Health	12,307
32	Police and Crime Panel Grant	56
40	IDVA Grant	40
15	MARAC Grant	15
5,213	Other grants	4,624
11,774	Revenue Expenditure Funded from Capital Under Statute (REFCUS) grants	6,612
290,837	Total Grants Credited to Services	301,024

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

19. Grant Income continued

The Council received the following Non ring fenced Government Grants and Capital Grants and contributions in 2013/14 which were credited to taxation and non specific grant income.

2012/13 £000	Credited to Taxation and Non Specific Grant Income	2013/14 £000
2,912	Revenue Support Grant (RSG)	116,670
0	Top Up Grant	59,225
13,536	PFI Grant	13,536
5,138	Council Tax Freeze Grant 2011/12	0
5,146	Council Tax Freeze Grant 2012/13	0
0	Council Tax Freeze Grant 2013/14	2,099
0	Council Tax Support Scheme – Transitional Grant	619
16,533	Learning Disabilities (rolled into RSG)	0
20,067	Early Intervention Grant (rolled into RSG)	0
903	Extended Rights to Free Travel	685
254	Safer Communities	0
0	Local Lead Flood Authority	178
0	New Homes Bonus	583
0	New Homes Bonus RSG Top Slice Refund	658
0	LACSEG Academies Funding Refund	1,333
0	Efficiency Support for Services in Sparse Areas	595
0	Adoption Reform Grant	815
0	Fire Revenue Grant	223
0	Education Services Grant	7,061
0	Additional RSG (Capitalisation Redistribution)	615
0	Local Reform and Community Voice Grant	439
0	Local Welfare Assistance Grant	1,391
0	Additional Highways Grant (severe weather 2014)	1,910
0	NNDR Small Business Relief Grant	656
0	Troubled Families	1,383
1,154	Other General Grants	369
57,660	Capital Grants	43,971
123,303	Total Credited to Taxation and Non Specific Grant Income	255,014

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

20. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Movements on Capital Financing Requirement

2012/13 £000	Movement on Capital Financing Requirement	2013/14 £000
461,267	Opening Capital Financing Requirement	497,179
	Capital Investment:	
114,715	Property, Plant and Equipment	59,533
0	Heritage Assets	0
577	Intangible Assets	412
11,774	Revenue Expenditure Funded From Capital Under Statute	6,612
0	Investments	370
127,066		66,927
	Sources of Finance:	
(3,694)	Capital Receipts	(2,786)
(70,103)	Government Grants and Contributions	(51,157)
	Sums set aside from revenue:	
(16,343)	Minimum Revenue Provision	(16,072)
(1,014)	Revenue Contributions	(2,338)
497,179	Closing Capital Finance Requirement	491,752
	Explanations of Movement in Year:	
(15,220)	Increase/ (Decrease) in underlying need to borrow	(15,571)
18,529	- Supported by Government Financial Assistance	6,741
	- Unsupported by Government Financial Assistance (Prudential Borrowing)	
32,603	- Assets acquired under PFI	3,403
35,912	Increase/(decrease) in Capital Financing Requirement	(5,427)

Minimum Revenue Provision

The Council is required to set aside a minimum revenue provision (MRP) for the redemption of external debt. The difference between the MRP and depreciation is transferred to the Capital Adjustment Account to ensure capital charges do not impact on the amount to be raised by Government grant and local taxation. For 2013/14 this amount was £16.072m (2012/13 £16.343m).

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

21. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of assets using finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31st March 2013 £000	Finance Leases	31st March 2014 £000
13,437	Other Land and Buildings	13,509
13,437		13,509

Minimum Lease Payments

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

For all the Council's finance lease property assets there are minimum rentals paid (maximum annual payment £25 pa) hence the payments have not been split between financing costs and principal elements.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 there were no contingent rents payable by the Council (None in 2012/13).

The Council sub lets part of the Parkhouse Building to Capita. Income of £0.565m was received in 2013/14 and a further £2.416m is expected in future years.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

21. Leases continued

Operating Leases

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

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

	31st March 2013			31st March 2014		
	Op. Land & Buildings £000	Eqpt & Other Leases £000	Total £000	Op. Land & Buildings £000	Eqpt & Other Leases £000	Total £000
Not later than one year	910	905	1,815	664	951	1,615
Later than one year but not later than five years	2,374	1,261	3,635	1,808	1,165	2,973
Later than five years	1,741	33	1,774	3,998	17	4,015
	5,025	2,199	7,224	6,471	2,132	8,603

The expenditure is allocated to the appropriate service in accordance with SeRCOP within the Comprehensive Income and Expenditure Statement for 2013/14. Lease payments of £2.609m (2012/13 £2.600m) were recognised as an expense in the Comprehensive Income and Expenditure Statement. No contingent rents were payable.

Council as lessor

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

- the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable office accommodation for local businesses.

Operating leases

The future minimum lease payments receivable under non cancellable leases for operational land and buildings in future years:

	31 st March 2013	31 st March 2014
	Operational Land & Buildings £000	Operational Land & Buildings £000
Not later than one year	925	669
Later than one year but not later than five years	2,548	2,166
Later than five years	1,378	1,091
	4,851	3,926

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

21. Leases continued

Council as lessor continued

Operating leases continued

The income is allocated to the appropriate service in accordance with SeRCOP within the Comprehensive Income and Expenditure Statement for 2013/14. Lease income of £1.111m (2012/13 £0.730m) were recognised as income in the Comprehensive Income and Expenditure Statement.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 no contingent rents were receivable by the Council. (None in 2012/13)

22. Private Finance Initiatives and Similar Contracts

The Council currently has three PFI/PPP contracts which are detailed below, the liability at 31st March 2014:

Contract	Total Long Term Liability at 31st March 2013 £000	Total Short Term Liability at 31st March 2014 £000	Total Long Term Liability at 31st March 2014 £000
Waste Management PPP	41,443	0	42,036
Carlisle Northern Development Route PFI	59,735	154	59,437
Fire Station Replacement PFI	12,735	214	16,046
	113,913	368	117,519

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

Waste Management Contract

The Waste Management Contract was signed in June 2009, it is a 25 year Public Private Partnership (PPP) contract between the Council and Shanks Waste Management Ltd. The cost to the Council over the remaining life of the contract is expected to be £547m. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

22. Private Finance Initiatives and Similar Contracts continued

Waste Management Contract continued

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

The waste treatment facility in the North became operational in December 2011 and the facility in the South in January 2013. Shanks have taken over responsibility for disposing of the County's residual waste via landfill. Treated waste is converted into solid recovered fuel that can be used as an alternative energy source.

Property, Plant and Equipment

Both waste treatment facilities are on the Council's Balance Sheet at a Net Book Value of £41.692m.

Payments

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable elements. The unitary charge is subject to annual indexation, some prices, such as landfill, will be market tested regularly. The Council paid £19.8m gross unitary charge in 2013/14 (£18.6m in 2012/13).

The Council is committed to making the following payments under the waste management PPP scheme:

	Service charges £000	Lifecycle Additions £000	Repayment £000	Contingent Rent £000	Interest £000	Total £000
Payable in 2014/15	15,178	359	(362)	(26)	5,896	21,045
Payable within 2 and 5 years	64,703	1,529	93	(103)	23,740	89,962
Payable within 6 and 10 years	93,504	2,136	2,620	(742)	29,135	126,653
Payable within 11 and 15 years	107,104	2,417	11,113	(1,125)	24,984	144,493
Payable within 16 and 20 years	122,744	2,735	28,562	(1,618)	12,412	164,835
Total	403,233	9,176	42,026	(3,614)	96,167	546,988

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

22. Private Finance Initiatives and Similar Contracts continued

Carlisle Northern Development Route

The Carlisle Northern Development Route (CNDR) contract was signed in July 2009, it is a 30 year Private Finance Initiative (PFI) contract between the Council and Connect CNDR Ltd. The cost to the Council over the remaining life of the contract is expected to be £417m. The contract is an essential component of the economic regeneration of West Cumbria, one of the most economically deprived parts of the North West.

The primary aim of the contract is to design, build, finance and operate a new 8.3km largely single carriageway road to connect the North and West of Carlisle. The intention is to relieve pressure on radial routes within Carlisle City, which is key to realising development of the strategic employment site at Kingmoor Park to its full potential of 5,500 jobs. The CNDR was scheduled to be fully completed, contractually, by 2013, but was completed and became operational in February 2012 and was recognised on the Council's Balance Sheet at £60.091m. Connect CNDR are also responsible for the management, maintenance and operation of some 150km of the existing principal road network in the surrounding area. At the end of the concession period the road will be transferred to the Council's ownership.

Payments

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable elements and is subject to annual indexation. The Council will receive financial support from the Department for Transport in the form of PFI grant totalling £353m, the abated PFI credits i.e. the net present value using the Government interest rate of 6.3% is £158m.

The Council paid £13.292m gross unitary charge in 2013/14 (12.489m in 2012/13) and is committed to making the following payments in future years under the CNDR PFI scheme:

	Service charges £000	Repayment £000	Contingent Rent £000	Interest £000	Total £000
Payable in 2014/15	5,589	154	593	7,305	13,641
Payable within 2 and 5 years	23,588	1,019	2,956	28,963	56,526
Payable within 6 and 10 years	29,299	6,092	6,068	34,007	75,466
Payable within 11 and 15 years	33,729	10,109	8,032	29,602	81,472
Payable within 16 and 20 years	40,693	16,146	9,188	22,214	88,241
Payable within 21 and 25 years	48,073	27,966	10,380	9,481	95,900
Thereafter	2,013	2,865	1,220	(251)	5,847
Total	182,984	64,351	38,437	131,321	417,093

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

22. Private Finance Initiatives and Similar Contracts continued

Fire Station Replacement PFI Scheme

The Council is involved in a PFI project, with Merseyside and Lancashire Fire and Rescue Authorities, to deliver sixteen new fire stations, five of which are in Cumbria. The basis of the partnership is set out in a joint working agreement. Contracts were signed between Balfour Beatty Fire and Rescue NW Ltd in February 2011, with construction commencing in 2011/12 and completion in 2013/14. The cost to the Council of the Cumbria element of the contract is expected to be £57m. At the end of the concession period the road will be transferred to the Council's ownership. The contract will run for 25 years from the date of final handover, and the Council pays a unitary payment. The stations built in Cumbria are:

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

Property, Plant and Equipment

Patterdale and Carlisle West Fire Stations were completed and became operational in 2011/12. Carlisle East and Penrith were completed in 2012/13 and became operational in May 2012 and August 2012 respectively. They have been recognised on the Council's Balance Sheet at £11.374m and then revalued to £11.188m.

The final fire station, Workington, was completed in 2013/14 and became operational in June 2013. It was recognised in the Council's Balance Sheet at £3.689m and was immediately revalued to £3.690m.

Payments

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable elements and is subject to annual indexation. The whole project will receive financial support from the Department for Communities and Local Government in the form of PFI Credits totalling £66.4m. The Council paid £1.863m gross unitary charge in 2013/14 (£1.265m in 2012/13) and is committed to making the following payments in future years under the under the Fire Station Replacement PFI scheme:

	Service charges £000	Repayment £000	Contingent Rent £000	Interest £000	Total £000
Payable in 2014/15	480	214	16	1,360	2,070
Payable within 2 and 5 years	2,015	1,089	135	5,232	8,471
Payable within 6 and 10 years	2,859	1,954	321	5,914	11,048
Payable within 11 and 15 years	3,303	2,920	497	4,903	11,623
Payable within 16 and 20 years	3,825	4,381	676	3,390	12,272
Payable within 21 and 25 years	3,831	5,399	672	1,131	11,033
Total	16,313	15,957	2,317	21,930	56,517

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

23. Property, Plant and Equipment

23.1 Movement on Balances – Movement 2013/14

2013/14	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Properties Not Held for Sale	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1st April 2013	684,707	55,342	477,525	59	15,707	18,837	1,252,178	111,665
Additions	13,005	4,764	29,685		10,725	1,354	59,533	3,689
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(13,748)	1,378	0	0	0	(79)	(12,448)	0
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(13,619)	0	0	0	0	(3,534)	(17,153)	1
De-recognition – disposals	(44,172)	(1,752)	0	0	0	(1,893)	(47,817)	0
Assets reclassified to/from Held for Sale	(586)	0	0	0	0	143	(444)	0
Reclassifications – other	(7,405)	1,968	101	0	(23,115)	28,450	0	0
At 31st March 2014	618,182	61,700	507,312	59	3,318	43,279	1,233,849	115,355
<u>Accumulated Depreciation</u>								
At 1st April 2013	(22,987)	(32,305)	(72,368)	0	0	(212)	(127,873)	(227)
Depreciation charge	(15,077)	(3,889)	(12,224)	0	0	(104)	(31,294)	(3,280)
Depreciation written out to the Revaluation Reserve	9,484	(1,045)	0	0	0	1,868	10,307	0
Depreciation written out to the surplus/deficit on the provision of services	2,043	0	0	0	0	0	2,043	0
De-recognition – disposals	851	405	0	0	0	8	1,264	0
Depreciation on reclassifications - other	2,775	0	(10)	0	0	(2,764)	0	0
At 31st March 2014	(22,911)	(36,834)	(84,602)	0	0	(1,205)	(145,552)	(3,507)
<u>Net Book Value</u>								
at 31st March 2014	595,271	24,865	422,710	59	3,318	42,074	1,088,297	111,848
at 1st April 2013	661,720	23,037	405,157	59	15,707	18,625	1,124,305	111,438

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

23. Property, Plant and Equipment continued

23.2 Movement on Balances - Comparative Movements in 2012/13

2012/13	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Properties Not Held for Sale	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant and Equipment
£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April 2012	689,154	45,984	444,102	46	35,244	11,002	1,225,532	87,504
Additions	39,773	9,450	29,227	0	36,195	70	114,715	33,226
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(4,777)	0	0	13	0	793	(3,971)	0
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(22,544)	(29)	(4,907)	0	0	(84)	(27,564)	(9,064)
Derecognition – disposals	(49,202)	(1,864)	(3,853)	0	0	(878)	(55,797)	0
Assets reclassified to/from Held for Sale	(649)	0	0	0	0	(88)	(737)	0
Reclassifications – other	32,952	1,801	12,956	0	(55,732)	8,023	0	0
At 31st March 2013	684,707	55,342	477,525	59	15,707	18,838	1,252,178	111,666
Accumulated Depreciation								
At 1st April 2012	(21,497)	(28,366)	(63,992)	0	0	(81)	(113,935)	(34)
Depreciation charge	(13,342)	(4,350)	(13,146)	0	0	(43)	(30,881)	(2,475)
Depreciation written out to the Revaluation Reserve	7,156	0	0	0	0	40	7,196	0
Depreciation written out to the surplus/deficit on the provision of services	2,568	0	1,502	0	0	0	4,070	2,281
Impairment (losses) / reversals recognised in the Revaluation Reserve	285	0	0	0	0	0	285	0
Derecognition – disposals	1,656	413	3,266	0	0	16	5,351	0
Assets reclassified to/from Held for Sale	39	0	0	0	0	3	42	0
Depreciation on reclassifications - other	148	(2)	2	0	0	(148)	0	0
At 31st March 2013	(22,987)	(32,305)	(72,368)	0	0	(213)	(127,873)	(228)
Net Book Value								
at 31st March 2013	661,720	23,037	405,157	59	15,707	18,625	1,124,305	111,438
at 1st April 2012	667,657	17,620	380,109	46	35,244	10,921	1,111,597	87,470

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

23. Property, Plant and Equipment continued

23.3 Depreciation

The useful lives and depreciation rates that have been used in the calculation of depreciation are detailed in the accounting policies – policy xii Property, Plant and Equipment – Depreciation.

23.4 Capital Commitments

At 31st March 2014 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £11.343m. Similar commitments at 31st March 2013 were £11.770m. The major commitments are:

2012/13 £000	Capital Project	2013/14 £000
	Schools – new build and refurbishments:	
64	West Lakes Academy	341
108	Trinity School	141
8,262	Furness Academy	127
0	Cockermouth School	603
0	Ulverston Victoria High School	50
68	Richard Rose Morton Academy	0
56	St Bernards	0
82	Barrow Island School	0
22	Walney School	0
1,490	Transforming Learning Schemes	1,150
0	Priority Maintenance (Schools)	1,750
	Other Projects:	
0	Connecting Cumbria	829
155	Barrow Elderly Persons Home	4,642
0	Hawthwaite Children's Home	98
0	Household Waste Recycling / Civic Amenity Sites	70
734	Fire Service Fleet Vehicles	112
0	Lazonby & Bootle Fire Stations	543
116	Better Places For Work	293
410	Highways Schemes	347
203	Other Minor Schemes	247
11,770		11,343

The Council has further contractual commitments in respect of PFI/PPP schemes that are detailed in Note 22.

23.5 Effects of Changes in Estimates

In 2013/14 the Council has not made any material changes in estimates methodology used.

23. Property, Plant and Equipment continued

23.6 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The officers who undertook these valuations in 2013/14 were:

- D Kirkwood, BSc (Hons) MRICS
- D Wiggins, BSc (Hons) MRICS
- P Robinson, BSc (Hons) MRICS
- D Rawle, BSc (Hons) MRICS
- C Stobbart, BSc (Hons) MRICS
- E McQuillin, MRICS

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and in accordance with the CIPFA Code of Practice on Local Authority Accounting. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset. Furniture and equipment is only treated as a non current asset when purchased as part of a capital project, otherwise it is treated as de minimis expenditure and a direct charge to the revenue account in the year of purchase. The exception to this is schools' equipment funded from capital grant.

The significant assumptions applied in estimating the fair values are:

- That all required, valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with.
- That no deleterious or hazardous materials or techniques have been used, that there is no contamination in or from the ground, and it is not landfilled ground.
- That the properties are connected to, and there is a right to use, the reported mains services on normal terms.
- That sewer, main services and the roads giving access to the property have been adopted.
- Unless otherwise stated, the Valuers will take no account of any form of taxation, grants or costs that may arise on acquisition or disposal of the properties.

Property assets are classified as:

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

During 2013/14 CCC undertook detailed analysis of the asset valuations of the Property Plant and Equipment (PPE) on the Council's balance sheet. A desktop valuation was undertaken by the Council's Valuers of a sample of Schools for each year within the five year rolling programme which identified trends across the period. The Council concluded that the valuation of assets

CUMBRIA COUNTY COUNCIL**SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS**

using the current five yearly approach, together with the review of additions in each year, does ensure that the value of PPE in the balance sheet is materially correct.

Fair Value is reported or measured as follows:

Category	Basis
Property plant and equipment (except infrastructure community assets and assets under construction)	Existing Use Value (EUV)
Specialised property	Depreciated Replacement Cost (DRC) method
Investment Property	Market Value
Assets held for sale	Market Value

The Council has set in place a five year rolling programme of asset revaluations.

The history of asset valuations is as follows:

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Properties Not Held for Sale £000	Total £000
Carried at Historic Cost	0	20,971	0	20,971
Valued at fair value (Net Book Value) as at:				
31/3/2014	121,963	0	19,187	141,150
31/3/2013	141,500	391	3,578	145,469
31/3/2012	120,028	3,504	2,517	126,049
31/3/2011	133,261	0	3,789	137,050
31/3/2010	78,519	0	13,003	91,522
Total	595,271	24,866	42,074	662,211

24. Impairment Losses

There were no impairment losses throughout the financial years 2013/14 or 2012/13.

25. Heritage Assets

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

The carrying value of Heritage Assets held by the Council as at 31 March 2014 was £0.533m (no change from carrying value at 31 March 2013).

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SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

26. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software. All software is given a finite useful life of five years, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £3.966m charged to revenue in 2013/14 (£3.851m 2012/13) was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services in the Comprehensive Income and Expenditure Statement. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The purchases in 2013/14 of £0.412m related to new software. The movement on Intangible Asset balances during the year is as follows:

Intangible Assets	2012/13 £000	2013/14 £000
Balance at start of year:		
Gross carrying amount	19,021	19,598
Accumulated amortisation	(9,272)	(13,124)
Net carrying amount at start of year	9,749	6,474
Purchases	577	412
Amortisation for the period	(3,851)	(3,966)
Net carrying amount at end of year	6,475	2,920
Comprising:		
Gross carrying amount	19,598	20,010
Accumulated amortisation	(13,123)	(17,090)
	6,475	2,920

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

27. Long Term Investments

As a result of Government legislation, Cumbria Waste Management Ltd (CWM) was created in 1993 as a wholly owned company tendering for the waste disposal business within Cumbria in competition with the private sector. The majority of the waste disposal assets of the Council were transferred to the company in exchange for £2,813,000 of shares.

On 28th March 2013, the Council exchanged shares in CWM for shares in the new Cumbria County Holdings Ltd (CCH), which is also wholly owned by the Council. This company now owns the shares in CWM.

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

On 1st April 2013 the Council purchased 370,000 ordinary £1 shares in Orian Solutions Ltd for a consideration of £0.370m. Orian Solutions Ltd is wholly owned by Cumbria County Holdings Ltd..

	Balance at 31st March 2013 £000	Movement in Year £000	Balance at 31st March 2014 £000
Long Term Investments			
Cumbria County Holdings Ltd	2,813	370	3,183
	2,813	370	3,183

28. Long Term Debtors

	Balance at 31st March 2013 £000	Net In Year Transactions £000	Balance at 31st March 2014 £000
Long Term Debtors			
Charlotte Mason & Barrow 6 th Form Colleges	480	(31)	449
Magistrates Court Service	616	(25)	591
Residential Care Charges	6,849	(301)	6,548
Other Long Term Debtors	0	340	340
Staff Car Loans	277	(49)	228
	8,222	(65)	8,157

Long term debtor on Charlotte Mason represents sums due from the University of Cumbria, in relation to pre 1990 and earlier debts, incurred financing capital schemes. The debt is repayable at 4% per annum in accordance with the Minimum Revenue Provision (MRP) rules, namely at 4% per annum of a reducing balance.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

28. Long Term Debtors continued

The long term debtor for Magistrates is being repaid by HM Courts and Tribunals service in accordance with MRP rules. The grant is at 80% of the full cost. The debt repayable in respect of Barrow 6th Form College is being repaid, over 25 years, in equal instalments.

The Council also has outstanding debtors owed by individuals in respect of residential care charges. Of this debt £6.548m is considered as long term debt in 2013/14 (£6.849m 2012/13), as it is either secured by a charge on property or is part of a deferred payment agreement.

29. Current Assets Held For Sale

Current Assets held for Sale	2012/13 £000	2013/14 £000
Balance outstanding at start of year	203	579
Assets newly classified as held for sale:		
Property, Plant & Equipment	707	719
Revaluation gains / (losses) recognised in the Revaluation Reserve	(121)	50
Revaluation gains / (losses) recognised in the surplus/deficit on provision of services	(40)	(189)
Assets declassified as held for sale:		
Property, Plant & Equipment	(12)	(275)
Assets Sold	(158)	(284)
Balance outstanding at year end	579	600

30. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Inventories						
Balance outstanding at start of year	1,414	967	47	38	1,461	1,005
Purchases	4,527	4,129	19	12	4,546	4,141
Recognised as an expense in the year	(4,918)	(3,641)	(28)	(21)	(4,946)	(3,661)
Written off balances	(56)	(37)	0	(13)	(56)	(51)
Balance outstanding at year end	967	1,418	38	16	1,005	1,434

Consumable stores consist of salt, Fire & Rescue Service equipment and uniform, highways operations consumables and catering stocks. The maintenance materials are spares and equipment in the Fire & Rescue Service workshops.

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31. Short Term Debtors and Prepayments

An analysis of sums due to the Council as at 31st March 2014 is as follows:

31st March 2013 £000	Debtors and Prepayments	31st March 2014 £000
	Debtors:	
12,066	Central Government Bodies	13,000
(37)	Central Government Bodies – doubtful debt allowance	(56)
3,630	Other Local Authorities	3,796
(77)	Other Local Authorities – doubtful debt allowance	(7)
1,605	NHS Bodies	3,204
(1)	NHS Bodies – doubtful debt allowance	(55)
3	Public Corporations and Trading Funds	0
35,166	Other Entities and Individuals	27,534
(8,048)	Other Entities and Individuals – doubtful debt allowance	(8,197)
44,307		39,219
	Prepayments:	
18	Other Local Authorities	20
6,084	Other Entities and Individuals	6,120
6,102		6,140
50,409	Total Debtors and Prepayments	45,359

The decrease in short term debtors is due to the following:

BREAKDOWN OF LARGE VARIANCES	31st March 2013 £000	31st March 2014 £000	Variance £000
Accounts Receivable	5,955	6,828	873
Connecting Cumbria	0	1,975	1,975
VAT	5,330	8,694	3,364
Flood Recovery Grant	2,900	0	(2,900)
Port of Workington Container Handling Facility	3,057	0	(3,057)
Britain's Energy Coast Grant Claim	1,789	0	(1,789)
Furness Academy ICT Grant Claim	1,272	0	(1,272)
Other debtors and prepayments	30,106	27,862	(2,244)
Total	50,409	45,359	(5,050)

The bad debt provision for the Council is calculated depending on the length of time that the debt has been outstanding, and the type of debt. The bad debt provision as shown in the Council's accounts at 31st March is analysed below:

Bad Debt Provision	31st March 2013 £000	31st March 2014 £000
Central Bad Debt Provision	1,493	1,234
Residential Accounting System (RAS) and Home Care System (NAS)	1,776	1,970
Business Rates Payers	0	314
Council Tax Payers	4,894	4,797
Total	8,163	8,315

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32. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

32.1 Financial Instruments Balances

Long Term Financial Instruments

	31st March 2013 £000	31st March 2014 £000
Long Term Investments:		
Unquoted equity at cost	2,813	3,183
Long Term Debtors:		
Loans and receivables	8,222	8,157
Long Term Borrowings:		
Financial liabilities at amortised cost	(315,939)	(308,413)
Other Long Term Liabilities:		
PFI liabilities	(113,913)	(117,519)

Current Financial Instruments

	Current	
	31st March 2013 £000	31st March 2014 £000
Short Term Investments:		
Loans and receivables	75,694	55,178
Cash and Cash equivalents	58,051	106,063
Total Short Term Investments	133,745	161,241
Short Term Debtors:		
Loans and receivables (contractual debtors only)	22,327	14,328
Short Term Borrowings:		
Financial liabilities at amortised cost	(4,673)	(12,166)
Bank Overdraft	(6,842)	(4,047)
Total Short Term Borrowings	(11,515)	(16,213)
Short Term Creditors:		
Financial liabilities at amortised cost (contractual creditors only)	(48,101)	(46,866)
PFI Liability	0	(368)
Total Short Term Creditors	(48,101)	(47,234)

Reclassifications

There were no reclassifications in the year.

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32. Financial Instruments continued

32.2 – Income, Expense, Gains and Losses On Financial Instruments

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

	PFI Liability	Financial Liabilities (measured at amortised costs)	Financial Assets (Loans & Receivables)	Total
2013/14	£000	£000	£000	£000
Interest Expense	14,955	14,263	0	29,218
Total expense in (surplus) or deficit on the provision of services	14,955	14,263	0	29,218
Interest and Investment Income	0	0	(3,300)	(3,300)
Total income in (surplus) or deficit on the provision of services	0	0	(3,300)	(3,300)
Net (Gain)/Loss for year	14,955	14,263	(3,300)	25,918

	PFI Liability	Financial Liabilities (measured at amortised costs)	Financial Assets (Loans & Receivables)	Total
2012/13	£000	£000	£000	£000
Interest Expense	12,222	14,252	0	26,474
Total expense in (surplus) or deficit on the provision of services	12,222	14,252	0	26,474
Interest and Investment Income	0	0	(4,859)	(4,859)
Total income in (surplus) or deficit on the provision of services	0	0	(4,859)	(4,859)
Net (Gain)/Loss for year	12,222	14,252	(4,859)	21,615

Fair Value Of Assets And Liabilities

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

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SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

32.2 – Income, Expense, Gains and Losses On Financial Instruments continued

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing as per PWLB rate sheet number 124/13.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised. Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Fair Value of Liabilities	31st March 2013		31st March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities:				
PWLB borrowings	290,200	319,401	290,200	300,905
Market Loans	25,533	27,623	25,520	26,063
Local Authorities	206	206	193	193
Accrued Interest	4,673	4,673	4,666	4,666
Creditors – contractual	48,101	48,101	46,866	46,866
Bank Overdraft	6,842	6,842	4,047	4,047
PFI Liability (1)	113,913	195,458	117,887	183,864

(1) The fair value of the PFI liability does not include contingent rents. The fair value has been restated for 31st March 2013 as a result of the correction of an error in the calculation last year.

At 31st March 2014 the fair value of the PWLB borrowings and Market Loans is higher than the carrying amount because the majority of the Council's portfolio of loans are at a fixed rate which is higher than the prevailing rate at the Balance Sheet date. The fair value for the PFI liability as at 31st March 2013 has been revised from £127.410m to £195.458m as the semi-annual interest had been used in the fair value calculation.

Fair Value of Assets	31st March 2013		31st March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables:				
Cash	16,919	16,919	16,107	16,107
Deposits with banks and building societies	116,231	116,464	144,875	144,931
Accrued Interest	594	594	245	245
Deposit with Insurer	1	1	15	15
Unquoted Equity	2,813	2,813	3,183	3,183
Long Term Debtors	8,222	8,222	8,157	8,157
Debtors – contractual	22,327	22,327	14,328	14,328

32. Financial Instruments continued

Fair Value Of Assets And Liabilities continued

The fair value of the deposits with banks and building societies is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the prevailing rates for similar deposits at the Balance Sheet date.

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

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

33. Nature and Extent of Risks Arising From Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy which requires that deposits are only placed with institutions that meet specific creditworthiness criteria (minimum rating of "A") The institutions include Money Market Funds, other Local Authorities, Banks and the Nationwide Building Society.

33. Nature and Extent of Risks Arising From Financial Instruments
continued

Credit Risk continued

The Treasury Management Strategy, which is set annually and is monitored throughout the year, sets out the limits on both duration and maximum levels of deposits. The lower an institution's creditworthiness the lower the maximum duration and level of deposit will be. These counterparties are chosen, by officers, using credit rating data supplied by the Council's treasury advisers (based on data from the three main credit rating agencies, overlaid by information about credit default insurance, where available) and also by reference to information in the quality financial press and from the financial markets. The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there is no evidence at 31st March 2014 that was likely to crystallise.

Debtors

The table below analyses the age of the outstanding debt within the Accounts Receivable system for those debtors that are classed as financial instruments. The Council generally allows 30 days credit for customers, such that £1.322m (£2.459m 2012/13) of the £3.052m (£3.551m 2012/13) balance is past its due date for payment. This analysis does not include all contractual debtors. The Council also has £14.178m and £1.900m owed by individuals in respect of outstanding residential and non residential care charges (RAS and NAS) respectively. Of this debt £6.548m (2012/13 £6.849m) is considered as long term debt, as it is either secured by a charge on property or on deferred payment agreements.

Analysis of Accounts Receivable Debt classed as Financial Instruments

Age of Debt	31st March 2013 £000	31st March 2014 £000
Less than one month	1,092	1,730
One to two months	746	213
Two to six months	231	241
Six months to one year	776	122
More than one year	706	746
Total	3,551	3,052

33. Nature and Extent of Risks Arising From Financial Instruments continued

The bad debt provision for the Council is calculated depending on the length of time that the debt has been outstanding and the type of debt. The bad debt provision that relates to financial instruments as at 31st March is analysed below:

Provision	31st March 2013 £000	31st March 2014 £000
Central Bad Debt Provision	1,378	1,115
RAS and NAS	1,776	1,970
Total	3,154	3,085

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that no more than 10% of its borrowings mature for repayment in any one year to reduce the financial impact of reborrowing at a time of unfavourable interest rates. This is managed through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments. The Council maintains a significant debt and investment portfolio.

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

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

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33. Nature and Extent of Risks Arising From Financial Instruments
continued

Liquidity Risk continued

The maturity analysis of long term loans is as follows:

Analysis of maturity of long and short term loans

Loan Principal outstanding	On 31st March 2013 £000	On 31st March 2014 £000
Public Works Loans Board	290,200	290,200
Market debt	25,533	25,520
Other	206	193
Total	315,939	315,913
Less than 1 Year	0	7,500
Between 1 and 2 years	7,706	5,693
Between 2 and 5 years	20,500	22,500
Between 5 and 10 years	36,000	39,200
More than 10 years	251,733	241,020
Total	315,939	315,913

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

The maturity analysis of investments is as follows:

Maturity analysis of investments

Investments Principal	On 31st March 2013 £000	On 31st March 2014 £000
Business Reserve Instant Access	20,000	55,000
Fixed Term Deposits	75,150	65,000
Money Market Funds	21,081	24,875
Total	116,231	144,875
Less than 1 year	116,231	144,875
Total	116,231	144,875

Market Risk

Interest Rate Risk

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

33. Nature and Extent of Risks Arising From Financial Instruments continued

Interest Rate Risk continued

The current interest rate risk for the Council is summarised below:

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31st March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a net increase in investment income of £1.85m. The impact of a 1% fall in interest rates would be a net decrease in income of £1.19m, as the average rate of interest on investments is currently below 1%.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

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SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

33. Nature and Extent of Risks Arising From Financial Instruments continued

Foreign Exchange Risk

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

34. Cash and Cash Equivalents

31st March 2013 £000		31st March 2014 £000
	Cash and Cash Equivalents	
16,920	Bank Current Accounts	16,122
41,131	Short Term Deposits	89,941
58,051	Cash and Cash Equivalents	106,063
(6,842)	Bank Overdraft	(4,047)
51,209		102,016

The balance on the Council's main bank accounts at 31st March 2014 was £4.047m (2012/13 £6.842m) overdrawn, which is shown separately on the Balance Sheet in Current Liabilities. The balances on the Council's various imprest accounts, school bank accounts and cash in transit between internal accounts amounted to £16.122m (2012/13 £16.920m) in hand and are included as cash and cash equivalents in Current Assets. Short term deposits totalling £89.941m (2012/13 £41.131m) are funds invested by the Council in money market funds or business reserve accounts and are available on demand. On a daily basis the Council's Treasury Management function actively manages the cleared bank balance as close to zero as possible to maximise interest receipts and minimise interest payments.

35. Short Term Creditors

An analysis of amounts owed by the Council at 31st March 2014 is:

31st March 2013 £000		31st March 2014 £000
	Creditors and Accruals:	
6,427	Central Government bodies	9,114
3,348	Other Local Authorities	3,294
925	NHS Bodies	1,959
6	Public Corporations and Trading Funds	0
61,972	Other Entities and Individuals	59,399
72,678		73,766

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36. Revenue Grants Receipts in Advance

The Council has received a number of revenue grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the year end are as follows:

31st March 2013 £000		31st March 2014 £000
	Revenue Grants Receipts in Advance	
964	Health Gain Transition	224
6,582	NHS Support for Social Care	6,244
588	University of Cumbria Energy Coast Campus	0
0	Public Health Grant	1,869
3,722	Other grants	4,235
11,856	Total Revenue Grants Receipts in Advance	12,572

37. Provisions

The Council has made the following provisions:

Long Term Provisions	Balance at 31st March 2013 £000	Additional Provisions Made in 2013/14 £000	Transfer between long term and Short term Provisions	Amounts used in 2013/14 £000	Balance at 31st March 2014 £000
<u>Long term provisions</u>					
Insurance – employers & public liability	4,440	1,540	0	0	5,980
Business Rates Appeals	0	2,974	0	0	2,974
Equal Pay – phase 2	2,224	0	(2,224)	0	0
Total Long term provisions	6,664	4,514	(2,224)	0	8,954
<u>Short term provisions</u>					
Insurance – motor and fire	477	0	0	(181)	297
MMI Provision	781	0	0	(781)	0
Equal Pay – phase 1	168	0	0	(20)	147
Equal Pay – Retained Firefighters	85	0	0	(85)	0
Voluntary redundancies	1,695	1,228	0	(1,695)	1,228
Equal Pay – phase 2	0	0	2,224	0	2,224
Total short term provisions	3,206	1,228	2,224	(2,762)	3,896

Insurance

The Council self insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self insurance, the funds set aside have been separated into two elements – a provision and a reserve. The insurance provision represents the sum estimated to meet claims identified and also claims incurred but not reported at 31st March 2014. The estimate is based on the advice of consulting actuaries ‘Marsh Risk Consulting’. The balance of funding is held in an insurance reserve (note 39.1) to support the ongoing self insurance programme for the period to 31st March 2014.

37. Provisions continued

Municipal Mutual Insurance (MMI)

MMI was the predominant insurer of public sector bodies, including the Council, prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. Most of MMI's public sector members, including the Council, elected to participate in the 'Scheme of Arrangements', effectively becoming 'Scheme Creditors'.

Scheme Creditors receive payment for claims but have to pay back part of all claims for which they have received settlements since 1993 if MMI cannot meet all its liabilities and the Scheme of Arrangements is triggered.

In November 2012 the Scheme of Arrangements was triggered. The exact amount of the liability is uncertain as MMI continue to receive claims (and may continue to do so for a further 20 to 25 years), however an initial 15% 'clawback' levy, (based on MMI's 2012/13 accounts) was notified in May 2013, and paid in the year, which equated to £0.781m for the Council.

Equal Pay

As at 31st March 2014 a provision of £2.224m remained for costs arising from Equal Pay Phase 2 (covering staff in schools). During 2013/14 a further £0.02m was paid to Phase 1 claimants, leaving a remaining provision balance of £0.147m at 31st March 2014 for Phase 1 claims.

Voluntary Redundancies

Provisions were made in 2012/13 for redundancies that had been agreed as part of the Corporate voluntary redundancy programme but the individuals employment ended after 31st March 2013. These provisions were fully utilised in 2013/14, but the Council undertook a further programme of voluntary redundancies in 2013/14, some employees left the Council during 2013/14. Where the application has been accepted but the staff will leave the Council after 31st March 2014, further provisions of £1.228m have been made.

Business Rates

Since the introduction of Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2014. The provision is based on lodged appeals only. The Council's provision for the Business Rates appeals is based on a 10% share of the provision calculated by each of the six District Councils in Cumbria. The provision as at 31st March 2014 is £2.974m.

CUMBRIA COUNTY COUNCIL
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38. Capital Grants Receipts in Advance

The Council has received a number of capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

31st March 2013 £000	Capital Grants Receipts in Advance	31st March 2014 £000
	Education and Children's Services	
7,644	Partnerships for Schools – Academies Grant	3,083
959	Capital Modernisation	35
2,138	Devolved Formula Capital	2,019
244	14-19 Diploma	156
6,965	Basic Need	7,872
11,115	Capital Maintenance	15,971
1,842	Other Children's Grants	1,189
	Highways and Transport Services	
0	DfT Flooding Recovery Grant (2009)	3,622
1,369	Highways Maintenance	3,606
0	Severe Weather Recovery (2014)	1,108
518	Other Transport grants and contributions	625
3,398	Other Services	3,223
36,192	Total Capital Grants Receipts in Advance	42,509

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39. Usable Reserves

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement and are detailed in notes 39.1 to 39.4 below.

39.1 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and transferred to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

Earmarked Reserves	Balance at 31st March 2013 £000	Transfer Between Reserves £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31st March 2014 £000
Directorates:					
Adult and Local Services	1,047	(1,047)	0	2,006	2,006
Environment	1,804	(37)	(357)	1,299	2,709
Safer & Stronger Communities	260	0	(107)	0	153
Local Committees	1,294	0	(1,294)	1,351	1,351
Resources	5,968	1,084	(1,366)	3,279	8,965
Chief Executive	195	0	(116)	0	79
Children's Services – HQ budgets	847	0	(468)	246	625
Community Development & Adult Education Centres	(57)	0	0	44	(13)
	11,358	0	(3,708)	8,225	15,875
Other Reserves:					
Improvement and Efficiency Reserve	1,055	0	(61)	1,542	2,536
Elections	686	0	(543)	119	262
Sea Fisheries Boat Replacement	807	0	0	0	807
Other Services	3,590	0	(2,915)	2,334	3,009
Equal Pay & Modernisation	23,906	0	(2,758)	140	21,288
Revenue Grants	32,261	0	(9,882)	10,646	33,025
	62,305	0	(16,159)	14,781	60,927
Insurance	5,644	0	(879)	1,747	6,512
Sub Total – Council Revenue Earmarked Reserves	79,307	0	(20,746)	24,753	83,314
Delegated Schools Budgets and Ring Fenced Schools Related:					
Schools	8,743	0	(3,697)	3,367	8,413
Childrens' services - DSG ring fenced to schools	5,014	0	(5,014)	4,173	4,173
	13,757	0	(8,711)	7,540	12,586
Total Revenue Earmarked Reserves	93,064	0	(29,457)	32,293	95,900
Revenue Reserves to be used for Capital Purposes					
Capital Reserve - Earmarked	1,383	0	0	0	1,383
Capital Reserves – General	3,941	0	0	0	3,941
Total Revenue Reserves for Capital Purposes	5,324	0	0	0	5,324
Total Revenue Earmarked Reserves	98,388	0	(29,457)	32,293	101,224

39.1 Transfers to/from Earmarked Reserves continued

Directorates

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

Equal Pay/Single Status/Modernisation Reserve

Over a number of years the Council has set aside funds to meet the costs and risks associated with equal pay claims, single status implementation and meet the costs of organisational change, such as redundancies or transition costs. At 1st April 2013 the balance on this reserve was £23.906m. £0.140m was transferred to the reserve during the year.

As a result of the future funding situation facing the Council, it decided to implement a voluntary redundancy scheme, to assist in delivering the savings required. The cost of redundancies has been met from this Reserve. In 2013/14 the Council has drawn down £2.558m (2012/13 £1.490m) from the reserve in respect of termination costs.

A further drawdown on the reserve was for £0.200m to fund the residual costs of Single Status in the year.

Revenue Grants

Where revenue grants have been received, and there are no conditions i.e. no possibility or requirement to pay back the grant, then, irrespective of which year the money is for it must be recorded in the Comprehensive Income & Expenditure Statement as income and then in the Movement In Reserves Statement be transferred to an earmarked reserve. The balance at 31st March 2014 includes £4.199m Performance Reward Grant (£4.699m 2012/13) to be spent as part of the Connecting Cumbria project, and £23.528m of PFI grant to support the Carlisle Northern Development Route and replacement fire stations project (£22.482m 2012/13).

Insurance

The Council self-insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self-insurance; the funds set aside have been separated into two elements – a provision and a reserve. The insurance provision £6.277m (note 37) represents the sum estimated to meet claims identified at 31st March 2014. The estimate is based on the advice of consulting actuaries 'Marsh Risk Consulting'.

The balance of funding is held in an insurance reserve to support the ongoing self-insurance programme. As at 31st March 2014 the reserve is £6.512m.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

39.1 Transfers to/from Earmarked Reserves continued

Schools

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

Schools Earmarked Reserves

Schools Earmarked Reserves	31st March 2013		31st March 2014	
	No.	£000	No.	£000
Schools in surplus	233	11,864	244	11,120
Schools in deficit	61	(3,121)	49	(2,707)
	294	8,743	293	8,413
Children's services - DSG ring fenced to schools		5,014		4,173
Total		13,757		12,586

There has been a net decrease of one in the number of schools as a result of the following:

- Pennybridge and Whitehaven Schools became Academies on 1st November 2013 and 1st January 2014 respectively.
- Two schools closed - Windermere Infants and Juniors merged to become St Martins and St Marys School and Fairfield Infants and Juniors Schools merged.
- Three Pupil Referral Units are included this year for the first time as a result of the change in School Funding regulations.

39.2 Usable Capital Receipts Reserve

These are receipts from the sale of assets, which have not been used either to fund capital expenditure or to repay debt.

31st March 2013 £000	Usable Capital Receipts	31st March 2014 £000
5,781	Balance at 1st April 2013	7,396
5,309	Sale of assets	4,417
11,090		11,813
(3,694)	Used to finance capital expenditure	(2,786)
7,396	Balance at 31st March 2014	9,027

39.3 Capital Grants and Contributions Unapplied Reserve

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

31st March 2013 £000	Capital Grants and Contributions Unapplied Reserve	31st March 2014 £000
1,183	Balance at 1st April 2013	1,863
(669)	Utilised in Year	(575)
1,349	Grants and Contributions unapplied in year	1,628
1,863	Balance at 31st March 2014	2,916

39.4 Long Term Investment Reserve

This reserve of £2.813m has been in existence since 1993 when the investment in Cumbria Waste Management Ltd was brought on to the Council's Balance Sheet. Although during 2012/13, the investment transferred to one in Cumbria County Holdings Ltd, a new company which owns CWM, this does not impact on the reserve.

40. Unusable Reserves

Unusable Reserves are summarised on the Balance Sheet on page 25. The details of each unusable reserve is set out in notes 40.1 to 40.6 below.

40.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

40.1 Revaluation Reserve continued

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

Movement on Revaluation Reserve

31st March 2013 £000	Revaluation Reserve	31st March 2014 £000
146,823	Balance as at 1st April 2013	144,540
3,116	Revaluation gains / (losses) on non current assets	(2,091)
285	Reversal of impairment losses on non current assets	0
(2,993)	Difference between current value and historic cost depreciation on revalued assets	(3,007)
(2,691)	Write off revaluation gains previously recognised on non current assets now disposed	(6,199)
144,540	Balance at 31st March 2014	133,243

40.2 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 acquisition, 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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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40. Unusable Reserves continued
40.2 Capital Adjustment Account continued

Movement on the Capital Adjustment Account

31st March 2013 £000	Capital Adjustment Account	31st March 2014 £000
514,166	Balance at 1st April 2013	490,360
(30,881)	Charge for depreciation of non current assets	(31,294)
(3,851)	Amortisation of intangible assets	(3,966)
(23,534)	Revaluation gains / (losses) on non current assets	(15,299)
(11,774)	Revenue Expenditure Funded From Capital Under Statute	(6,612)
(50,604)	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(46,836)
2,993	Difference between current value and historic depreciation on revalued assets	3,007
2,691	Write off revaluation gains previously recognised on non current assets now disposed	6,199
16,343	Statutory provision for the financing of capital investment charged against the General Fund	16,072
3,694	Use of capital receipts to finance new capital expenditure	2,786
57,660	Capital grants and contributions on non current assets credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	43,971
669	Capital grants unapplied – applied to capital financing	575
11,774	Capital grants and contributions on revenue expenditure funded from capital under statute credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,612
1,014	Capital expenditure charged against the General Fund	2,338
490,360	Balance at 31st March 2014	467,913

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 between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

40. Unusable Reserves continued

40.3 Pensions Reserve

Restated 31st March 2013 £000	Pensions Reserve	31st March 2014 £000
(513,534)	Balance at 1st April 2013	(625,704)
40,601	Employer's Contributions	43,784
(31,643)	Current Service Cost	(38,223)
(511)	Past Service (Cost) or Gain	(427)
(777)	Curtailments	(3,597)
1,029	Settlements	1,363
491	Business Combinations	0
(65,628)	Interest on Liabilities	(65,779)
	Re-measurement of Liabilities:	
0	- Experience Gains / Losses	28,305
(154,368)	- Gain / Loss on Financial Assumptions	127,723
(15,556)	- Gain / Loss on Demographic Assumptions	(28,293)
41,302	Interest on Plan Assets	40,271
(576)	Administration Expenses	(743)
73,466	Re-measurement of Assets	20,188
(625,704)	Balance at 31st March 2014	(501,132)

40.4 Financial Instruments Adjustment Account

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

31st March 2013 £000	Financial Instruments Adjustment Account	31st March 2014 £000
(545)	LOBOs adjustment to amortised cost	(533)
12	In year adjustment	12
(533)	Balance at 31st March 2014	(521)

40.5 Collection Fund Adjustment Account

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

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

40. Unusable Reserves continued

40.5 Collection Fund Adjustment Account continued

31st March 2013 £000	Collection Fund Adjustment Account	31st March 2014 £000
1,535	Balance at 1st April 2013	2,614
1,079	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(511)
0	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	(1,646)
2,614	Balance at 31st March 2014	457

40.6 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31st March 2013 £000	Accumulated Absences Account	31st March 2014 £000
(10,299)	Balance at 1 st April 2013	(10,269)
10,299	Settlement or cancellation of accrual made at the end of the preceding year	10,269
(10,269)	Amounts accrued at the end of the current year	(8,205)
(10,269)	Balance at 31st March 2014	(8,205)

41. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2013/14, the Council paid £15.856m to Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £15.8m and 14.1%. The Scheme is a defined benefit scheme. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

NHS Staff Pension Scheme

During 2013/14, NHS Staff have transferred to the Council. These staff have maintained their membership in the NHS Pension Scheme. In 2013/14, the Council paid £0.134m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay.

Nature of Funds

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

Governance

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

Funding the liabilities

Contributions to the arrangements are set by the government, having taken advice from the government actuary. Again, the Council has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the Council is responsible. The weighted average duration of these particular liabilities is 10 years, measured on the actuarial assumptions used for IAS19 purposes.

Investment Risks

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

Other risks

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

41. Pension Schemes Accounted for as Defined Contribution Schemes continued

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42. Additional and discretionary pensions paid to retired teachers by the County Council totalled £3.366m in 2013/14 and £3.387m 2012/13.

Firefighters Pension Scheme

The Fire and Rescue Service has two pension schemes (1992 and 2006 schemes). Under the 1992 Scheme benefits paid, including lump sums, were £6.634m (2012/13 £5.620m). Employee contributions were £0.849m (2012/13 £0.789m) and employer contributions were £1.356m (2012/13 £1.430m) which equated to 11% and 21.3% of pensionable pay respectively. Under the 2006 Scheme there were benefits of £0.026m (2012/13 £0.028m) paid. Employee contributions were £0.244m (2012/13 £0.176m) and employer contributions were £0.282m (2012/13 £0.227m) which equated to 8.5% and 11% of pensionable pay respectively.

Nature of Funds

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

Governance

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

Funding the liabilities

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

Investment Risks

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

Other risks

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

42. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The majority of the Council's staff belong to the Cumbria Local Government Pension Scheme (CLGPS). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets over a period of 19 years. The deficit on the CLGPS will be made good by increased contributions as assessed by the Scheme Actuary.

The contribution rates are based upon a triennial actuarial review of the fund. As part of the 2010 valuation the Council chose to split the deficit between past service and current service elements and to recover the deficit over 19 years. Each element has a different contribution rate:

- Current service cost – 12.9% of pensionable pay.
- Past service cost – a lump sum of £8.325m.

Non ill health early retirements

Employers can make lump sum contributions toward pension strain costs or pay an additional employer contribution rate (as calculated by the actuary). The Council, in agreement with the Actuary, opted, from 1st April 2011, to make an additional employer contribution of 0.5%. The additional employer contribution is to be used to offset the one off costs of workforce restructuring to be undertaken in response to reductions in annual budgets. It is anticipated that this period of workforce reduction and restructuring will continue in the medium term. The additional 0.5% contribution funded an allowance of up to £8m for non ill health early retirements. From 1st April 2011 to 31st March 2014 £7.669m of this sum has been allocated.

The total of employer's contributions to the scheme in 2013/14 was £30.307m (2012/13 £29.314m). For the Council this represents 12.9% of pensionable pay plus a lump sum payment of £8.325m, however the schools pay an employer's contribution rate of 19%.

Nature of LGPS Scheme

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

42. Defined Benefit Pension Schemes continued

Governance

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

Funding the liabilities

Regulations governing the Scheme require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Scheme's solvency, and the detailed provisions are set out in the Scheme's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £0.46billion as at that date, equivalent to a funding level of 78%. The fund's employers are paying additional contributions over a period of up to 25 years in order to meet the shortfall.

The weighted average duration of the authority's defined benefit obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes.

Risks and Investment strategy

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

Market Risk

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

42. Defined Benefit Pension Schemes continued

Interest Rate Risk

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

Foreign exchange risk

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

Credit / Counterparty risk

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

Liquidity risks

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

Other risks

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

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

Amendments, curtailments and settlements

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

42. Defined Benefit Pension Schemes continued

Amendments, curtailments and settlements continued

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

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

Transactions Relating to Post Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. An explanation of the elements in the following tables is set out on the glossary in section 9. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

42. Defined Benefit Pension Schemes continued

42.1 Transactions Relating to Retirement Benefits – 2013/14

2013/14	LGPS £000	Firefighters £000	Teachers £000	Total £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
Current Service Cost	(34,428)	(3,795)	0	(38,223)
Past Service Cost	(427)	0	0	(427)
Curtailments	(3,597)	0	0	(3,597)
(Gain) / Loss from Settlements	1,363	0	0	1,363
Total Service Cost	(37,089)	(3,795)	0	(40,884)
Other Operating Expenditure				
Administration Expenses	(743)	0	0	(743)
Financing and Investment Income & Expenditure				
Interest on Pension Liabilities	(56,172)	(8,087)	(1,520)	(65,779)
Interest on plan Assets	40,271	0	0	40,271
Total Net Interest	(15,901)	(8,087)	(1,520)	(25,508)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(53,733)	(11,882)	(1,520)	(67,135)
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
Re-measurement Assets	20,188	0	0	20,188
Experience Gain / Loss	28,047	0	258	28,305
Actuarial Gains and losses arising on changes in financial assumptions	117,600	8,132	1,991	127,723
Actuarial Gains and losses arising on changes in demographic assumptions	(24,866)	(2,697)	(730)	(28,293)
Total Re-measurement recognised in Other Comprehensive Income and Expenditure	140,969	5,435	1,519	147,923
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	87,236	(6,447)	(1)	80,788
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	53,733	11,882	1,520	67,135
Actual Amount Charged against the General Fund Balance for pensions in the year				
Employers' Contributions Payable to the Scheme	(34,682)	(5,736)		
Retirement Benefits Payable to Pensioners			(3,366)	
Total Employers Contributions and Retirement Benefits Payable				(43,784)

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

42. Defined Benefit Pension Schemes continued

42.1 Transactions Relating to Retirement Benefits – 2012/13

	LGPS	Firefighters	Teachers	Total
2012/13 Restated	£000	£000	£000	£000
<u>Comprehensive Income & Expenditure Statement</u>				
<u>Cost of Services:</u>				
Current Service Cost	(28,415)	(3,228)	0	(31,643)
Past Service Cost	(511)	0	0	(511)
Curtailments	(777)	0	0	(777)
(Gain) / Loss from Settlements	1,029	0	0	1,029
Combinations	491	0	0	491
<u>Total Service Cost</u>	<u>(28,183)</u>	<u>(3,228)</u>	<u>0</u>	<u>(31,411)</u>
<u>Other Operating Expenditure</u>				
Administration Expenses	(576)	0	0	(576)
<u>Financing and Investment Income & Expenditure</u>				
Interest on Pension Liabilities	(55,772)	(8,123)	(1,733)	(65,628)
Interest on plan Assets	41,302	0	0	41,302
<u>Total Net Interest</u>	<u>(14,470)</u>	<u>(8,123)</u>	<u>(1,733)</u>	<u>(24,326)</u>
<u>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</u>	<u>(43,229)</u>	<u>(11,351)</u>	<u>(1,733)</u>	<u>(56,313)</u>
<u>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</u>				
Re-measurement of the net defined benefit liability comprising:				
Re-measurement Assets	73,466	0	0	73,466
Experience Gain / Loss	0	0	0	0
Actuarial Gains and losses arising on changes in financial assumptions	(133,177)	(16,666)	(4,525)	(154,368)
Actuarial Gains and losses arising on changes in demographic assumptions	(13,220)	(1,804)	(532)	(15,556)
<u>Total Re-measurement recognised in Other Comprehensive Income and Expenditure</u>	<u>(72,931)</u>	<u>(18,470)</u>	<u>(5,057)</u>	<u>(96,458)</u>
<u>Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</u>	<u>(116,160)</u>	<u>(29,821)</u>	<u>(6,790)</u>	<u>(152,771)</u>
<u>Movement in Reserves Statement</u>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	43,229	11,351	1,733	56,313
<u>Actual Amount Charged against the General Fund Balance for pensions in the year</u>				
Employers' Contributions Payable to the Scheme	(32,371)	(4,843)		
Retirement Benefits Payable to Pensioners			(3,387)	
Total Employers Contributions and Retirement Benefits Payable				(40,601)

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

42. Defined Benefit Pension Schemes continued

42.2 Pensions 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 schemes is as follows:

Pensions Assets and Liabilities	Total	
	2012/13 £000	2013/14 £000
Present Value of Funded Liabilities - CLGPS	(1,354,190)	(1,293,477)
Present Value of Unfunded Liabilities - Firefighters	(186,646)	(187,357)
Present Value of Unfunded Liabilities – Teachers	(42,763)	(39,398)
Total Present Value of Liabilities	(1,583,599)	(1,520,232)
Fair value of Employer Assets	957,895	1,019,100
Net Liability Arising from Defined Benefit Obligation	(625,704)	(501,132)

42.3 Reconciliation of Present Value of Scheme Liabilities

	LGPS		Firefighters		Teachers		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening Present Value of Scheme Liabilities	(1,145,343)	(1,354,190)	(161,668)	(186,646)	(39,360)	(42,763)	(1,346,371)	(1,583,599)
Current Service Cost	(28,415)	(34,428)	(3,228)	(3,795)	0	0	(31,643)	(38,223)
Interest Cost	(55,772)	(56,172)	(8,123)	(8,087)	(1,733)	(1,520)	(65,628)	(65,779)
Contributions by Scheme Participants	(9,211)	(9,303)	(966)	(1,100)	0	0	(10,177)	(10,403)
<i>Remeasurement (Gains)/ Losses:</i>								
Actuarial Gains / Losses - Experience	0	28,047	0	0	0	258	0	28,305
Actuarial Gains / Losses arising from changes in financial assumptions	(133,177)	117,600	(16,666)	8,132	(4,525)	1,991	(154,368)	127,723
Actuarial Gains / Losses arising from changes in demographic assumptions	(13,220)	(24,866)	(1,804)	(2,697)	(532)	(730)	(15,556)	(28,293)
Benefits Paid	39,485	41,636	5,809	6,836	3,387	3,366	48,681	51,838
Past Service Cost	(511)	(427)	0	0	0	0	(511)	(427)
Curtailments - Liabilities	(777)	(3,597)	0	0	0	0	(777)	(3,597)
Settlements - Liabilities	1,473	2,223	0	0	0	0	1,473	2,223
Business Combinations	(8,722)	0	0	0	0	0	(8,722)	0
Closing Present Value of Scheme Liabilities	(1,354,190)	(1,293,477)	(186,646)	(187,357)	(42,763)	(39,398)	(1,583,599)	(1,520,232)

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

42.4 Reconciliation of the Movement in the Fair Value of the LGPS Scheme Assets

Fair Value of CLGPS Scheme Assets	Restated 2012/13 £000	2013/14 £000
Opening Fair Value of Scheme Assets	832,837	957,895
Interest Income	41,302	40,271
<i>Remeasurement Gain/ Loss:</i>		
Return on Scheme Assets, excluding the amount included in the net interest expense	73,466	20,188
Employer Contributions	32,371	34,682
Contributions by Scheme Participants	9,211	9,303
Benefits Paid	(39,485)	(41,636)
Administration Expenses	(576)	(743)
Settlements	(444)	(860)
Business Combinations	9,213	0
Closing Fair Value of Scheme Assets	957,895	1,019,100

Local Government Pension Scheme Assets comprised:

	2012/13 £000	2013/14 £000
Cash and Cash Equivalents	15,326	60,126
<u>Equity Instruments:</u>		
UK Quoted	145,601	142,675
UK Unquoted	0	1,019
Global Quoted	117,821	165,094
UK Equity Pooled	114,947	123,311
Overseas Equity Pooled	172,421	156,941
Sub Total Equity	550,790	589,040
<u>Bonds:</u>		
UK Corporate Bonds	72,800	70,318
Overseas Corporate Bonds	2,874	4,076
UK Corporate Bonds Pooled	75,674	39,745
UK Government Indexed Pooled	151,347	158,980
Sub Total Bonds	302,695	273,119
<u>Property:</u>		
UK	53,642	70,318
Property Funds	5,747	2,038
Sub Total Property	59,389	72,356
<u>Other Investment Funds:</u>		
Hedge Funds	13,411	2,038
Private Equity Funds	16,284	16,306
Infrastructure Funds	0	6,115
Sub Total Other Investment Funds	29,695	24,459
Total Assets	957,895	1,019,100

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

42. Defined Benefit Pension Schemes continued

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities for Local Government Pension Scheme, Firefighters' Pension Schemes and the Teachers Discretionary Benefits have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the full valuation of the scheme as at 31st March 2013.

The principal assumptions used by the actuary have been:

	LGPS		Firefighters Scheme		Teachers	
	31st March 2013	31st March 2014	31st March 2013	31st March 2014	31st March 2013	31st March 2014
Mortality Assumptions:						
Longevity at 60 for current pensioners:						
Men	-		27.4	28.0	-	-
Women	-		29.7	30.5	-	-
Longevity at 60 for future pensioners:						
Men	-		29.4	30.4	-	-
Women	-		31.7	33.0	-	-
Longevity at 65 for current pensioners:						
Men	22.2	23.0	-		22.2	23.0
Women	24.9	25.5	-		24.9	25.5
Longevity at 65 for future pensioners:						
Men	24.1	25.7	-		-	
Women	26.9	28.7	-		-	
Rate of CPI inflation	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries**	4.15%	3.9%	3.9%	3.9%	-	
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.2%	4.5%	4.4%	4.5%	3.7%	4.3%

** An allowance has been made for short term public sector pay restraint over a two year period.

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

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

42. Defined Benefit Pension Schemes continued
Sensitivity Analysis

All Pension Schemes	Liabilities	Assets	Net Deficit at 31st March 2014	Projected Service Cost for Next Year	Projected Net Interest Cost for Next Year
	£000	£000	£000	£000	£000
As at 31 st March 2014	1,520,232	(1,019,000)	501,132	31,986	21,550
Effect of increase in discount rate of 0.1% pa	(27,413)	0	(27,413)	(1,040)	(778)
Effect of increase in inflation of 0.1% pa	+27,929	0	+27,929	+1,083	+1,304
Effect of increase in pay growth of 0.1% pa	+7,050	0	+7,050	+123	+369
Effect of increase in life expectancy of 1 year	+28,901	0	+28,901	+700	+1,347

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the Scheme's Actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

The Scheme will need to take account of the national changes to the scheme under the Public Pensions Service Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other existing main public services schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish a career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The pension contributions expected to be made by the Council in the year to 31st March 2015 are:

- Local Government Pension Scheme £32.176m.
- Teachers Discretionary Benefits Scheme £3.435m.
- Firefighters Pension Scheme £5.625m.

43. Related Parties

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

Government

The Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 4 on reporting for resources allocation decisions. Grant receipts in advance at 31st March 2014 are shown in Notes 36 and 38.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of Members' Allowances paid in 2013/14 is shown in Note 14. Members declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the Council outside of their roles as elected councillors. Contracts were entered into in full compliance with the Council's standing orders. During 2013/14 the following significant amounts were paid:

- Works and services to the value of £151,969 were commissioned from Markley Transport and Carrs Coaches in which Councillor AJ Markley has an interest, there was a balance of £5,419 owed to the company at 31st March 2014.
- Councillor C Feeney-Johnson has an interest in Westmorland Fire and Security, works and services to the value of £37,174 were commissioned from the company and a balance of £1,452 was owed to them at 31st March 2014.

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

The link to the search page is below:

<http://councilportal.cumbria.gov.uk/mgMemberIndex.aspx?bcr=1>

43. Related Parties continued

Officers

The Council is required to identify any related party transactions for key management personnel within the Council. The Code defines this as all chief officers (or equivalent), chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities. The Council defines Senior Officers for the purposes of related party disclosure as Corporate Directors, Assistant Directors, Senior Managers and those staff involved in procurement that may be in a position to have significant influence on decisions of awarding contracts for the procurement of goods and services. Senior Officers declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the County Council outside of their roles as employees of the Council. Contracts were entered into in full compliance with the Council's standing orders. Significant works or services commissioned during the year from companies in which officers have interests:

- C Witt – Has an interest in Hopscotch Care Ltd, a provider of residential childcare placements, payments of £376,125 were made for services during the year and there was nothing owed to the company at 31st March 2014.
- A Jones – A family member is a Director of AB Fire Safety Ltd, payments of £13,050 were made for services during the year and there was £650 owed to the company at 31st March 2014.

Other Public Bodies

Pooled Funds

The Council has pooled budget arrangements with a number of organisations, the details of which are included in Note 13.

NW FiReControl Limited

NW FiReControl Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a regional control centre with the responsibility for fire and rescue service mobilisation for the North West region. The Company has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). These authorities have agreed to continue to support the project in preparation for transferring their mobilising function to NW Fire Control Ltd. The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

43. Related Parties continued

During 2013/14 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government. Accommodation and implementation expenditure will continue to be funded during the project phase to implement the new Control Mobilising system. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required. The transition of the Control function to NW Fire Control Ltd is being implemented during the first quarter of 2014/15.

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom the Council has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW Fire Control Limited.

It has been determined that the company will be accounted for as a jointly controlled entity for Group Accounts purposes within the accounts of the Council. However on the basis of materiality it has been determined that Group Accounts are not required for 2013/14. The Council's share of the gross administrative expenses of the company is £0.733m (25% of £2.931m). The accounting treatment is reviewed each year.

The table below shows the key information from the financial statements of NW FireControl:

Accounts Information	Year Ended 2012/13 £000s	Year Ended 2013/14 £000s
Net Assets	120	136
Profits Before Taxation	78	63
Profits After Taxation	62	48
Debtor Balance (GMFRS)	147	250
Creditor Balance (GMFRS)	364	668

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31st December 2014 for the final audited 2013/14 accounts.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

43. Related Parties continued

Entities Controlled or Significantly Influenced by the Council

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

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

In some instances, the Council has taken a direct investment in companies such as Cumbria County Holdings Ltd. The results of Cumbria County Holdings Ltd and its subsidiaries and associate have been consolidated within the group accounts. Copies of the accounts can be obtained from The Company Secretary, Unit 5A, Wavell Drive, Rosehill Estate, Carlisle, CA1 2ST.

Company Name	Nature of Business	Shareholding %	2012/13		2013/14	
			Profit / (Loss) after Tax £000	Net Assets / (Liabilities) £000	Profit / (Loss) after Tax £000	Net Assets / (Liabilities) £000
Cumbria County Holdings Ltd	Holding Co	100%	N/A	N/A	2,007	3,190
Cumbria Waste Management Ltd	Waste disposal service	100%	1,600	7,500	1,548	7,192
Trotters Dry Waste Ltd	Waste disposal service	100%	(158)	(513)	(18)	(531)
Cumbria Waste Recycling Service	Waste disposal service	100%	178	3,216	730	3,946
Lakeland Waste Management Ltd	Waste disposal service	50%	39	2,023	65	2,088
Orian Solutions Ltd	Catering / Cleaning Services	100%	N/A	N/A	107	797
		Total	1,659	12,226	4,439	16,682

In 2013/14 Cumbria County Holdings Ltd paid a dividend of £2m to the Council (2012/13 £3.045m).

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

43. Related Parties continued

The Council has the following direct investments in companies limited by guarantee. Each year consideration is given to whether an entity should be included in the group accounts. On the basis of materiality it has been determined that the companies below should not be consolidated into the group accounts. Copies of the accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

Company Name	Nature of Business		Share holding %	2012/13		2013/14	
				Profit / (Loss) after Tax £000	Net Assets / (Liabilities) £000	Profit / (Loss) after Tax £000	Net Assets / (Liabilities) £000
Invest in Cumbria Ltd	promote Cumbria and to attract new investment	Company limited by guarantee	100%	6	99	28	224
Traveline Cumbria Ltd (Note 1)	travel enquiry call centre	Company limited by guarantee	49%	(1)	86	(55)	31
Maryport Developments Ltd (Note 2)		Company limited by guarantee	80 shares 33.6%	(51)	955	N/A	N/A

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

Note 2 – The other shareholders were Allerdale Borough Council (33.6%) and Britain's Energy Coast West Cumbria (32.8%). The Council's shares were sold to Maryport Harbour Authority in July 2013 for £1 per share.

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

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

Nuclear Decommissioning Agency	3 nominated members (1 from Nuclear Decommissioning Authority, 1 from Nuclear Management Partners and 1 from Sellafield Limited).
Cumbria County Council	1 nominated member
Copeland Borough Council	1 nominated member
Allerdale Borough Council	1 nominated member
Independent board members	6 selected by Nolan Principles. One of the independent members is elected as Chair.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

43. Related Parties continued

During 2013/14 the Council paid the following sums to companies in which it has an interest.

Organisation	Grants £000	Commercial Transactions £000	Total £000	Creditor Outstanding £000	Debtor Outstanding £000
Cumbria Waste Management Ltd	0	1,048	1,048	10	1
Lakeland Waste Management Ltd	0	47	47	0	0
Cumbria Waste Recycling	0	253	253	1	0
Trotters Dry Waste Ltd	0	4	4	0	1
Orian Solutions Ltd	880	7,249	8,129	0	33
Invest in Cumbria Ltd	0	32	32	0	0
Traveline Cumbria Ltd	0	8	8	0	0
Energy Coast West Cumbria Ltd	57	0	57	0	10
Maryport Developments Ltd	20	8	28	0	0
	957	8,649	9,606	11	45

44. Events After the Balance Sheet Date

The audited Statement of Accounts was authorised for issue by the Assistant Director – Finance on 24th September 2014.

There have been no material events after the reporting date that are required to be taken into account in the financial statements.

45. Contingent Liabilities

Single Status and Equal Pay

The equal pay and modernisation reserve stands at £21.288m as at 31st March 2014. Some one off costs for retrospective elements of Single Status implementation have been a call on this reserve together with redundancy costs. There has been significant movement forward in resolving the outstanding equal pay claims against the Council. There are currently 859 active claims which the Council is working with the unions to resolve. Provision has already been established for the remaining phase 1 claims (83), including claims made by school based staff, which are categorised as phase 1a. Provision has also been made for claims in phase 2 (currently 463 claims from Teaching Assistants, Janitors and Housekeepers in schools) and some phase 3 (313 claims from Supervisors, Midday Supervisors, Administrators, escorts and others). In addition, provision has been made for potential claimants who may fall into the categories where claims currently exist. Work is ongoing to determine if the existing claims can be resolved through a negotiated settlement, or if they will need to be concluded in the Employment Tribunal.

Ultimately, if the Council's current reserves are insufficient to meet the final cost then any borrowing or use of capital receipts to fund these payments will be dependent on obtaining government approval to capitalise the expenditure.

45. Contingent Liabilities continued

Employment Tribunal

An amount of £0.5m has been estimated in respect of potential liabilities in relation to a number of employment tribunals (excluding equal pay) which are at varying stages in the legal process. Resolution is currently being pursued through the Tribunal process and where appropriate, ACAS, and no provision has been made in the accounts.

Accountable Body Status

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

Local Government Pension Scheme

The Council is the Administering Body for the Cumbria Local Government Pension Scheme. Staff in a number of organisations in Cumbria are eligible to join this pension scheme. However, the Council would be exposed to cover pension contributions if the employing organisations for these staff were unable to pay the necessary contributions. In these cases, the Council receives indemnity bonds, where appropriate, that are calculated by the Scheme Actuary. Nevertheless, these bonds do not necessarily fully discharge any future liabilities that could occur.

Landfill Sites - Gas/Leachates

Note 2 - Critical Judgements in Applying Accounting Policies sets out the Council's approach to closed landfill sites. No provision has been made in the accounts for any legal liability that may arise as a result of gas and leachate from closed landfill sites, most of which, after restoration, have been either returned to the original owner or sold. The Council continues to monitor for landfill gas on those sites that are felt to be most at risk. This is an extremely complex exposure to compute with very uncertain timescales. It is also an issue that impacts on many other Local Authorities. Nevertheless, exposures may be considerable and may not be met from the Council's own reserves.

Cumbria Waste Management Ltd has a provision for aftercare costs post closure of the landfill sites, this currently stands at £8.243m (2012/13 £10.247m).

45. Contingent Liabilities continued

Municipal Mutual Insurance Ltd

On 30th September 1992, the Council's insurers, Municipal Mutual Insurance Ltd (MMI), announced that it had ceased taking new business or issuing renewals and had placed a moratorium on claims payments.

On 6th October 1992, MMI resumed the full payment of claims and has continued to do so since that date. MMI was only able to do this following an agreement with Local Authorities that they would underwrite their respective exposures to the extent that MMI was unable to meet the claims in full. The Council elected to participate in this Scheme of Arrangements. MMI's business was then purchased by a new insurer, Zurich Municipal, who are triple 'A' rated so far as claims payment is concerned. However, this does not guarantee claims which arose up to 31st March 1993 which will be dealt with by the MMI 'rump' company.

In November 2012 the Scheme of Arrangements was triggered. The exact amount of the liability is uncertain as MMI continue to receive claims (and may continue to do so for a further 20 to 25 years), however an initial 15% 'clawback' levy, (based on MMI's 2012/13 accounts) was notified in May 2013 which equates to £0.781m for the Council.

Contractual Disputes

The Council is involved in a number of disputes with contractors who have provided services to the Council. The outcome of these contractual matters cannot be determined with any certainty at this time.

Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements came into effect on 1 April 2013. The Council, acting as agent on behalf of the major preceptors, central government and themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list. The overall provision for appeals outstanding at 31 March 2014 has been assessed as £29.74m, of which the Council share is £2.974m. However, local businesses can still appeal against the rateable value on the 2010 Rating List until 31 March 2017. It is difficult to estimate the likelihood of businesses both submitting and being successful for an appeal that is yet to be made and therefore the Council has made no provision in its accounts for future appeals.

46. Contingent Assets

There were no contingent assets at 31st March 2014 or 31st March 2013.

47. Prior Period Adjustments – IAS19 Employment Benefits

A prior period adjustments has been made to the Council's 2012/13 published financial statements in relation to the following:

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1st January 2013. There is no impact on the Balance Sheet however, the main changes are as follows.

- Expected Return on Assets

This is in relation to the return on Pension Scheme assets such as those held by the Cumbria Local Government Pension Scheme. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

- Asset Disclosures

IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not.

- Asset Disclosures continued

The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

- Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 42).

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

47. Prior Period Adjustments – IAS19 Employment Benefits continued

A summary of the changes made to the 2012/13 figures and their effect in each of the accounting statements is shown below:

Restated Pensions	2012/13 Original £000	Movement	2012/13 Restated £000
Assets			
Interest Income	45,450	(4,148)	41,302
<i>Remeasurement Gain/ Loss:</i>			
Return on Scheme Assets, excluding the amount included in the net interest expense	68,742	4,724	73,466
Employer Contributions	32,371	0	32,371
Contributions by Scheme Participants	9,211	0	9,211
Benefits Paid	(39,485)	0	(39,485)
Administration Expenses	0	(576)	(576)
Settlements	(444)	0	(444)
Business Combinations	9,213	0	9,213
Liabilities			
Current Service Cost	(30,884)	(759)	(31,643)
Interest Cost	(66,387)	759	(65,628)
Contributions by Scheme Participants	(10,177)	0	(10,177)
<i>Remeasurement (Gains)/ Losses:</i>			
Actuarial Gains / Losses - Experience	(169,924)	169,924	0
Actuarial Gains / Losses arising from changes in financial assumptions	0	(154,368)	(154,368)
Actuarial Gains / Losses arising from changes in demographic assumptions	0	(15,556)	(15,556)
Benefits Paid	48,681	0	48,681
Past Service Cost	(511)	0	(511)
Curtailments - Liabilities	(777)	0	(777)
Settlements - Liabilities	1,473	0	1,473
Business Combinations	(8,722)	0	(8,722)

Comprehensive Income and Expenditure Statement Restatement

Service	2012/13			IAS 19 Pensions Restatement	2012/13		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Restated Gross Expenditure £000	Gross Income £000	Restated Net Expenditure £000
Services:							
Central Services to the Public	3,238	(1,420)	1,818		3,238	(1,420)	1,818
Cultural and Related Services	12,437	(700)	11,737		12,437	(700)	11,737
Environmental and Regulatory Services	37,620	(1,066)	36,554	62	37,682	(1,066)	36,616
Planning Services	19,407	(7,748)	11,659		19,407	(7,748)	11,659
Highways and Transport Services	67,947	(7,714)	60,233		67,947	(7,714)	60,233
Education and Childrens' Services	412,032	(300,594)	111,438	334	412,366	(300,594)	111,772
Adult Social Care	201,955	(49,590)	152,365	181	202,136	(49,590)	152,546
Fire & Rescue Services	22,439	(1,038)	21,401	16	22,455	(1,038)	21,417
Corporate and Democratic Core	9,893	(3,676)	6,217	166	10,059	(3,676)	6,383
Non Distributed Costs	1,288	0	1,288		1,288	0	1,288
Exceptional Items - IAS19 Settlements	444	(1,473)	(1,029)		444	(1,473)	(1,029)
Exceptional Items - IAS19 Business Combinations	8,722	(9,213)	(491)		8,722	(9,213)	(491)
Cost of Services	797,422	(384,232)	413,190	759	798,181	(384,232)	413,949
Other Operating Expenditure	46,184	0	46,184	576	46,760	0	46,760
Financing and Investment Income and Expenditure	52,156	(8,647)	43,509	3,389	55,545	(8,647)	46,898
Taxation and Non Specific Grant Income	0	(475,313)	(475,313)		0	(475,313)	(475,313)
(Surplus)/Deficit on Provision of Services			27,570	4,724			32,294
Other (Gains)/Losses			134				134
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(3,401)				(3,401)
(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			(12)				(12)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			101,182	(4,724)			96,458
Other Comprehensive Income and Expenditure			97,903	(4,724)			93,179
Total Comprehensive Income and Expenditure			125,473	0			125,473

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

47. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors continued
Movement in Reserves Statement Restatement

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31st March 2012	15,756	82,940	5,321	5,781	1,183	2,813	113,794	146,823	514,166	134	(513,534)	(545)	1,535	(10,299)	138,279	252,073
Movement in Reserves during 2012/13																
Surplus/(deficit) on the provision of services	(32,294)	0	0	0	0	0	(32,294)	0	0	0	0	0	0	0	0	(32,294)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(93,179)
Total Comprehensive Income and Expenditure	(32,294)	0	0	0	0	0	(32,294)	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(125,473)
Adjustments between accounting basis and funding basis under regulations (Note 10)																
Reversal of items debited / credited to CI&E statement																
Depreciation of non current assets	30,881	0	0	0	0	0	30,881	0	(30,881)	0	0	0	0	0	(30,881)	0
Depreciation and impairment of Intangible assets	3,851	0	0	0	0	0	3,851	0	(3,851)	0	0	0	0	0	(3,851)	0
Impairment of non current assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Revaluation (Gains) and Losses on Property, Plant & Equipment	23,534	0	0	0	0	0	23,534	0	(23,534)	0	0	0	0	0	(23,534)	0
Revenue Expenditure Funded from Capital Under Statute	11,774	0	0	0	0	0	11,774	0	(11,774)	0	0	0	0	0	(11,774)	0
Grants on Revenue expenditure funded from capital under statute	(11,774)	0	0	0	0	0	(11,774)	0	11,774	0	0	0	0	0	11,774	0
Net (Gains) and losses on disposal of non current assets	45,295	0	0	5,309	0	0	50,604	0	(50,604)	0	0	0	0	0	(50,604)	0
Insertion of items not debited / credited to CI&E statement																
Minimum Revenue Provision	(16,343)	0	0	0	0	0	(16,343)	0	16,343	0	0	0	0	0	16,343	0
Capital expenditure charged to the general fund balance	(1,014)	0	0	0	0	0	(1,014)	0	1,014	0	0	0	0	0	1,014	0
Other adjustments																
Collection fund adjustment account	(1,079)	0	0	0	0	0	(1,079)	0	0	0	0	0	1,079	0	1,079	0
Accumulated Absences Adjustment	(30)	0	0	0	0	0	(30)	0	0	0	0	0	0	30	30	0
Employers contributions payable to pension funds	(40,601)	0	0	0	0	0	(40,601)	0	0	0	40,601	0	0	0	40,601	0
IAS 19 retirement benefit charges	56,313	0	0	0	0	0	56,313	0	0	0	(51,589)	0	0	0	(51,589)	4,724
Balance of receipts received and used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts used in financing	0	0	0	(3,694)	0	0	(3,694)	0	3,694	0	0	0	0	0	3,694	0
Deferred capital receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Grants Unapplied - used in financing	(57,660)	0	0	0	(669)	0	(58,329)	0	58,329	0	0	0	0	0	58,329	0
Capital Grants Unapplied	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Donated Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(2,691)	2,691	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(2,993)	2,993	0	0	0	0	0	0	0
2010/11 Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (Note 10)	43,147	0	0	1,615	(669)	0	44,093	(5,684)	(23,806)	0	(10,988)	0	1,079	30	(39,369)	4,724
Net Increase/(Decrease) before Transfers to Earmarked Reserves	10,853	0	0	1,615	(669)	0	11,799	(2,283)	(23,806)	(134)	(107,446)	12	1,079	30	(132,548)	(120,749)
Transfers (to) Earmarked Reserves (Note 40)	(32,898)	32,898	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves (Note 40)	22,774	(22,774)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves (Note 40)	(3)	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves (Note 39.2)	(1,349)	0	0	0	1,349	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2012/13	(623)	10,124	3	1,615	680	0	11,799	(2,283)	(23,806)	(134)	(107,446)	12	1,079	30	(132,548)	(120,749)
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	0	(620,980)	(533)	2,614	(10,269)	5,732	131,325

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

47. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors continued

Cash Flow Statement Restatement

	2012/13		IAS19 Pensions Adjustment	Restated 2012/13	
	£000	£000		£000	£000
Net Surplus/(Deficit) on the Provision of Services		(27,570)	(4,724)		(32,294)
<u>Adjust net surplus or (deficit) on provision of services for non cash movements</u>					
Depreciation	30,881			30,881	
Amortisation	3,851			3,851	
Revaluations downwards	23,534			23,534	
Adjustments for effective interest rates	(12)			(12)	
Increase/(Decrease) in Interest Creditors	(18)			(18)	
Increase/(Decrease) in Creditors	6,606			6,606	
Increase/(Decrease) in Interest and Dividend Debtors	(267)			(267)	
(Increase)/Decrease in Debtors	(585)			(585)	
(Increase)/Decrease in Inventories	456			456	
Pension Liability	10,988		4,724	15,712	
Contributions to Provisions	2,055			2,055	
Carrying Amount of non current assets sold	50,604			50,604	
		128,093			132,817
<u>Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities</u>					
Capital grants credited to surplus or (deficit) on the provision of services	(59,009)			(59,009)	
Proceeds from the sale of property, plant and equipment, investment properties or intangible assets	(5,181)			(5,181)	
		(64,190)			(64,190)
Net Cashflows from Operating Activities ***		36,333			36,333
Net Cashflows from Investing Activities					
Purchase of PPE, Investment property and intangible assets	(87,629)			(87,629)	
Purchase of short term and long term investments	(428,950)			(428,950)	
New Long Term Loan	0			0	
Proceeds from the sale of PPE, Investment property and intangible assets	5,315			5,315	
Proceeds from short term and long term investments	419,800			419,800	
Other receipts from investing activities	52,883			52,883	
		(38,581)			(38,581)
Net Cashflows from Financing Activities					
Appropriation to / from Collection Fund adjustment account	(1,079)			(1,079)	
Payments for the reduction on PFI liability	(622)			(622)	
Payment for the reduction of long term borrowing	(23)			(23)	
Net cashflows from Financing Activities		(1,724)			(1,724)
Net Increase or (Decrease) in Cash and Cash Equivalents		(3,972)			(3,972)
Cash and Cash Equivalents at the Beginning of the Reporting Period		55,181			55,181
Cash and Cash Equivalents at the End of the Reporting Period (Note 34)		51,209			51,209

There is no overall effect on the Balance Sheet. The changes identified on the previous pages are reflected in the comparator information in the relevant notes (Notes 4, 7, 8, 10, 40.3, 42.1, 42.3, and 42.4) and the Group Accounts (section 7).

48. Trust Funds and Accountable Body Funds

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

48.1 Trust Funds

The Holehird Trust, created under the bequest of Henry Leigh Groves, includes the Holehird estate near Windermere. The balances held by the trust funds are invested in gilt edged and equity securities in accordance with the regulations contained in the Trustee Investment Acts. The income of the trust funds is distributed in accordance with the terms of the trust deeds. Included are three trusts which have been audited by the Council's Shared Internal Audit Service in compliance with the Charities Act 2006. The various trust funds can be broadly categorised as follows:

	Balance at 31st March 2013 £000	Receipts £000	Payments £000	Balance at 31st March 2014 £000
Trust Funds				
Holehird Trust	1,023	53	(210)	866
Archives Trusts	529	17	(18)	528
Education Trusts	458	14	(9)	463
Social Services Trusts	44	0	(33)	11
	2,054	84	(270)	1,868

48.2 Accountable Body Funds

The Council is the Accountable Body for a number of projects; the largest are Copeland Community Fund, Growing Places Fund, Regional Growth Fund and Nuclear Partners Fund.

Copeland Community Fund

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

The Council acts as Treasurer for the Fund, but it is administered by a Project Board of seven members, of which two are Cumbria County Council Councillors, Cllr D Southward and Cllr T Knowles, two Copeland Borough Council Councillors, two independent members and one member from the NDA. Disbursements from the Fund are considered and approved by the Project Board, in accordance with the unilateral undertaking entered into between the NDA, the County Council and Copeland Borough Council at the inception of the Fund. The Fund is to be spent on schemes and initiatives that are consistent with the NDA's socio-economic policy including employment, education and skills and economic and social infrastructure.

CUMBRIA COUNTY COUNCIL
SECTION 6 – NOTES TO THE ACCOUNTING STATEMENTS

48.2 Accountable Body Funds continued

The cash balance of the fund at 31st March 2014 is £12.700m. Additionally, there is one debtor of £0.185m, and creditors of £0.039m, giving a total balance of £12.847m. Income is received from the NDA each year to top up the fund, and from the Council in respect of interest due for funds invested. The table below shows a summary of the transactions for the past two years.

Balance at 31/3/12 £000	2012/13 Receipts £000	2012/13 Payments £000	Balance at 31/3/13 £000	2013/14 Receipts £000	2013/14 Payments £000	Balance at 31/3/14 £000
11,517	3,141	(1,249)	13,409	2,365	(2,927)	12,847

Growing Places Fund

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

The CIF is identified to help promote the delivery of infrastructure projects needed to unlock developments that help to create jobs and homes in Cumbria. The CIF is a revolving fund, when the development is completed, and a return has been generated, the amount of money provided, should be as a minimum, paid back to allow the fund to be recycled to help further developments.

Cumbria County Council holds the funding as the accountable body for the CIF and the Cumbria LEP Board agree the fund priorities. As accountable body, Cumbria County Council enters into formal agreements with the applicants (and if required the relevant district councils) before the CIF is invested to ensure that funding can be repaid within the agreed timescales or against agreed milestones. A number of "Business Development Loans" have been agreed and issued, and receipts received in 2013/14 relate to the interest (revenue) and principal (capital) repayments received during the year from these loans. As at 31st March 2014 there were loans outstanding amounting to £1.6m.

	Balance at 31/3/12 £000	2012/13 Receipts £000	2012/13 Payments £000	Balance at 31/3/13 £000	2013/14 Receipts £000	2013/14 Payments £000	Balance at 31/3/14 £000
Revenue	502	0	(57)	445	5	(62)	388
Capital	6,162	0	(215)	5,947	148	(1,526)	4,569
Total	6,664	0	(272)	6,392	153	(1,588)	4,957

The Council is also Accountable Body for the following:

- Rural Growth Network Pilot – balance at 31st March 2014 £2.981m
- Regional Growth Fund – balance at 31st March 2014 £0.794m
- Morecambe Bay Partnership
- Local Enterprise Partnership Core Funding

7.1 Introduction

The Group Accounting Statements have been prepared on the basis of a full consolidation of the financial transactions of the Council and its subsidiary and associated companies. Associated companies are consolidated using the equity method – the Council's investment in these companies is incorporated at cost and adjusted each year by the Council's share of the companies' results as recognised in the Group Comprehensive Income and Expenditure Statement and its share of other gains and losses. The associated companies have all prepared their accounts to 31st March 2014.

7.2 Group Boundary

During 2013/14 the group boundary (i.e. what should be included within the Council's group accounts) was re-examined to determine whether the existing members of the group were still appropriate and in addition whether there were any other bodies that should be included. This review took account of the materiality of the bodies in terms of value and the nature of their relationships.

In 2012/13 the Group accounts included Cumbria Waste Management Ltd (CWM) and its subsidiaries - Cumbria Waste Recycling Ltd and Trotters Dry Waste Ltd which are wholly owned by CWM Ltd and its subsidiary Lakeland Waste Management Ltd, which is 50% owned by CWM Ltd are included in the Group Accounts. These four companies are involved in the management, recycling or disposal of waste within Cumbria.

During 2012/13 two new companies were incorporated which were initially wholly owned by CWM - Cumbria County Holdings Ltd (CCHL) and Orian Solutions Ltd. Neither of these companies traded during 2012/13. In March 2013 the Council exchanged its 2,813,000 shares with a £1 nominal value in CWM for an equal number of shares in CCHL, which is wholly owned by the Council. Orian Solutions Ltd, has been capitalised by £1.25m in 2013/14. The capitalisation included £0.370m for the purchase of shares and £0.880m as a payment direct to the company. This capitalisation was approved by Council as part of the 2013/14 budget in February 2013.

The results of the companies are summarised in Note 43 on page 140.

The Council also has an interest in other companies - Invest In Cumbria Ltd, Traveline Ltd and NW FiReControl Ltd. These are all relatively small and do not materially alter the group accounting statements if they are either included or excluded. So, on the grounds of materiality they are not included in the group accounts but are still included in the related parties note to the accounts including their results for the year (Note 43).

The Council also had a 33.6% interest in Maryport Developments Ltd. The shares were sold in July 2013 to Maryport Harbour Authority.

7.3 Minority Interest

CWM has a subsidiary - Lakeland Waste Management Ltd (LWM) in which it has a holding of 50%. IAS 27 (Minority Interests) requires that the financial results and balances of this subsidiary are fully consolidated into the group accounts to reflect the fact that CWM, and therefore the Council, has full control over the financial and operating policies.

It is recognised that the ultimate rights to the economic benefits for the Council are limited to the shareholding (50%). A proportion of the capital and reserves of LWM are identified in the group accounts as a minority interest.

Minority interests are presented on the face of the Group Balance Sheet. For the Comprehensive Income & Expenditure Statement there is an analysis below the main statement showing the amounts of the surplus or deficit that is attributable to the minority interest. In order to calculate the minority interest share of the subsidiary reserves accumulated between the acquisition date and the start of the current year an estimate has been calculated. The calculation allocated the difference between the adjusted reserves at the acquisition dates and those at the end of the period, net of the attributable movement identified to the minority interest in the current year.

7.4 Statement of Accounting Policies

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

i. Non Current Assets

Profits and losses on disposal are treated as a charge to the cost of services. Significant profits and losses on disposal are shown as exceptional items. The Council revalues its assets to reflect their market value for existing uses.

The Cumbria Waste Management group completes a revaluation to reflect the cost and associated liabilities of managing landfill sites. In order to accommodate the estimated future costs of restoration and aftercare on these sites, restoration and aftercare costs are capitalised and a provision created. The total cost of non current assets are amortised and charges to the Group Comprehensive Income & Expenditure are based on the overall proportion of void space consumed during the accounting period. The Cumbria Waste Management group creates a provision for the future restoration and aftercare costs in respect of landfill sites. The total provision created by Cumbria Waste Management Ltd in 2013/14 is £8.243m (2012/13 £10.247m). The Council has treated this exposure as a contingent liability (Section 6, note 45).

Other subsidiaries do not hold interests in land & buildings. Their non current assets are held at cost with depreciation charged over their estimated useful lives.

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

CUMBRIA COUNTY COUNCIL
SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.5 GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR TO 31st MARCH 2014

The 2012/13 Comprehensive Income and Expenditure Account has been restated to reflect the changes in IAS19 Employee Benefits, details of the restatement are in note 47.

2012/13			Service	Note to the Accounts	2013/14		
Restated Gross Expenditure £000	Gross Income £000	Restated Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,238	(1,420)	1,818	Services:		3,013	(1,398)	1,615
12,437	(700)	11,737	Central Services to the Public		9,587	(633)	8,954
56,102	(21,856)	34,246	Cultural and Related Services		63,287	(22,241)	41,046
19,407	(7,748)	11,659	Environmental and Regulatory Services		15,831	(4,771)	11,060
67,947	(7,714)	60,233	Planning Services		59,440	(6,599)	52,841
412,366	(300,594)	111,772	Highways and Transport Services		410,206	(299,908)	110,298
202,136	(49,590)	152,546	Education and Childrens' Services		204,184	(54,162)	150,022
22,455	(1,038)	21,417	Adult Social Care		22,683	(336)	22,347
0	0	0	Fire & Rescue Services		12,943	(12,943)	0
10,059	(3,676)	6,383	Public Health Services		13,716	(7,128)	6,588
1,288	0	1,288	Corporate and Democratic Core		4,024	0	4,024
444	(1,473)	(1,029)	Non Distributed Costs		860	(2,223)	(1,363)
8,722	(9,213)	(491)	Exceptional Items - IAS19 Settlements		0	0	0
			Exceptional Items - IAS19 Business Combinations				
816,601	(405,022)	411,579	Cost of Services	7.11 & 7.12	819,774	(412,342)	407,432
46,760	0	46,760	Other Operating Expenditure	7.13	44,021	0	44,021
55,916	(5,774)	50,142	Financing and Investment Income and Expenditure	7.14	57,519	(3,269)	54,250
0	(475,313)	(475,313)	Taxation and Non Specific Grant Income	7.15	0	(457,736)	(457,736)
		33,168	(Surplus) / Deficit on Provision of Services				47,967
		580	Taxation of Subsidiaries				712
		33,748	Group (Surplus) / Deficit				48,679
		134	Other (Gains) / Losses				0
	(3,401)		(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				2,091
	(12)		(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				(12)
	96,458		Remeasurement of net defined benefit liability (asset)				(147,923)
		93,179	Other Comprehensive Income and Expenditure				(145,844)
		126,927	Total Comprehensive Income and Expenditure				(97,165)

2012/13			Analysis of minority interests shares in the group	2013/14		
Authority £000	Minority Interest £000	Total £000		Authority £000	Minority Interest £000	Total £000
33,488	260	33,748	(Surplus) or deficit on the provision of services	48,479	200	48,679
93,179	0	93,179	Other Comprehensive Income and Expenditure	(145,844)	0	(145,844)
126,667	260	126,927		(97,365)	200	(97,165)

CUMBRIA COUNTY COUNCIL

SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.6 GROUP MOVEMENT IN RESERVES STATEMENT

The 2012/13 Group Movement in Reserves Statement has been restated to reflect the changes in IAS19 Employee Benefits, details of the restatement are in note 47.

Restated 2012/13	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Authority's reserves	Authority's share of reserves of subsidiaries £000	Minority Interest £000	Total Reserves £000
Balance at 31st March 2012	13,823	82,940	5,321	5,781	1,183	2,813	111,861	146,823	514,166	134	(513,534)	(545)	1,535	(10,299)	138,279	250,140	11,892	800	262,833
Movement in Reserves during 2012/13																			
Surplus or (deficit) on the provision of services	(33,979)	0	0	0	0	0	(33,979)	0	0	0	0	0	0	0	0	(33,979)	492	(261)	(33,748)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(93,179)	0	0	(93,179)
Total Comprehensive Income and Expenditure	(33,979)	0	0	0	0	0	(33,979)	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(127,158)	492	(261)	(126,927)
Adjustments between Group Accounts and authority accounts	3,618	0	0	0	0	0	3,618	0	0	0	0	0	0	0	0	3,618	(3,518)	(100)	0
Net Increase / Decrease before transfers	(30,361)	0	0	0	0	0	(30,361)	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(123,540)	(3,026)	(361)	(126,927)
Adjustments between accounting basis and funding basis under regulations	43,147	0	0	1,615	(669)	0	44,093	(5,684)	(23,806)	0	(15,712)	0	1,079	30	(44,093)	0	0	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,786	0	0	1,615	(669)	0	13,732	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(123,540)	(3,026)	(361)	(126,927)
Transfers (to)/from Earmarked Reserves	(11,476)	10,124	3	0	1,349	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2012/13	1,310	10,124	3	1,615	680	0	13,732	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(123,540)	(3,026)	(361)	(126,927)
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	0	(625,704)	(533)	2,614	(10,269)	1,007	126,600	8,866	439	135,906
Movement in Reserves during 2013/14																			
Surplus or (deficit) on the provision of services	(41,339)	0	0	0	0	0	(41,339)	0	0	0	0	0	0	0	0	(41,339)	(7,141)	(200)	(48,680)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(2,091)	0	0	147,923	12	0	0	145,844	145,844	0	0	145,844
Total Comprehensive Income and Expenditure	(41,339)	0	0	0	0	0	(41,339)	(2,091)	0	0	147,923	12	0	0	145,844	104,505	(7,141)	(200)	97,164
Adjustments between Group Accounts and authority accounts	(8,238)	0	0	0	0	0	(8,238)	0	0	0	0	0	0	0	0	(8,238)	8,238	0	0
Net Increase / Decrease before transfers	(49,577)	0	0	0	0	0	(49,577)	(2,091)	0	0	147,923	12	0	0	145,844	96,267	1,097	(200)	97,164
Adjustments between accounting basis and funding basis under regulations	54,041	0	0	1,631	(575)	0	55,097	(9,206)	(22,447)	0	(23,351)	0	(2,157)	2,064	(55,097)	0	0	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	4,464	0	0	1,631	(575)	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267	1,097	(200)	97,164
Transfers (to)/from Earmarked Reserves	(4,464)	2,836	0	0	1,628	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2013/14	0	2,836	0	1,631	1,053	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267	1,097	(200)	97,164
Balance at 31st March 2014	15,133	95,900	5,324	9,027	2,916	2,813	131,113	133,243	467,913	0	(501,132)	(521)	457	(8,205)	91,755	222,868	9,963	239	233,070

CUMBRIA COUNTY COUNCIL
SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.7 GROUP BALANCE SHEET as at 31st March 2014

31st March 2013		Notes to the Accounts	31st March 2014
£000			£000
	Long Term Assets:		
	Property, Plant and Equipment		
668,679	Other Land and Buildings		601,233
26,099	Vehicles, Plant, Furniture and Equipment		27,889
405,157	Infrastructure		422,710
59	Community Assets		59
15,707	Assets Under Construction		3,318
18,625	Surplus Properties Not Held For Sale		42,074
1,134,326	Total Property, Plant and Equipment	7.16	1,097,283
533	Heritage Assets		533
185	Investment Properties		185
6,511	Intangible Assets	7.17	2,258
0	Long Term Investments		0
8,222	Long Term Debtors		8,157
1,149,777	Total Long Term Assets		1,108,416
	Current Assets:		
579	Current Assets Held for Sale		600
1,005	Inventories		1,495
58,750	Short Term Debtors	7.18	53,294
75,694	Short Term Investments	7.19	55,178
67,217	Cash and Cash Equivalents		118,391
203,245	Total Current Assets		228,958
	Current Liabilities:		
(4,673)	Short Term Borrowings		(12,166)
0	Short Term PFI Liability		(368)
(76,491)	Short Term Creditors	7.20	(79,432)
(11,856)	Revenue grants received in Advance		(12,572)
(3,610)	Short Term Provisions	7.22	(3,910)
(6,842)	Bank Overdraft		(4,047)
(103,472)	Total Current Liabilities		(112,495)
	Long Term Liabilities:		
(315,939)	Long Term Borrowings	7.21	(308,413)
(4,003)	Long Term Creditors		(3,699)
(552)	Long Term Finance Lease Liability		(783)
(113,913)	Long Term PFI Liability		(117,519)
(36,192)	Capital Grants Receipts in Advance		(42,509)
(16,517)	Long Term Provisions	7.22	(17,190)
(626,528)	Pensions Liability		(501,696)
(1,113,644)	Total Long Term Liabilities		(991,809)
135,906	Net Assets		233,070
	Usable Reserves		
15,133	General Fund Balance		15,133
8,866	Profit and Loss Reserve		9,963
93,064	Earmarked Reserves		95,900
5,324	Earmarked Capital Reserve		5,324
7,396	Usable Capital Receipts Reserve		9,027
1,863	Capital Grants & Contributions Unapplied Reserve		2,916
2,813	Long Term Investment Reserve		2,813
134,459			141,076
	Unusable Reserves		
144,540	Revaluation Reserve		133,243
0	Share capital		0
490,360	Capital Adjustment Account		467,913
0	Deferred Capital Receipts		0
(625,704)	Pensions Reserve		(501,132)
(533)	Financial Instruments Adjustment Account		(521)
2,614	Collection Fund Adjustment Account		457
(10,269)	Accumulated Absences Account		(8,205)
439	Minority Interest		239
1,447			91,994
135,906		7.23	233,070

CUMBRIA COUNTY COUNCIL
SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.8 ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND COUNCIL ACCOUNTS

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund Balance back to the statutory balance with the balancing adjustment against the Council's share of the subsidiary reserves.

Adjustment	General Fund Balance £000	Authorities share of reserves of subsidiaries £000	Minority Interest £000	Total Impact on Group Reserves £000
Dividends received from subsidiaries	2,000	(2,000)		0
Purchase of goods and services from subsidiaries	(10,238)	10,238		0
Total adjustments between Group accounts and Council accounts for 2013/14	(8,238)	8,238		0

CUMBRIA COUNTY COUNCIL
SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.9 GROUP CASH FLOW STATEMENT

The 2012/13 Group Cash Flow Statement has been restated to reflect the changes in IAS19 Employee Benefits, details of the restatement are in note 47.

Restated 2012/13			2013/14	
£000	£000		£000	£000
	(33,748)	Net Surplus/(Deficit) on the Provision of Services		(48,679)
		<u>Adjust net surplus or (deficit) on provision of services for non cash movements</u>		
32,766		Depreciation	32,742	
3,904		Amortisation	3,950	
23,534		Revaluations downwards	15,299	
(12)		Adjustments for effective interest rates	(12)	
(18)		Increase/(Decrease) in Interest Creditors	(7)	
4,998		Increase/(Decrease) in Creditors	1,208	
(267)		Increase/(Decrease) in Interest and Dividend Debtors	366	
3,650		(Increase)/Decrease in Debtors	(2,240)	
456		(Increase)/Decrease in Inventories	(490)	
15,842		Pension Liability	23,090	
2,002		Contributions to Provisions	973	
50,604		Carrying Amount of non current assets sold	48,724	
	137,459			123,603
		<u>Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities</u>		
(59,009)		Capital grants credited to surplus or (deficit) on the provision of services	(45,586)	
(5,181)		Proceeds from the sale of property, plant and equipment, investment properties or intangible assets	(4,417)	
	(64,190)			(50,003)
	39,521	Net Cashflows from Operating Activities ***		24,921
		Net Cashflows from Investing Activities		
(88,466)		Purchase of PPE, Investment property and intangible assets	(55,467)	
(428,950)		Purchase of short term and long term investments	(358,000)	
0		Other Payments from investing activities	(340)	
5,315		Proceeds from the sale of PPE, Investment property and intangible assets	4,417	
419,800		Proceeds from short term and long term investments	378,150	
52,883		Other receipts from investing activities - Capital Grants	60,017	
	(39,418)			28,777
		Net Cashflows from Financing Activities		
(1,079)		Appropriation to / from Collection Fund adjustment account	0	
(622)		Payments for the reduction on PFI liability	285	
(23)		Payment for the reduction of long term borrowing	(14)	
	(1,724)			271
	(1,621)	Net Increase or (Decrease) in Cash and Cash Equivalents		53,969
	61,996	Cash and Cash Equivalents at the Beginning of the Reporting Period		60,375
	60,375	Cash and Cash Equivalents at the End of the Reporting Period		114,344

*** The Net Cashflows from Operating Activities in 2013/14 include interest received of £1.408m (2012/13 £1.719m), Income tax paid £0.712m (2012/13 £0.580m) and interest paid of £29.377m (2012/13 £26.746m).

CUMBRIA COUNTY COUNCIL

SECTION 7 - GROUP ACCOUNTING STATEMENTS

NOTES TO THE GROUP ACCOUNTS

7.10 Movement in Reserves Statement

7.10.1 Movement in Reserves Statement 2013/14

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Authority's reserves £000	Authority's share of reserves of subsidiaries £000	Minority Interests £000	Total Reserves £000
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	0	(625,704)	(533)	2,614	(10,269)	1,008	126,602	8,866	439	135,906
Movement in Reserves during 2013/14																			
Surplus/(deficit) on the provision of services	(41,339)	0	0	0	0	0	(41,339)	0	0	0	0	0	0	0	0	(41,339)	(7,141)	(200)	(48,680)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(2,091)	0	0	147,923	12	0	0	145,844	145,844	0	0	145,844
Total Comprehensive Income and Expenditure	(41,339)	0	0	0	0	0	(41,339)	(2,091)	0	0	147,923	12	0	0	145,844	104,505	(7,141)	(200)	97,164
Adjustments between group accounts and authority accounts	(8,238)	0	0	0	0	0	(8,238)	0	0	0	0	0	0	0	0	(8,238)	8,238	0	0
Net Increase/ Decrease before transfers	(49,577)	0	0	0	0	0	(49,577)	(2,091)	0	0	147,923	12	0	0	145,844	96,267	1,097	(200)	97,164
Adjustments between accounting basis and funding basis under regulations																			
Reversal of items debited / credited to CI&E statement																			
Depreciation of non current assets	31,294	0	0	0	0	0	31,294	0	(31,294)	0	0	0	0	0	(31,294)	0	0	0	0
Depreciation and impairment of intangible assets	3,966	0	0	0	0	0	3,966	0	(3,966)	0	0	0	0	0	(3,966)	0	0	0	0
Revaluation Losses on Property, Plant & Equipment	15,299	0	0	0	0	0	15,299	0	(15,299)	0	0	0	0	0	(15,299)	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	6,612	0	0	0	0	0	6,612	0	(6,612)	0	0	0	0	0	(6,612)	0	0	0	0
Grants on revenue expenditure funded from capital under statute	(6,612)	0	0	0	0	0	(6,612)	0	6,612	0	0	0	0	0	6,612	0	0	0	0
Gains and losses on disposal of fixed assets	42,419	0	0	4,417	0	0	46,836	0	(46,836)	0	0	0	0	0	(46,836)	0	0	0	0
Insertion of items not debited / credited to CI&E statement																			
Minimum Revenue Provision	(16,072)	0	0	0	0	0	(16,072)	0	16,072	0	0	0	0	0	16,072	0	0	0	0
Capital expenditure charged to the general fund balance	(2,338)	0	0	0	0	0	(2,338)	0	2,338	0	0	0	0	0	2,338	0	0	0	0
Other adjustments																			
Collection fund adjustment account	2,157	0	0	0	0	0	2,157	0	0	0	0	0	(2,157)	0	(2,157)	0	0	0	0
Accumulated Absences Adjustment	(2,064)	0	0	0	0	0	(2,064)	0	0	0	0	0	0	2,064	2,064	0	0	0	0
Employers contributions payable to pension funds	(43,784)	0	0	0	0	0	(43,784)	0	0	0	43,784	0	0	0	43,784	0	0	0	0
IAS 19 retirement benefit charges	67,135	0	0	0	0	0	67,135	0	0	0	(67,135)	0	0	0	(67,135)	0	0	0	0
Balance of receipts received and used	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts used in financing	0	0	0	(2,786)	0	0	(2,786)	0	2,786	0	0	0	0	0	2,786	0	0	0	0
CGUA used in financing	(43,971)	0	0	0	(575)	0	(44,546)	0	44,546	0	0	0	0	0	44,546	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(6,199)	6,199	0	0	0	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,007)	3,007	0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	54,041	0	0	1,631	(575)	0	55,097	(9,206)	(22,447)	0	(23,351)	0	(2,157)	2,064	(55,097)	0	0	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	4,464	0	0	1,631	(575)	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267	1,097	(200)	97,164
Transfers to Earmarked Reserves	(2,836)	2,836	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Earmarked Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves	(1,628)	0	0	0	1,628	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2013/14	0	2,836	0	1,631	1,053	0	5,520	(11,297)	(22,447)	0	124,572	12	(2,157)	2,064	90,747	96,267	1,097	(200)	97,164
Balance at 31st March 2014	15,133	95,900	5,324	9,027	2,916	2,813	131,113	133,243	467,913	0	(501,132)	(521)	457	(8,205)	91,755	222,868	9,963	239	233,070

CUMBRIA COUNTY COUNCIL

SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.10.2 Movement in Reserves Statement 2012/13

The 2012/13 Group Movement in Reserves Statement has been restated to reflect the changes in IAS19 Employee Benefits, details of the restatement are in note 47.

Restated 2012/13	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Authority's reserves £000	Authority's share of reserves of subsidiaries £000	Minority Interests £000	Total Reserves £000
Balance at 31st March 2012	13,823	82,940	5,321	5,781	1,183	2,813	111,861	146,823	514,166	134	(513,534)	(545)	1,535	(10,299)	138,279	250,140	11,892	800	262,833
Movement in Reserves during 2012/13																			
Surplus/(deficit) on the provision of services	(33,979)	0	0	0	0	0	(33,979)	0	0	0	0	0	0	0	0	(33,979)	492	(261)	(33,748)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(93,179)	0	0	(93,179)
Total Comprehensive Income and Expenditure	(33,979)	0	0	0	0	0	(33,979)	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(127,158)	492	(261)	(126,927)
Adjustments between group accounts and authority accounts	3,618	0	0	0	0	0	3,618	0	0	0	0	0	0	0	0	3,618	(3,518)	(100)	0
Net Increase/ Decrease before transfers	(30,361)	0	0	0	0	0	(30,361)	3,401	0	(134)	(96,458)	12	0	0	(93,179)	(123,540)	(3,026)	(361)	(126,927)
Adjustments between accounting basis and funding basis under regulations																			
Reversal of items debited / credited to CI&E statement																			
Depreciation of non current assets	30,881	0	0	0	0	0	30,881	0	(30,881)	0	0	0	0	0	(30,881)	0	0	0	0
Depreciation and impairment of intangible assets	3,851	0	0	0	0	0	3,851	0	(3,851)	0	0	0	0	0	(3,851)	0	0	0	0
Revaluation Losses on Property, Plant & Equipment	23,534	0	0	0	0	0	23,534	0	(23,534)	0	0	0	0	0	(23,534)	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	11,774	0	0	0	0	0	11,774	0	(11,774)	0	0	0	0	0	(11,774)	0	0	0	0
Grants on revenue expenditure funded from capital under statute	(11,774)	0	0	0	0	0	(11,774)	0	11,774	0	0	0	0	0	11,774	0	0	0	0
Gains and losses on disposal of fixed assets	45,295	0	0	5,309	0	0	50,604	0	(50,604)	0	0	0	0	0	(50,604)	0	0	0	0
Insertion of items not debited / credited to CI&E statement																			
Minimum Revenue Provision	(16,343)	0	0	0	0	0	(16,343)	0	16,343	0	0	0	0	0	16,343	0	0	0	0
Capital expenditure charged to the general fund balance	(1,014)	0	0	0	0	0	(1,014)	0	1,014	0	0	0	0	0	1,014	0	0	0	0
Other adjustments																			
Collection fund adjustment account	(1,079)	0	0	0	0	0	(1,079)	0	0	0	0	0	1,079	0	1,079	0	0	0	0
Accumulated Absences Adjustment	(30)	0	0	0	0	0	(30)	0	0	0	0	0	0	30	30	0	0	0	0
Employers contributions payable to pension funds	(40,601)	0	0	0	0	0	(40,601)	0	0	0	40,601	0	0	0	40,601	0	0	0	0
IAS 19 retirement benefit charges	56,313	0	0	0	0	0	56,313	0	0	0	(56,313)	0	0	0	(56,313)	0	0	0	0
Receipts used in financing	0	0	0	(3,694)	0	0	(3,694)	0	3,694	0	0	0	0	0	3,694	0	0	0	0
CGUA used in financing	(57,660)	0	0	0	(669)	0	(58,329)	0	58,329	0	0	0	0	0	58,329	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(2,691)	2,691	0	0	0	0	0	0	0	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(2,993)	2,993	0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	43,147	0	0	1,615	(669)	0	44,093	(5,684)	(23,806)	0	(15,712)	0	1,079	30	(44,093)	0	0	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,786	0	0	1,615	(669)	0	13,732	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(123,540)	(3,026)	(361)	(126,927)
Transfers to Earmarked Reserves	(32,901)	32,901	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	22,777	(22,777)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Reserves	(3)	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Capital Grants and Contributions Unapplied Reserves	(1,349)	0	0	0	1,349	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2012/13	1,310	10,124	3	1,615	680	0	13,732	(2,283)	(23,806)	(134)	(112,170)	12	1,079	30	(137,272)	(123,540)	(3,026)	(361)	(126,927)
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	0	(625,704)	(533)	2,614	(10,269)	1,008	126,601	8,866	439	135,906

CUMBRIA COUNTY COUNCIL

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7.11 Segmental Reporting

7.11.1 Segmental Reporting 2013/14

Directorate income and expenditure 2013/14	Children's Services £000	Adults and Local Services £000	Environment £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(18,908)	(58,831)	(8,272)	(224)	(109)	(1,144)	(4,438)	(995)	(92,921)
Other income	(2,976)	(11,046)	(930)	(666)	(61)	(72)	(608)	40	(16,319)
Internal income	(5,640)	(51)	(15,996)	(1,621)	0	(925)	(640)	(969)	(25,842)
Interest & Investment Income	(54)	0	(1)	0	0	0	(53)	(3,245)	(3,353)
Service Specific Grant income	(275,605)	(499)	(2,473)	0	0	(12,308)	(2,990)	(673)	(294,548)
General Grants	0	0	0	0	0	0	0		
Total Income	(303,183)	(70,427)	(27,672)	(2,511)	(170)	(14,449)	(8,729)	(5,842)	(432,983)
Employee costs	248,257	68,051	20,661	19,484	106	5,166	17,699	9,357	388,781
Interest Payable			13,634	1,321				14,262	29,217
Precepts Paid								777	777
Running expenses	139,158	142,194	91,479	7,383	13,605	13,727	29,969	(10,223)	427,292
Total Expenditure	387,415	210,245	125,774	28,188	13,711	18,893	47,668	14,173	846,067
Net Expenditure	84,232	139,818	98,102	25,677	13,541	4,444	38,939	8,331	413,084

Reconciliation of directorate income to costs of services in CI&E	
	2013/14 £000
Net expenditure in directorate analysis	413,084
<u>Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES</u>	
Trading accounts Premises - included in Resources	(182)
Trading accounts Port of Workington - included in Environment	(1,081)
Precepts - included in Other Corporate	(777)
Property Disposal Costs	(81)
Interest received	3,300
Interest paid included in CoS transferred to Financing & Investment Income	(14,262)
PFI Interest paid included in CoS to Financing & Investment Income	(14,955)
Investment property income from CoS to Financing & Investment Income	53
Investment property expenditure from CoS to Financing & Investment Income	(36)
	(28,021)
<u>Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES</u>	
PFI Principal (MRP) included in CoS moved to MIRS	286
Pooled Budget adjustment - Income	13,329
Pooled Budget adjustment - employee costs	(2,782)
Pooled Budget adjustment - running exps	(10,547)
RCCO included above moved to MIRS	(2,338)
Capital Grants and contributions transferred to capital grants unapplied reserve	(1,628)
	(3,680)
<u>Amounts included in Cost of Services not reported to Management</u>	
MRP included above moved to MIRS	(16,358)
IAS19 Adjustment - past service cost and curtailments	4,024
IAS19 Adjustment - current service cost	(5,561)
IAS19 Adjustment - Settlements & Combinations expenditure	860
IAS19 Adjustment - Settlements & Combinations income	(2,223)
Employee benefit accrual	(2,064)
Capital charges	35,260
Revaluation (gains) / losses	15,299
REFCUS Expenditure	6,612
REFCUS Grants	(6,612)
Net Expenditure of subsidiaries included in CI&ES and not reported to management	(3,188)
	26,049
Cost of Services in Comprehensive I&E Statement	407,432

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SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.11.2 Segmental Reporting 2012/13

The 2012/13 Segmental Reporting note has been restated to reflect the changes in respect of IAS19.

Directorate income and expenditure 2012/13	Children Services	Adults and Local Services	Environment	Safer and Stronger Communities	Local Committees	Chief Executives	Resources	Other Corporate / Miscellaneous	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees and charges	(17,230)	(45,595)	(8,077)	(573)	(73)	(2,458)	(5,703)	(736)	(80,446)
Other income	(4,429)	(17,712)	(2,123)	(3,137)	(37)	(190)	(1,067)	112	(28,582)
Internal income	(6,240)	(66)	(16,344)	0	0	951	(7,900)	(888)	(30,486)
Interest & Investment Income	(71)	0	(1)	0	0	0	(100)	(4,743)	(4,915)
Service Specific Grant income	(272,089)	(985)	(2,105)	(222)	(44)	(4)	(2,962)	(651)	(279,063)
Grant income	0	0	0	0	0	0	0	(62,732)	(62,732)
Total Income	(300,058)	(64,359)	(28,651)	(3,933)	(154)	(1,701)	(17,732)	(69,637)	(486,224)
Employee costs	245,928	65,487	20,208	19,514	75	3,302	21,164	9,132	384,811
Interest Paid	0	0	0	0	0	0	0	14,253	14,253
Precepts Paid	0	0	0	0	0	0	0	757	757
Running expenses	132,567	145,665	110,397	9,278	14,915	2,196	29,110	(13,066)	431,063
Total Expenditure	378,495	211,153	130,606	28,793	14,990	5,498	50,274	11,076	830,884
Net Expenditure	78,437	146,794	101,955	24,860	14,836	3,797	32,542	(58,561)	344,660

Reconciliation of directorate income to costs of services in CI&ES	Restated 2012/13
	£000
Net expenditure in directorate analysis	344,660
<u>Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES</u>	
Trading accounts Premises - included in Resources	733
Trading accounts Port of Workington - included in Environment	(1,711)
Precepts - included in Other Corporate	(757)
Interest received	4,860
Interest paid included in CoS transferred to Financing & Investment Income	(14,253)
PFI Interest paid included in CoS to Financing & Investment Income	(12,222)
Investment property income from CoS to Financing & Investment Income	55
Investment property expenditure from CoS to Financing & Investment Income	(34)
General Grants included above	62,732
	39,403
<u>Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES</u>	
PFI Principal (MRP) included in CoS moved to MIRS	(623)
Pooled Budget adjustment - Income	12,446
Pooled Budget adjustment - employee costs	(2,309)
Pooled Budget adjustment - running exps	(10,137)
RCCO included above moved to MIRS	(1,014)
Capital Grants and contributions transferred to capital grants unapplied reserve	(1,349)
	(2,986)
<u>Amounts included in Cost of Services not reported to Management</u>	
MRP included above moved to MIRS	(15,720)
IAS19 Adjustment - past service cost and curtailments	1,288
IAS19 Adjustment - current service cost	(8,958)
IAS19 Adjustment - Settlements & Combinations expenditure	9,166
IAS19 Adjustment - Settlements & Combinations income	(10,686)
Employee benefit accrual	(30)
Capital charges	34,732
Revaluation (gains) / losses	23,534
REFCUS Expenditure	11,774
REFCUS Grants	(11,774)
Other post provisional outturn adjustments	(454)
Net Expenditure of subsidiaries included in CI&ES and not reported to management	(2,370)
	30,502
Cost of Services in Comprehensive I&E Statement	411,579

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SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.12.1 SUBJECTIVE ANALYSIS 2013/14

Subjective Analysis 2013/14	Directorate Income & Expenditure Reported to Management £000	Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES £000	Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES £000	Amounts included in Cost of Services not reported to Management £000	Net Expenditure of subsidiaries not included in the Analysis	Cost of Services - Sub Total £000	Amounts Reported Below Cost of Services in CIES £000	(Surplus) or deficit on the provision of services £000
Fees, charges and other service income	(109,240)	7,972	13,329	(2,223)	(22,035)	(112,197)	(1,710)	(113,907)
Interest and investment income	(3,353)	3,353	0	0	0	0	(1,425)	(1,425)
Income from Council Tax	0	0	0	0	0	0	(186,479)	(186,479)
Government grants and contributions	(294,548)	135	0	(6,612)		(301,025)	(271,391)	(572,416)
Total Income	(407,141)	11,460	13,329	(8,835)	(22,035)	(413,222)	(461,005)	(874,227)
Employee expenses	388,781	(869)	(2,782)	(2,741)	12,791	395,180	869	396,049
Other service expenses (less Internal income)	401,450	(8,618)	(14,227)	(9,746)	4,623	373,482	2,238	375,720
Depreciation and amortisation	0	0	0	35,260	1,433	36,693	0	36,693
Revaluation (gains)/losses	0	0	0	15,299		15,299	0	15,299
Interest payable	29,217	(29,217)	0	0	0	0	54,412	54,412
Precepts and levies	777	(777)	0	0	0	0	777	777
IAS19 Administration Expenses	0	0	0	0	0	0	743	743
Gain or loss on disposal of non current assets	0	0	0	0	0	0	42,501	42,501
Total Expenditure	820,225	(39,481)	(17,009)	38,072	18,847	820,654	101,540	922,194
(Surplus) or deficit on the provision of services	413,084	(28,021)	(3,680)	29,237	(3,188)	407,432	(359,465)	47,967
(Surplus) or deficit on the provision of services from CI&ES						407,432	(359,465)	47,967

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7.12.2 SUBJECTIVE ANALYSIS 2012/13

The 2012/13 Subjective Analysis note has been restated to reflect the changes in respect of IAS19.

Restated Subjective Analysis 2012/13	Directorate Income & Expenditure Reported to Management £000	Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES £000	Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES £000	Amounts included in Cost of Services not reported to Management £000	Net Expenditure of subsidiaries not included in the Analysis £000	Cost of Services - Sub Total £000	Amounts Reported Below Cost of Services in CIES £000	(Surplus) or deficit on the provision of services £000
Reconciliation to subjective analysis								
Fees, charges and other service income	(109,030)	(7,497)	12,446	10,686	(20,790)	(114,185)	(3,767)	(117,952)
Interest and investment income	(4,915)	4,915	0	0			(2,007)	(2,007)
Income from council tax	0	0	0	0		0	(206,952)	(206,952)
Government grants and contributions	(341,794)	62,732	0	(11,774)		(290,836)	(268,361)	(559,197)
Total Income	(455,739)	60,150	12,446	(1,088)	(20,790)	(405,021)	(481,087)	(886,108)
Employee expenses	384,811	(6,870)	(2,309)	1,466	7,258	384,356	6,523	390,879
Other service expenses (less Internal income)	400,578	1,133	(13,123)	(25,772)	9,224	372,040	(1,779)	370,261
Depreciation, amortisation and impairment	0	0	0	34,732	1,938	36,670	0	36,670
Revaluation (gains)/losses	0	0	0	23,534		23,534	0	23,534
Interest Payable	14,253	(14,253)	0	0		0	51,172	51,172
Precepts and levies	757	(757)	0	0		0	757	757
IAS19 Administration Expenses	0	0	0	0		0	576	576
Gain or loss on disposal of non current assets	0	0	0	0		0	45,427	45,427
Total Expenditure	800,399	(20,747)	(15,432)	33,960	18,420	816,600	102,676	919,276
(Surplus) or deficit on the provision of services	344,660	39,403	(2,986)	32,872	(2,370)	411,579	(378,411)	33,168
(Surplus) or deficit on the provision of services from CI&ES						411,579	(378,411)	33,168

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7.13 Other Operating Expenditure

Restated 2012/13 £000		2013/14 £000
757	Precepts	777
45,427	(Gains)/ Losses on the disposal of non current assets	42,501
576	Pension Administration Costs	743
46,760	Total	44,021

7.14 Financing and Investing Income and Expenditure

Restated 2012/13 £000		2013/14 £000
26,716	Interest payable and similar charges	29,375
24,456	Pensions interest cost and expected return on pensions assets	25,037
(1,986)	Interest receivable and similar income	(1,408)
(21)	Income and Expenditure in relation to investment properties	(17)
977	Net (surplus)/ deficit on trading operations	1,263
50,142	Total	54,250

7.15 Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
(206,952)	Council tax income	(186,479)
(145,058)	Non domestic rates	(16,243)
(65,643)	Non ring fenced Government Grants	(211,043)
(57,660)	Capital grants and contributions	(43,971)
(475,313)	Total	(457,736)

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7.16 Non Current Assets

7.16.1 Group Non Current Assets

Group	Operational Assets				Non - Operational Assets		Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Properties Not Held for Sale £000		
Cost or Valuation								
At 1st April 2013	715,433	64,359	477,525	59	15,707	18,838	1,291,921	111,666
Additions	14,321	5,749	29,686	0	10,726	1,354	61,836	3,689
Disposals	(46,027)	(2,353)	0	0	0	(1,893)	(50,273)	0
Reclassifications	(7,405)	1,968	101	0	(23,115)	28,450	(1)	0
Revaluations	(27,367)	1,378	0	0	0	(3,613)	(29,602)	1
Assets reclassified (to)/from Held for Sale	(586)	0	0	0	0	143	(443)	0
At 31st March 2014	648,369	71,101	507,312	59	3,318	43,279	1,273,438	115,356
Accumulated Depreciation & Impairment								
At 1st April 2013	(46,754)	(38,260)	(72,368)	0	0	(212)	(157,594)	(228)
Depreciation	(15,584)	(4,831)	(12,224)	0	0	(104)	(32,743)	(3,280)
Disposals	900	924	0	0	0	8	1,832	0
Reclassifications	2,775	0	(10)	0	0	(2,764)	1	0
Revaluations	11,527	(1,045)	0	0	0	1,868	12,350	0
At 31st March 2014	(47,136)	(43,212)	(84,602)	0	0	(1,204)	(176,154)	(3,508)
Balance Sheet Amount at 31st March 2014	601,233	27,889	422,710	59	3,318	42,074	1,097,283	111,848
Balance Sheet amount at 31st March 2013	668,679	26,099	405,157	59	15,707	18,625	1,134,326	111,438

7.16.2 Cumbria County Council Non Current Assets

	Operational Assets				Non - Operational Assets		Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Properties Not Held for Sale £000		
Cost or Valuation								
At 1st April 2013	684,707	55,342	477,525	59	15,707	18,838	1,252,178	111,666
Additions	13,005	4,763	29,686	0	10,726	1,354	59,534	3,689
Disposals	(44,172)	(1,752)	0	0	0	(1,893)	(47,817)	0
Reclassifications	(7,405)	1,968	101	0	(23,115)	28,450	(1)	0
Revaluations	(27,367)	1,378	0	0	0	(3,613)	(29,602)	1
Assets reclassified (to)/from Held for Sale	(586)	0	0	0	0	143	(443)	0
At 31st March 2014	618,182	61,699	507,312	59	3,318	43,279	1,233,849	115,356
Accumulated Depreciation & Impairment								
At 1 April 2013	(22,987)	(32,305)	(72,368)	0	0	(212)	(127,872)	(228)
Depreciation	(15,077)	(3,889)	(12,224)	0	0	(104)	(31,294)	(3,280)
Disposals	851	405	0	0	0	8	1,264	0
Reclassifications	2,775	0	(10)	0	0	(2,764)	1	0
Revaluations	11,527	(1,045)	0	0	0	1,868	12,350	0
At 31st March 2014	(22,911)	(36,834)	(84,602)	0	0	(1,204)	(145,551)	(3,508)
Balance Sheet Amount at 31st March 2014	595,271	24,865	422,710	59	3,318	42,074	1,088,297	111,848
Balance Sheet Amount at 31st March 2013	661,720	23,039	405,156	59	15,707	18,625	1,124,307	111,438

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7.16.3 Subsidiaries Non Current Assets

Subsidiaries	Operational Assets				Non - Operational Assets		Total £000
	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Non operational Land & Buildings £000	
Cost or Valuation							
At 1st April 2013	30,726	9,017	0	0	0	0	39,743
Additions	1,316	986	0	0	0	0	2,302
Disposals	(1,855)	(601)	0	0	0	0	(2,456)
At 31st March 2014	30,187	9,402	0	0	0	0	39,589
Accumulated Depreciation & Impairment							
At 1st April 2013	(23,767)	(5,955)	0	0	0	0	(29,722)
Depreciation & Impairment	(507)	(942)	0	0	0	0	(1,449)
Disposals	49	519	0	0	0	0	568
At 31st March 2014	(24,225)	(6,378)	0	0	0	0	(30,603)
Balance Sheet Amount at 31st March 2014	5,962	3,024	0	0	0	0	8,986
Balance Sheet Amount at 31st March 2013	6,959	3,062	0	0	0	0	10,021

7.17 Intangible Assets

	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000
Intangible Assets						
Balance at Start of Year:						
Gross carrying amount	19,021	19,598	257	257	19,278	19,855
Accumulated amortisation	(9,272)	(13,123)	(168)	(221)	(9,440)	(13,344)
Net carrying amount at start of year	9,749	6,475	89	36	9,838	6,511
Purchases	577	412	0	(714)	577	(302)
Amortisation for the year	(3,851)	(3,967)	(53)	16	(3,904)	(3,951)
Net carrying amount at end of year	6,475	2,920	36	(662)	6,511	2,258
Comprising:						
Gross carrying amount	19,598	20,010	257	(457)	19,855	19,553
Accumulated amortisation	(13,123)	(17,090)	(221)	(205)	(13,344)	(17,295)
	6,475	2,920	36	(662)	6,511	2,258

7.18 Debtors

	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000
Debtors:						
Central Government	12,066	13,000	51	9	12,117	13,009
Public Corporations	3	0	0	0	3	0
NHS	1,605	3,204	3	9	1,608	3,213
Other Local Authorities	3,630	3,796	142	157	3,772	3,953
Other Entities & Individuals	35,166	27,503	5,914	5,490	41,080	32,993
Less: Provision for Bad Debts	(8,163)	(8,315)	0	0	(8,163)	(8,315)
	44,307	39,188	6,110	5,665	50,417	44,853
Prepayments:						
Public Corporations	0	0	0	0	0	0
Other Local Authorities	18	20	0	0	18	20
Other Entities & Individuals	6,084	6,120	2,231	2,301	8,315	8,421
	6,102	6,140	2,231	2,301	8,333	8,441
	50,409	45,328	8,341	7,966	58,750	53,294

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7.19 Short Term Investments

	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000
	Authority		Subsidiaries		Total	
Short Term Investments						
Deposits with banks and other financial institutions	75,694	55,178	0	0	75,694	55,178
	75,694	55,178	0	0	75,694	55,178

7.20 Creditors

	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000
	Authority		Subsidiaries		Total	
Creditors:						
Central Government	6,427	9,114	1,454	2,520	7,881	11,634
Public Corporations	6	0	0	0	6	0
NHS	925	1,959	0	0	925	1,959
Other Local Authorities	3,348	3,294	430	475	3,778	3,769
Other Entities & Individuals	61,360	58,149	1,758	2,476	63,118	60,625
	72,066	72,516	3,642	5,471	75,708	77,987
Income in advance:						
Other Entities & Individuals	0	0	783	1,446	783	1,446
	0	0	783	1,446	783	1,446
	72,066	72,516	4,425	6,917	76,491	79,433

7.21 Long Term Borrowings

	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000
	Authority		Subsidiaries		Total	
Long Term Borrowings						
PWLB	290,200	282,700	0	0	290,200	282,700
Market Loans and Local Bonds	25,739	25,713	0	0	25,739	25,713
	315,939	308,413	0	0	315,939	308,413

7.22 Provisions (Short and Long Term)

	Balance at 1st April 2012 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2013 £000	Balance at 1st April 2013 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2014 £000
Authority								
Insurance Fund	4,571	1,128	0	5,699	5,699	1,540	(963)	6,276
Business Rates	0	0	0	0	0	2,974	0	2,974
Equal Pay/Voluntary Redundancy	3,244	1,780	(852)	4,172	4,172	1,228	(1,800)	3,600
Subsidiaries								
Restoration and aftercare of Landfill Sites	10,302	0	(54)	10,248	10,248	0	(2,005)	8,243
Deferred Taxation	8	0	0	8	8	0	(1)	7
	18,125	2,908	(906)	20,127	20,127	5,742	(4,769)	21,100

CUMBRIA COUNTY COUNCIL
SECTION 7 - GROUP ACCOUNTING STATEMENTS

7.23 Summary of Group Reserves

	Cumbria County Council £000	Cumbria Waste Mgmt Group £000	Inter Group Transactions £000	TOTAL £000
Reserves				
Revaluation Reserve and Capital Adjustment Account	621,236	3,284	(3,284)	621,236
Financial Instruments Adjustment Account	(521)	0	0	(521)
Collection Fund Adjustment Account	457	0	0	457
Pensions	(501,132)	0	0	(501,132)
Accumulated Absences Account	(8,205)	0	0	(8,205)
Revenue - Earmarked	95,900	0	0	95,900
Revenue - General	15,133	10,214	(251)	25,096
Minority Interest	0	239	0	239
TOTAL FUNDS	222,868	13,737	(3,535)	233,070

7.24 Cash and Cash Equivalents

2012/13 £000	Cash and Cash Equivalents	2013/14 £000
26,086	Cash and Bank balances	28,450
41,131	Cash Investments - regarded as cash equivalents	89,941
(6,842)	Bank overdraft	(4,047)
60,375	Total	114,344

SECTION 8 – FIREFIGHTERS’ PENSION SCHEME STATEMENT OF ACCOUNTS

The Firefighters’ Pension Scheme Accounts

Table 1 – Firefighters’ Pension Scheme Accounts 2013/14

2012/13			2013/14	
£000	£000		£000	£000
		FUND ACCOUNT		
		Contributions Receivable		
(1,657)		From Employer: Normal	(1,639)	
(965)		From Members	(1,093)	
	(2,622)			(2,732)
		Transfers In		
(14)		Individual transfers from other Schemes	(6)	
	(14)			(6)
	(2,636)	Total income		(2,738)
		Benefits Payable		
3,386		Pensions	3,582	
1,479		Ill Health and Injury	1,490	
467		Lump Sums	1,211	
316		Lump Sum Death Benefits & Widows Pensions	377	
	5,648			6,660
	0	Payments to and on account of leavers		0
	5,648	Total Expenditure		6,660
	3,012	Net amount (receivable)/payable before top-up from Government		3,922
	(3,012)	Top-up receivable/(payable) from Government		(3,922)
	0	Net amount receivable/(payable) for the year		0
		NET ASSETS STATEMENT		
		Current Assets		
722		Pension top-up receivable from Government	1,027	
440		Prepaid Pensions	472	
	1,162			1,498
		Current Liabilities		
(1,162)		Other current assets and liabilities	(1,498)	
	(1,162)			(1,498)
	0			0

SECTION 8 – FIREFIGHTERS’ PENSION SCHEME STATEMENT OF ACCOUNTS

Notes to the Firefighters’ Pension Scheme Financial Statements

1. Basis of Preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements summarise the transactions of the scheme and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amounts receivable from the Council and the pensionable employees. The employer’s contributions are made at the rates determined by the Government Actuaries Department, at a nationally applied rate of 21.3% for the 1992 Firefighters’ Pension Scheme and 11% for the 2006 Scheme. Also the Council will be required to make payments into the pension fund in respect of ill health retirements, when they are granted. No provision is made in the accounts for employees’ and employers’ contributions relating to sums due on pay awards not yet settled.

Benefits and Refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those sums paid to, or received from, other pension schemes and the Firefighters’ Pension Scheme outside England, for individuals and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

3. Fund’s Operation

Financial arrangements came into effect from 1st April 2006 for both the 1992 and the 2006 Firefighters’ Pension Schemes. The financial arrangements had no impact on the terms and conditions of each scheme.

Both the Firefighters’ Schemes are statutory, unfunded pension schemes. The benefits for both schemes are defined and guaranteed in law. Both schemes are contracted out of the State Second Pension (S2P) and must provide benefits at least as good as most members would have received had they been members of S2P. Benefits provided include a guaranteed pension based on final salary upon retirement and an option to commute pension in favour of a tax free lump sum.

**Notes to the Firefighters’ Pension Scheme Financial Statements
continued**

3. Fund’s Operation continued

Prior to 1st April 2006, the Council administered and paid firefighters’ pensions on a “pay as you go basis”, which meant that employees’ contributions were paid into the Council’s operating accounts from which pension awards were made. Following the change in financial arrangements on 1st April 2006, the Council has continued to administer and pay firefighters’ pensions, but this is now from a new separate local firefighters’ pension fund. Employee contributions, new employer’s contributions and transfer values received are paid into the pension fund from which pension payments and other benefits are paid. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by Government. Therefore the fund is balanced to nil each year by receipt of pension top up grant or by paying the surplus back to Central Government. The underlying principle is that the employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while Central Government will meet the costs of retirement pensions in payment, net of employee and employer contributions.

The fund has no investment assets.

The fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The long term pensions obligations is included in the Council’s pensions liability (and pensions reserve) in the Balance Sheet. The liability for the Firefighters pensions scheme at 31st March 2014 was £187.357m (31st March 2013 £186.646m) Further details can be found in notes 41 and 42 to the Council’s Statement of Accounts.

Accounting Policies

The policies, concepts and conventions used in the preparation of the accounts.

Accruals

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31st March.

Actuarial Gains and losses

Employees of the Council are members of defined benefit pension schemes. Actuarial gains and losses arise because events have not coincided with actuarial assumptions made in the previous valuation or because the actuarial assumptions have changed.

Budget

A statement of the Council's policy expressed in financial terms. This includes both revenue and capital.

Capital Adjustment Account

The movements on the Capital Adjustment Account reflects the financing of capital expenditure from revenue and capital resources together with the reversal of amounts included in the Comprehensive Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the service potential or value of an existing fixed asset.

Capital Financing Costs

The costs of financing non current assets, being the interest costs of external loans and monies used to repay debt.

Capital Receipts

Income received from the sale of non current assets. Capital receipts can only be used to repay outstanding debt on non current assets or finance capital expenditure within rules set by government. Capital receipts however, cannot be used to finance revenue expenditure.

Cash Equivalent

Cash equivalents are investments that mature within 3 months of the date of acquisition and have no penalties for early redemption. For the Council this will include only money market deposits of less than 3 month duration.

Central Support Services

These are services provided by the central departments of the Council in respect of finance, personnel, legal, administration, communications, procurement, policy and property.

Component Accounting

In some cases there are significant elements of an asset that will not last as long as the rest of the asset e.g, a flat roof of a building in comparison to the life of the rest of the building. Where there is more than one significant part of the same asset which have the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

Contingent Asset

A contingent asset is a possible asset which could arise following the occurrence of a future event outside the Council's control.

Contingent Liability

A contingent liability is a possible liability which could arise following the occurrence of a future event outside the Council's control or is a present obligation where it is not possible to measure the outcome with sufficient reliability.

Corporate and Democratic Core

Comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities. The cost of these activities are thus over and above that would be incurred by a series of independent, single purpose nominated bodies managing the same service. There is no logical basis for apportioning these costs to services.

Council Tax Precept

A property based tax that is set by the Council and administered by District, Borough and Unitary Councils, alongside the share of Council Tax levied by other Local Authorities in Cumbria.

Creditors

Amounts owed by the Council for work done, goods received or services provided, but for which payment has not been made by the 31st March.

Current Assets / Liabilities

Assets and/ or Liabilities that are likely to be realised within 12 months of the Balance Sheet date.

Current Service Cost

The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

Curtailment

The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. Within the defined benefit schemes impacting on the financial results of the Council, curtailment will arise if an event occurs reducing the expected future service of employees. Normally, this arises from redundancy or early retirement or if there is an amendment to terms impacting on current employees. Curtailments are debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Debtors

Debtors represent amounts due to the Council which are unpaid at 31st March.

Defined Benefit Scheme

Defined benefit pension schemes prescribe the amounts members will receive as a pension regardless of contributions and investment performance. Employers are obliged to fund any shortfalls.

Depreciation

Depreciation is the fall in value of an asset, as recorded in the financial records, due to wear and tear, age and obsolescence.

Depreciated Replacement Cost

The method employed in valuing land and buildings where a market value basis is not readily available.

Expected Rate of Return on Pensions Assets

The expected rate of return on pensions' assets is the average return expected during the remaining period of pension obligations.

Employee Benefit Accrual

Accrual calculated to take account of annual leave, flexi time and Time off in Lieu (TOIL) that has not been taken by staff by 31st March. This is included in the cost of service for that financial year.

Fair Value

Fair Value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In some circumstances this can be at existing use value and for others market value

Finance Leases

This is where substantially all the risks and rewards incidental to ownership of the asset transfer from the leasing company to the Council. Annual payments are a combination of interest and the purchase of the asset.

Formula Grant

Central government provides funding to local authorities through a grant known as Formula Grant, made up of Revenue Support Grant and Redistributed Business Rates, in support of its general revenue expenditure.

Non Current Assets

Non current assets are tangible assets (i.e. assets with physical substance) intended to be used during more than one period.

General Fund

The account that summarises the revenue costs of providing services that are met by the Council's demand on collection fund, government grants and other income. The balance is difference between the total of income over expenditure over the year.

Heritage Assets

Heritage assets are tangible assets with historical, artistic, scientific, technological or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture. This includes archives, paintings and civic regalia.

Impairment

A reduction in value of a fixed asset below its carrying amount in the Balance Sheet. Examples would include loss in value due to physical damage or decline in market value due to a general fall in prices.

Imprest Account

Petty Cash Accounts used for small items of expenditure.

Intangible Assets

Intangible assets are assets without physical substance such as software, licences etc.

Inventories

Assets that are held as stock as part of the delivery of services by the Council.

LATS – Landfill Allowance Trading Scheme

A 'cap and trade' scheme between Waste Disposal Authorities designed to reduce the overall amount of biodegradable municipal waste disposed of in landfill sites.

LOBO - Lender Option Borrower Option

A financial instrument which is typically very long term - for example 40 to 60 years. The initial interest rate is fixed, but the lender has the option to nominate a revised rate at periodic reset dates. The reset dates are nominated at the time the loan is taken out. The borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

Minimum Revenue Provision

The amount set aside to repay external debt related to capital expenditure.

National Non Domestic Rates

A tax collected locally by District Councils from commercial undertakings and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population.

CUMBRIA COUNTY COUNCIL

SECTION 9 – GLOSSARY OF TERMS

Net Current Replacement Cost

The cost of replacing an asset in its existing condition and existing use.

Non Current Assets / Liabilities

Assets and/ or Liabilities that are likely to be realised after 12 months of the Balance Sheet date.

Non Operational Assets

These are non current assets held by the Council which are not specifically used in the provision of services. Normally, this applies to investment properties or properties held for resale.

Operational Assets

These are non current assets held by the Council required to support the provision of services.

Operating Leases

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the Comprehensive Income & Expenditure Statement.

Outturn

Actual Income and Expenditure for a financial year.

Past Service Costs

Where pension scheme members receive enhanced or new benefits, the increase in the present value of future liabilities will be accounted for as past service costs. The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Pension Interest Cost

The expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Pension Contributions Paid

Contributions to the various schemes – cash paid as employer's contributions to the pension funds.

Pension 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.

Pension Gains/Losses on Settlements

The result of actions to relieve the Council of liabilities or events (such as the transfer of staff to schools converting to academy status) that reduce the expected future service or accrual of benefits of employees – debited/credited to the Cost of Services in the Comprehensive Income and Expenditure Statement as an Exceptional Item.

Pension Gains/losses Business Combinations

This reflects the closure of the contract with Agilisys and the transferring of responsibility of the pension assets and liabilities to the Council - debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as an Exceptional Item.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions

These are sums set aside to meet liabilities or losses that are likely to be or will be incurred, but the dates on which they will arise are not fully known at the date that the Statement of Accounts is approved.

Reserves

Amounts set aside to meet the cost of specific future expenditure. Earmarked reserves are set aside to meet revenue or capital needs in the future. The level of general fund (revenue) reserves is considered in relation to the risks and uncertainties facing the Council when it is setting its annual budget.

Revenue Contributions to Capital Expenditure

The amount of capital expenditure financed directly from the annual revenue budget.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

Revenue Support Grant (RSG)

A general Central Government grant paid to the Council in support of annual revenue expenditure.

Service Reporting Code of Practice (SeRCOP)

This Code of Practice details standard definitions of services and total cost to enable spending comparisons to be made with other local authorities.

The “Code”

The Code of Practice on Local Authority Accounting in the UK 2013/14. The Code specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the Council.

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10 FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

The Statement of Accounts for the Cumbria Local Government Pension Scheme (LGPS) is presented in its entirety and separately from the General Fund in the Cumbria County Council's Accounts, in keeping with its significance and that, although the County Council is the administering authority, the Scheme covers both County Council employees and those of other scheduled, resolution and admitted bodies. These Accounts (financial statements and certain sections) are summarised to form part of Cumbria County Council's Annual Accounts.

The Accounts for the Cumbria LGPS summarise the Scheme's transactions for the financial year 2013/14 and the position at the year-end date, 31st March 2014. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

They do not take account of obligations to pay pensions, lump sums or other benefits which fall due after the financial year end. IAS26 'Retirement Benefit Plans' requires the actuarial present value of promised retirement benefits to be disclosed and this information can be found in Note 23 'Actuarial Position of the Fund'.

CUMBRIA COUNTY COUNCIL
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10.1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2012/13		2013/14	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		66,862		67,960
Transfers in from other pension funds	4		4,114		3,562
			70,976		71,522
Benefits	5		(70,184)		(70,953)
Payments to and on account of leavers	6		(5,196)		(4,489)
Administrative expenses	7		(1,298)		(1,431)
			(76,678)		(76,873)
Net additions / (deductions) from dealing with members			(5,702)		(5,351)
Returns on investments					
Investment Income		23,290		31,380	
Taxes on Income		(350)		(314)	
Net investment income	8	22,940		31,066	
Profit and losses on disposal of investments and changes in the market value of investments	10(d)	178,206		93,231	
Investment management expenses	9	(2,797)		(3,281)	
Net return on investments			198,349		121,016
Net increase in the net assets available for benefits during the year			192,647		115,665
Net assets at the start of the year			1,466,418		1,659,065
Net assets at the end of the year			1,659,065		1,774,730

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SECTION 9 – GLOSSARY OF TERMS

NET ASSET STATEMENT AS AT 31st MARCH 2014

	Notes	31 March 2013	31 March 2014
		£'000	£'000
Investment assets		1,644,456	1,761,787
Investment liabilities		(454)	(26)
Total net investments	10	1,644,002	1,761,761
Long term assets	12a	1,981	1,643
Current assets	12b	19,172	20,575
Long term liabilities	13a	(392)	(350)
Current liabilities	13b	(5,698)	(8,899)
Net assets of the Fund available to fund benefits at the period end		1,659,065	1,774,730

CUMBRIA COUNTY COUNCIL
SECTION 9 – GLOSSARY OF TERMS

10.2 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 (a): DESCRIPTION OF THE FUND

The Purpose of the Scheme is to provide pension benefits for current and future Scheme Members through ensuring it can:-

- pay out monies in respect of scheme benefits (pensions), transfer values, cost, charges and expenses, as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009;
- receive monies in respect of contributions, transfer values and investment income, and
- invest all deposits and, whilst balancing both risk and return, consistently outperform against the Scheme's benchmark over the longer term.

Through balancing the strategic investment of the Scheme's assets to the liability profile of the membership, the aims of the Cumbria LGPS are to:-

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage the long term sustainability of the Scheme;
- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies;
- manage employers' liabilities effectively;
- maximise the returns from investments within reasonable risk parameters, and
- aim to close the scheme deficit by 2033.

Scheme membership is open to:-

- all eligible employees of scheduled bodies (local government, academies, colleges) within the county who are not covered by alternative pension arrangements (the main categories of employees covered by alternative arrangements are teachers, fire service uniformed personnel and police officers);
- membership is also open to other eligible employees of employers of the Scheme (usually this includes employers to whom contracts have been awarded for the provision of public services within the county).

All eligible local government employees are automatically entered into the Scheme. Employees may choose to opt out at any point in time.

In June 2013 Cumbria County Council, which accounts for over 60% of the Scheme, implemented Automatic Enrolment and this has had a positive effect on membership numbers.

CUMBRIA COUNTY COUNCIL

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As at 31st March 2014 the fifty one thousand members of the Scheme (2012/13: forty nine thousand) consisted of: seventeen thousand contributors/actives (2012/13: sixteen thousand); twenty thousand deferred members (2012/13: nineteen thousand) and fourteen thousand pensioners (2012/13: fourteen thousand).

At 31st March 2014 there were 111 (2012/13: 105) employer bodies in the Cumbria LGPS (for the full list see Note 25).

NOTE 1 (b): ACTIVITY AND PERFORMANCE DURING 2013/14

During the year to 31st March 2014 the Cumbria LGPS value increased by £115.665m from £1,659.065m (31/03/13) to £1,774.730m (31/3/14). The Scheme returned 7.6% for the year which was an outperformance of 1.4% on the fund's bespoke benchmark for the year of 6.2%.

Many asset classes performed well over the year, with equities in particular providing strong returns but this varied by sector and geography. Generally it was seen that the value of UK equity increased by 8.8% (FTSE All Share), North American equities by 10.3%, and European equity by 17.3% (excluding UK); but for Japan (-1.6%), Pacific (-5.8%) and Emerging markets (-10.8%), equity index performance was negative. While UK index-linked bonds fell in value by 3.8%.

The Scheme has benefited considerably from this during the year as it is temporarily overweight in equities particularly in UK equities. This was an active decision taken whilst the Fund is sourcing and awaiting investment into new asset classes.

The Scheme has also performed well over the medium to longer term with the three-year return of 8.9% outperforming the bespoke hedged benchmark of 8.3% (per year). While the ten year Scheme return was 7.8% resulting in a direct match to the benchmark.

Also as a comparison against peers Cumbria LGPS ranks well for investment performance, with the average for the year being 7.6%, which results in a ranking of 29th out of 100 for the Cumbrian Scheme.

CIPFA specifically recommends that the management of investment returns should be against a Scheme specific benchmark derived from the Scheme's investment strategy to directly reflect the risk and liability profile of the Scheme. A simple comparison of performance against other Schemes may therefore be of limited value. However, acknowledging Cumbria's more defensive investment strategy when compared to the average LGPS, Cumbria's ranking in the LGPS universe is noteworthy. The table below shows the Cumbria Scheme's performance compared to the universe for 1, 3, 5 and 10 years:

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Period	1 Year %	3 Years, % per year	5 Years, % per year	10 Years, % per year
Cumbria Pension Scheme	7.6	8.9	12.3	7.8
Scheme Benchmark	6.2	8.3	11.9	7.8
WM LA Universe Average	6.4	7.5	12.7	7.8
Ranking	29th	16th	65th	41st

The Cumbria Scheme completed a detailed Investment Strategy Review in May 2012. The outcome of the review determined that, given the predicted longer term liability profile of the Scheme, at a strategic level, the asset allocation to growth seeking assets versus defensive assets (68% to 32%) was still appropriate. This results in Cumbria having a more defensive strategy than the average LGPS (72% to 18%). It was further evidenced that reduced risk (through better diversification and enhanced inflation protection) and marginally enhanced return with a greater focus on income (to recognise the Scheme's maturing liability profile in the medium-term) may be achieved from an alternative allocation across the growth section of the portfolio.

The process of implementing the changes in asset allocation has resulted to date with:

- A mandate for £130m of corporate bonds, awarded to Standard Life in July 2012,
- £79.9m fixed interest gilts, held under the passive mandate with Legal and General being converted to index linked in March 2012,
- A mandate for the commitment of £30m of real estate debt completed in May 2013,
- The procurement process to restructure £320m global equities asset allocation completed in November 2013 with the appointment of two managers with complementary style strategies; Nordea for low volatility and Loomis Sayles for high conviction mandates,
- The selection of suitable infrastructure investments (part complete) with initial investments made into the Partners Group 2012 Infrastructure Fund, with further selection ongoing.

The substantive work plan objectives in the 2013/14 business plan have either been achieved or are in progress of completion and they will be delivered within budget. The main actions completed are:-

- Implementation totalling approximately 60% of the Investment Strategy review outcomes during 2013/14 (appointment of two new Global Equities Managers and selection of opportunistic and infrastructure products / managers). Approximately half of the total portfolio (£880m) was to be restructured, of which 74% (£652m) in total had been completed as at March 2014.
- Initial actions to implement the Mid Term Review on the bond allocation (8% reduction of passive corporate bonds to product(s)/strategies to achieve capital preservation).
- Establishment and embedding of the Investment Sub Group which saw Cumbria highlighted as an example of best practice by Grant Thornton in their 2013 Governance Report.

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- Successful completion of the Triennial Actuarial Valuation (2013) including training, information and consultation.
- Communication and implementation of auto enrolment.
- Preparation for the 2014 Scheme (including member and employer communication revisions to policy; procedure and governance).
- Preparation for the implementation of the 2014 Scheme from 1st April 2014. Implementation was achieved, despite the very late delivery of the final transitional regulations from government.
- Enhancements to the administration system including the further roll out of self-service, on-line access to benefit statements and pensions projections.
- Development and enhancement of contract review procedures and performance monitoring at both Committee and Officer level.
- Timely completion of the Pension Fund Annual Accounts and Annual Report for 2012/13 with an unqualified audit opinion. Very favourable comments were reported from Grant Thornton (new fund Auditor) on preparation timescales and quality of working papers.
- Delivery of an enhanced training plan to both new and continuing Members and Officers with Cumbria highlighted again as an example of best practice in this area in Grant Thornton's 2013 Governance Report.

In addition to those items completed the following are in the progress of completion:-

- Members agreed following the first allocation of £75m to infrastructure, to avoid vintage year saturation risk no further substantial allocations to the infrastructure strategic asset allocation be made until after June 2014. The Investment Sub-Group are currently reviewing options that should enable this asset allocation to be fully committed during 2014.
- The Investment Sub Group continue to review products that may be suitable for the strategic asset allocation to "opportunistic assets"; to date approximately a fifth of the allocation has been filled. However, in addition the Scheme still holds its residual private equity portfolio within this asset allocation (£77m).

Looking forward, 2014/15 is also expected to be another busy year for Local Government Pension Schemes as they respond to further changes proposed to the governance structure nationally in light of the Public Service Pensions Act 2013. This will involve further preparatory work, analysis of what the changes could mean for Cumbria LGPS specifically, and considered responses to Government consultations.

From April 2014, although the LGPS will remain a defined benefit scheme, it will change to a career average revalued earnings scheme (CARE) (referred to as LGPS 2014). The changes due to be implemented in 2014 include:

- Introduction of a CARE scheme with accompanying legislation requiring more detailed record keeping and the maintenance of a separate pension account for each member of the scheme,
- The creation of a new governance and oversight structure that brings the LGPS within the remit of the Pensions Regulator (tPR), increasing the level of scrutiny and accountability of Funds especially in regards to their member data, communication and administration,

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- The creation of a national LGPS Scheme Advisory Board, and local Pension Boards.

It is important that the Fund is aware of the work of the Scheme Advisory Board and the recommendations it makes. There will be a requirement for each fund at a local level to have a Pensions Board and a Scheme Manager, although the detail is still to be decided by Government which will change the current Pension Committee structure.

The Cumbria LGPS Business Plan 2014/15 includes the following work plan objectives:-

- Strategy, Scheme risk and policies reviews and updates,
- Risk assessment and implementing mitigating actions regarding successful delivery of 2014 Scheme, including communication, cost and data control issues,
- Progress review of Business Plan and Budget,
- Reviewing, measuring and delivering training to Members and Officers as outlined in the dynamic Training Plan,
- Development and servicing of the recently formed Investment Sub Group,
- Development and enhancement of contract review procedures and performance monitoring at both Committee and Officer level,
- Implement and monitor employer payroll data arrangements for the New Scheme at April 2014,
- Involvement in consultations, national working groups and assessment of impact on Cumbria of decisions on the future structure of the LGPS,
- Strengthening governance arrangements in response to financial, regulatory and structural changes,
- Review of the Scheme's stewardship and governance framework,
- Implementing both the final aspects of the Strategic Asset Allocation Review and the Mid Term Review delegated to the Investment Sub Group as follows;
 - Continue to progress infrastructure and opportunistic investment options,
 - Complete the strategic realignment of UK and global equities, and closure of BlackRock Alternatives portfolio,
 - Work with our property manager to ensure target 9% allocation to property is achieved,
 - Finalise the 8% reduction of passive corporate bonds to product(s)/strategies to achieve capital preservation,
- Ensuring cash is available to pay pensions and to satisfy investment purchases, and consideration of options to address the maturing nature of the Scheme,
- Continue to improve performance monitoring to the Committee, to aid performance and understanding of new asset classes,
- Following confirmation of the 2013 Triennial Actuarial Valuation in April 2014, monitor compliance and application of new employer contribution rates, and the timely payment by employers,
- Communication with Scheme employers and implementation of the required technology changes to facilitate the running of the CARE 2014 Scheme (new career average from 1st April 2014),

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- Completion of the 2013/14 Cumbria LGPS Annual Accounts and Annual Report incorporating any new regulatory/technical changes,
- Undertake Finance (including Pensions team) office move and introduce new more flexible working arrangements,
- Following CIPFA best practice guidance develop a Cumbria LGPS specific web site, to improve communication and reporting of issues and results to scheme members.

The Annual Report and Accounts gives further details of the Scheme's performance, management structure and investment news. The Annual Report and Accounts 2013/14 will be published on-line when finalised (and at the latest by the statutory deadline of 1st December 2014) at **www.cumbria.gov.uk/finance**, where the previous year's report is also available.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to accounting policies in 2013/14.

Fund account – revenue recognition

2.1. Contribution Income

Normal contributions, both from the members and from the employers within the Scheme, are accounted for on an accruals basis at the rate recommended by the Scheme actuary for the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current debtor. Amounts not due until future years are classed as long-term debtors. Where an employer leaves the scheme, any contribution required on closure is accrued for in the year of departure. (See Note 3 for further details).

2.2. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Scheme during the financial year. These are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 4 and 6).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see 2.14) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see Note 4).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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2.3. Investment income (Note 8)

- a) **Interest income:** is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- b) **Dividend income:** is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
- c) **Distributions from pooled funds:** are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
- d) **Property-related income:** consists primarily of rental income. This is recognised on an accruals basis.
- e) **Movements in the net market value of investments:** changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year. (See Note 10(d)).

Fund account – expense items

2.4. Benefits payable (Note 5)

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

2.5. Taxation

The Scheme is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Scheme expense as it arises, and is shown on the Fund Account as 'Taxes on income'.

2.6. Administrative expenses (Note 7)

All administrative expenses are accounted for on an accruals basis. All staff costs of the County Council's Pensions Finance team are charged direct to the Scheme. Management, accommodation and other overheads are apportioned to the Scheme in accordance with general Council practices.

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2.7. Investment management expenses (Note 9)

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external advisors is included in investment management charges.

Net assets statement

2.8. Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Scheme becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Scheme.

Investment Assets

State Street Bank and Trust, as independent Custodian to the Scheme, values the assets other than direct property and unquoted investments. This is done on a daily basis by a series of data quality verifications. All discrepancies outside a tolerance level (zero tolerance for equities and 5% tolerance for bonds) are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investment assets as shown in the net assets statement have been determined as follows:

- a) Market-quoted investments: The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- b) Fixed interest securities: Fixed interest securities are recorded at net market value based on their current yields.
- c) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:
 - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Scheme expects to receive on wind-up, less estimated realisation costs. There is one such investment at 31st March 2014 valued at £1.028m, (see Note 14 'Unquoted investments').
 - Directly held investments include investment in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools of directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent

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- documents of the pool or the management agreement. (See Note 14).
- Investments in private equity funds and unquoted limited partnerships are valued based on the Scheme's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. (See Note 14).
- d) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
- e) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March 2014. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. For further information on Pooled investment vehicles see Note 10(a).
- f) Freehold and leasehold properties: The properties are valued at open market value at 31st March 2014 by an independent valuer, CB Richard Ellis, Chartered Surveyors, 77 Grosvenor Street, London, in accordance with the Royal Institute of Chartered Surveyors' Valuation - Professional Standards. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's-length terms. For further information on Investment Properties see Note 10(b).
- g) Loans and receivables: these are non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market. Investment Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost basis ie. principal amount adjusted for any interest payable / receivable at the year-end date.

Long-Term Assets

Revenue transactions are recorded on a system of receipts and payments. Income accruals (debtors) and expense accruals (creditors) have been introduced in respect of major items of income due but not received, and significant amounts owed, at 31st March. In accordance with IAS39, long-term debtors owed for a period of more than one year have been calculated using the effective interest method, discounting to present value, with a corresponding long-term creditor for the discount to be unwound.

2.9. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. State Street Bank and Trust value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31st March 2014.

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2.10. Derivatives

The Scheme uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Scheme does not currently hold derivatives for speculative purposes.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts are valued using the WM/Reuters 4pm closing spot/forward foreign exchange rates.

Fair value of Exchange Traded Futures contracts is determined based on market quoted prices as at the reporting date. Fair value is the unrealised profit or loss at the market quoted price of the contract. Derivatives are covered in more detail in Note 10(c).

2.11. Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

2.12. Financial liabilities

The Scheme recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Scheme becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Scheme.

2.13. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Scheme has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 23).

2.14. Additional voluntary contributions

Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Scheme currently has two appointed AVC providers: Standard Life and Scottish Widows. The previous AVC scheme on offer to employees was operated by Equitable Life Assurance Society but in December 2000 it closed to new business.

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Employees / contributors AVCs are paid over to one of the two providers by the Schemes employers. These contributions are specifically for the purpose of providing additional benefits for individual contributors. Each AVC contributor receives an annual statement (from their provider) showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (see Note 15).

2.15 Stock lending

Securities on loan at the 31st March are included in the net asset statement to reflect the scheme's continuing economic interest in the securities.

NOTE 3: CONTRIBUTIONS

Benefits (see Note 5) are funded by contributions and investment earnings. Contributions are received both from active members and employers of the Scheme. Contributions from active members are made in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) while individual employers' contribution rates are based on triennial actuarial funding valuations (see Note 23).

Contribution rates for 2013/14 are as follows:

- Employees - range from 5.5% to 7.5% of pensionable pay dependent on the full-time salary of the member.
- Employers - range from 7.9% to 48.2% of pensionable pay. Individual employer rates are set by the actuary on a three-yearly cycle, taking into account the employer's own attributes and particular circumstances; this includes the maturity profile of the membership, if the Admission is open or closed to new members, and the maximum deficit recovery period as determined by the Scheme Actuary in relation to the employer's covenant and membership profile.

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

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By Category	2012/13 £'000	2013/14 £'000
Employer contributions to the fund	51,373	52,151
Employee contributions to the fund	15,489	15,809
	66,862	67,960
By Employer Type	2012/13 £'000	2013/14 £'000
Scheduled bodies	62,833	65,203
Admitted bodies	4,029	2,757
	66,862	67,960

Included in the scheduled bodies figure in the above table are administering authority contributions (Cumbria County Council) of £40.504m (£38.995m 2012/13).

Total contributions to the Scheme have been relatively stable in 2013/14 as the impact of downsizing and outsourcing activities undertaken by some Scheme employers during the year has been counterbalanced by the implementation of automatic enrolment by the larger employers in the Scheme.

At 1st April 2013, the County Council outsourced a large number of facilities management staff to a wholly owned company, Orian Solutions Limited, a new admitted body for 2013/14 and a wholly owned subsidiary of Cumbria County Council. In 2013/14 two employers made capital payments to offset their deficit, £0.600m from Copeland Borough Council and £0.150m from Cumbria Tourist Board; and in 2012/13 a payment on exit from the Scheme of £1.046m for Agilisys had been accrued for, and subsequently received in April 2013.

In addition to normal contributions and capital payments from employers, the contributions figure also includes the costs of pension strain arising from non ill-health early retirements and, where applicable, ill-health early retirements:

Non ill-health early retirements: Employers can make lump sum contributions toward pension strain costs or pay an additional employer contribution rate (as calculated by the actuary). These contributions are recognised in line with the agreement with the employer if there is no agreement, when the Scheme receives them.

Cumbria County Council is the only scheme employer who, in agreement with the Actuary, opted, from 1st April 2011, to make an additional employer contribution. The rate as determined by the Actuary includes an element to compensate the Scheme for delayed receipt of monies. The additional employer contribution from the County Council is to be used to offset the one-off costs of workforce restructuring to be undertaken in response to national reductions in Local Authority budgets. It is anticipated that this period of workforce reduction and restructuring will continue in

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the medium term. The additional contribution from Cumbria County Council will fund an allowance of up to £8m for non ill-health early retirements. From 1st April 2011 to 31st March 2014, £7.669m of this amount has been allocated.

Ill-health early retirements: Cumbria County Council also has a voluntary arrangement whereby part of the actuarial strain of ill-health retirements is paid immediately. Details of this and all other Cumbria LGPS employer's policies are contained in the full Actuarial Valuation Report as at 31st March 2013, available on the County Council's website, at www.cumbria.gov.uk/finance.

NOTE 4: TRANSFERS IN FROM OTHER PENSIONS

Transfers in to the scheme have been made by individual members, where they decide to bring pensions benefits accrued from previous employment into their LGPS pension.

	2012/13 £'000	2013/14 £'000
Individual transfers	4,114	3,562
	4,114	3,562

NOTE 5: BENEFITS

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service. Members have access to the schemes depending upon the period their active membership in the LGPS covers, i.e. whether their employment was previous to 1st April 2008, during the period 1st April 2008 and 31st March 2014, and employed post 1st April 2014. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service 1.04.08 to 31.03.14	Service Post 1 April 2014
Basis	Final salary	Final Salary	Career Average Revalued Earnings (CARE)
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked accrues 1/49th x pensionable salary.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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

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By Category	2012/13 £'000	2013/14 £'000
Net pensions paid	55,795	58,620
Net lump sum on retirement	12,619	10,687
Net lump sum on death	1,770	1,646
	70,184	70,953
By Employer Type	2012/13 £'000	2013/14 £'000
Scheduled bodies	64,699	65,475
Admitted bodies	5,485	5,478
	70,184	70,953

Included in the scheduled bodies figure in the above table are administering authority benefits of £39.065m (£36.928m 2012/13).

The increased pensions paid value reflects the amount of restructuring that has taken place in recent years, as most Scheme employers within the LGPS seek to address reducing funding. Most employers within the Scheme have chosen to offer voluntary redundancy programmes, which by their nature tend to appeal to individuals whom are aged over 55 and are therefore entitled to access their pension immediately. As such this has resulted in much higher than usual volumes of early retirements, and high value of lump sums paid particularly in 2012/13, which then increases the following year's pensions paid. It is anticipated that this trend may continue for the next couple of years and these anticipated medium term trends have been taken into account when reviewing the investment strategy.

NOTE 6: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2012/13 £'000	2013/14 £'000
Refund of contributions	4	77
Individual transfers to other Schemes	5,192	4,412
	5,196	4,489

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NOTE 7: ADMINISTRATIVE EXPENSES

Officers employed by the County Council undertake the day to day management and administration of the Scheme. Employee time spent working on the Scheme and their associated costs e.g. office space and information technology are charged to the Scheme. In addition the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pensions administration services, provided by YPS, are charged to the Scheme. This is in accordance with the government regulations on the management of local government pension schemes.

Further details of administrative expenses are as follows:

	2012/13 £'000	2013/14 £'000
Employee costs	310	290
Support services, including Pensions Administration	896	1,046
Printing and publications	-	1
Pension fund committee	4	5
External audit fees	16	24
Internal audit fees	2	2
Actuarial fees	70	63
	1,298	1,431

Investment management expenses are shown separately from scheme administration in the Fund Account and are analysed in Note 9.

Variations on administrative spend between years include:-

- Support services - Additional training costs to support those charged with the governance of the Scheme in understanding the new asset classes (following the Investment Strategy Review); Actuarial Valuation costs; 2014 Scheme member benefit changes and forthcoming governance changes both locally and potentially nationally to the future structure of the LGPS.
- Pensions Administration - Additional data cleansing and software charges to support the 2013 Triennial Valuation; introduction of Auto-enrolment; employer and member enhancement to provide for self service and preparation for the additional requirements of operating a CARE Scheme from April 2014.

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NOTE 8: NET INVESTMENT INCOME

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £31.066m (2012/13 £22.940m), net of £0.314m (2012/13: £0.350m) irrecoverable tax on dividends, and including stock lending income of £0.063m (2012/13: £0.118m), can be analysed as follows:

	2012/13 £'000	2013/14 £'000
Interest from fixed interest securities	2,868	6,441
UK dividends	6,404	10,001
Overseas dividends	7,025	5,954
Distributions from pooled investment vehicles	434	1,680
Net rental income from investment properties (see note 10(b))	6,159	6,918
Bank Interest	50	72
	22,940	31,066

The Scheme completed a detailed Investment Strategy Review in May 2012, which was further supplemented by a specific defensive strategy review in September 2013. One of the aims in implementing the outcomes of these reviews was to achieve more stable returns from fixed interest securities. To facilitate this, Standard Life were appointed as the Scheme's corporate bond manager on a 'buy and maintain' strategy during 2012/13 which has resulted in increased income with lower volatility from this asset class.

Schroders, the Scheme's UK equity manager, choose investments for the portfolio based on a number of reasons, including size and stability of dividend payment; the Scheme benefitted in 2013/14 from companies paying some particularly high UK dividends, £1.777m from Vodafone Group plc alone.

During 2012/13, one of the Scheme's active global equity mandates was transferred into pooled investment vehicles with the Scheme's passive manager. The interest from the underlying investments of an index-tracking fund is reinvested and benefits the capital valuation of the funds, rather than income returns. This has resulted in a corresponding decrease in income from overseas equity dividends for part of 2012/13 and for all of 2013/14. Two new global equity managers began their segregated mandates in December 2013 and so income from global equity dividends is expected to increase with this reallocation back to the strategic investment strategy of active management in this area.

Income from pooled vehicles includes distributions from the Scheme's alternatives investments; 2013/14 saw a distribution from a private equity fund of £1.347m, and as such the Scheme is increasing its investment into infrastructure and other alternatives with the objective of stable and inflation protected income streams.

NOTE 9: INVESTMENT MANAGEMENT EXPENSES

	2012/13 £'000	2013/14 £'000
Fund management fees	2,532	2,987
Custody fees	103	121
Performance monitoring service	32	40
Investment consultancy fees	130	133
	2,797	3,281

The increase in Investment Manager fees reflects that rates were lower in 2012/13 than in 2013/14 as the Scheme had more assets held passively during the periods of transition between managers (resulting in reduced fund management fees compared to more average levels), balanced by increasing volume of fees due to portfolio size, on which the majority of the fund management fees are based.

Investment consultancy fees were above historic levels in 2012/13 as the Scheme conducted a full Investment Strategy Review, which resulted in costs to procure a new bond manager, and remained high in 2013/14 due to the procurement processes for two new equity managers (completed in December 2013).

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NOTE 10: INVESTMENT ASSETS

	Notes	31 March 2013			31 March 2014		
		UK	Overseas	Total	UK	Overseas	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets							
Equities							
Equities - quoted		200,908	185,151	386,059	248,511	284,357	532,868
Equities - unquoted		761	-	761	1,028	-	1,028
		201,669	185,151	386,820	249,539	284,357	533,896
Fixed interest securities							
Public Sector/Govt - quoted		-	-	-	-	-	-
Corporate bonds - quoted		125,398	4,611	130,009	123,088	7,794	130,882
Corporate bonds - unquoted		-	-	-	-	-	-
		125,398	4,611	130,009	123,088	7,794	130,882
Pooled investment vehicles							
Pooled investments - quoted		52,045	19,424	71,469	13,898	9,974	23,872
Pooled investments - unquoted		613,710	338,381	952,091	584,245	316,426	900,671
	10(a)	665,755	357,805	1,023,560	598,143	326,400	924,543
Investment properties							
Freehold		74,430	-	74,430	93,408	-	93,408
Long leasehold		17,725	-	17,725	29,760	-	29,760
Short leasehold		-	-	-	-	-	-
	10(b)	92,155	-	92,155	123,168	-	123,168
Derivative contracts	10(c)	4,720	-	4,720	1,780	-	1,780
Cash Deposits		4,748	2,444	7,192	42,808	4,710	47,518
		1,094,445	550,011	1,644,456	1,138,526	623,261	1,761,787
Investment liabilities							
Derivative contracts	10(c)	(454)	-	(454)	(26)	-	(26)
Total Net Investments		1,093,991	550,011	1,644,002	1,138,500	623,261	1,761,761

The equity holdings have increased at 31st March 2014 as the global equity managers new mandates were in place from December 2013, having transferred the holdings from pooled index-tracking funds.

Note 10(a) details the pooled investments including index-tracking funds, unit trusts and alternatives funds.

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

Note 10(c) details the derivative contracts above; these are forward foreign exchange contracts and futures held at 31st March, shown as assets where there is a gain and liabilities where there is a loss on the individual contracts at 31st March 2014.

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NOTE 10(a): POOLED INVESTMENT VEHICLES

The Scheme's largest holding is the unitised insurance policies with Legal and General totalling £855.9m, shown in the following table categorised into the underlying asset types. These unitised, index-tracking funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity.

The investment managers may also choose to invest in managed funds such as unit trusts as a preferred method of investing in smaller asset classes or less easily accessed markets.

	2012/13 £'000	2013/14 £'000
Unitised insurance policies - unquoted		
UK equities	199,850	201,283
Overseas equities	298,272	272,728
UK corporate bonds	130,522	69,366
UK index-linked securities	261,626	277,552
UK sterling liquidity fund	0	35,008
	890,270	855,937
Unit trusts		
UK - quoted	52,045	13,898
Overseas - quoted	16,508	7,460
	68,553	21,358
Other Managed funds		
Pooled property REITs - quoted	2,916	2,514
Pooled property funds - unquoted	9,512	2,946
Other managed funds - unquoted	52,309	41,788
	64,737	47,248
Total	1,023,560	924,543

Pooled overseas equities increased when the global equity manager was terminated in September 2012 and the holdings transferred to pooled index-tracking funds. The two new active global equity portfolios were in place from December 2013, having transferred partly from the pooled funds.

Active managers use unit trusts for efficient investment in their own in-house or other funds. The termination of two active managers has resulted in the decreased holding of unit trusts shown above.

The Mid-Term Review of the fixed interest allocation aimed to achieve capital preservation and inflation protection in this element of the portfolio. The outcome of the review was to action a strategic switch from passive corporate bonds to defensive product(s)/strategies that will achieve capital preservation. In light of this, pooled corporate bond securities have decreased at 31st March 2014. To ensure this is achieved as efficiently as possible switching to index-linked gilts and cash funds is being completed in stages and is due to be completed in July 2014.

NOTE 10(b): INVESTMENT PROPERTIES

The Scheme invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. At 31st March 2014 the portfolio valued at £123.168m included 29 properties ranging from £1.15m to £10.0m each. These properties cover a mix of sectors such as offices, industrial, high street retail units and retail warehouses, and are also geographically spread across England and Scotland; the intention of this spread is to mitigate risk by enhancing the diversification within this asset class.

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

	2012/13 £'000	2013/14 £'000
Rental income from investment property	6,666	7,444
Direct operating expenses arising from investment property	(507)	(526)
	6,159	6,918

The improved rental income between years reflects inflationary rent uplifts and an increase in the occupancy of properties rented.

There are no restrictions on the Scheme’s ability to realise the value inherent in its investment property or on the Scheme’s right to the remittance of income and the proceeds of disposal. The properties are held directly and the Scheme is entitled to all income and capital proceeds. The Scheme has no contractual obligation to purchase, construct or develop (apart from St Albans, detailed below), and the Scheme has its normal obligations in respect of repairing and maintaining properties where the costs are generally passed onto the tenants where a lease is in place.

At 31st March 2014, the Scheme was legally obliged to complete the development at Acrewood Park, St. Albans of a new-build, multi-let trade counter estate of six units, following purchase of the site in March 2014. Work has commenced and monthly development payments will be made up to the maximum commitment of £7.073m, with the expectation that development will be complete in January 2015.

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The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £'000	2013/14 £'000
Balance at the start of the year	93,625	92,155
Additions:		
Purchases	5,650	29,461
Subsequent expenditure	367	3,396
Disposals	(4,602)	(9,158)
Net gains/(losses) from fair value adjustments	(2,885)	7,314
Balance at the end of the year	92,155	123,168

The Scheme's property investments are leased out properties, all of which are operating leases. The future minimum lease payments receivable under non cancellable leases for these land and buildings in future years are shown as follows:

	2012/13 £'000	2013/14 £'000
Not later than one year	6,177	7,697
Later than one year and not later than five years	18,125	22,143
Later than five years	30,726	43,070
	55,028	72,910

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NOTE 10(c): DERIVATIVES

One way for pension Schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is known for investors in LGPS to hedge 50% of their foreign currency exposure to mitigate the effect any adverse currency movements would have at the time of the realisation of the investment.

Cumbria LGPS follows general practice in this regard and therefore has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Scheme's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

The corporate bond mandate managed by Standard Life also uses derivatives in the form of exchange traded futures contracts to hedge overseas duration risk, in particular US\$. Futures could also be used to manage the overall duration of the portfolio to ensure it stays within the limits set out in the Guidelines of the mandate. The economic exposure represents the notional value of stock purchased under future contracts and is therefore subject to market movements.

The derivatives can be summarised as follows:

Reconciliation to Note 10	31 March 2014		
	Investment Asset / Unrealised Gain £'000	Investment Liability / Unrealised Loss £'000	Net Market Value £'000
Total Derivatives			
Forward currency contracts	1,770	(26)	1,744
Futures	10	0	10
Derivative Contracts Gain/(Loss)	1,780	(26)	1,754

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The open forward foreign exchange contracts can be summarised as follows:

Currency Bought		Currency Sold		2013/14	
Currency	Local Value 000's	Currency	Local Value 000's	Unrealised Gain Sterling £'000	Unrealised Loss Sterling £'000
Settlement within one month					
None					
Settlement one to six months					
GBP	55,757	EUR	(66,650)	657	(26)
GBP	23,930	JPY	(4,032,943)	416	
GBP	187,153	USD	(310,661)	697	
				1,770	(26)
Net forward currency contracts at 31 March 2014				1,744	

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market Value at 31 March 2013 £'000	Economic exposure	Market Value at 31 March 2014 £'000
Assets					
Overseas Fixed Interest	Less than one year			(2,963)	10
			0		10
Liabilities					
Overseas Fixed Interest	Less than one year	(3,477)	(16)		
			(16)		0
Net futures			(16)		10

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**NOTE 10(d): PROFIT AND LOSSES ON DISPOSAL OF INVESTMENTS
AND CHANGES IN THE MARKET VALUE OF INVESTMENTS**

During the financial year the following purchases and sales of investments were made. Purchases and sales also include transfers of investments, and cash transfers from and to the Administering Authority.

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

2013/14:

Asset Class	Value at 1 April 2013 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Value at 31 March 2014 £'000
Fixed interest securities	130,009	21,953	(15,236)	(980)	(4,864)	130,882
Equities						
UK equities	201,669	132,686	(98,485)	5,861	7,808	249,539
Overseas equities	185,151	818,589	(741,652)	43,486	(21,217)	284,357
	386,820	951,275	(840,137)	49,347	(13,409)	533,896
Pooled investment vehicles	890,270	312,173	(379,601)	65,627	(32,532)	855,937
Unit Trusts	68,553	31,148	(78,460)	35	82	21,358
Managed funds	64,737	22,772	(41,863)	1,162	440	47,248
Property (See Note 10b)	92,155	32,857	(9,158)	(375)	7,689	123,168
Derivatives (forward foreign exchange contracts, futures)	4,266	11,194	(34,715)	23,532	(2,523)	1,754
	1,636,810	1,383,372	(1,399,170)	138,348	(45,117)	1,714,243
Cash	7,192					47,518
Total Net Investments	1,644,002					1,761,761

Analysis of gains/(losses) for the year	2013/14 £'000
Realised - Profit and losses on disposal of investments	138,348
Unrealised - Changes in the market value of investments	(45,117)
	93,231

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

2012/13:

Asset Class	Value at 1 April 2012	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Realised gains/(losses)	Unrealised gains/(losses)	Value at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	0	130,227	(277)	(29)	88	130,009
Equities						
UK equities	183,285	46,181	(51,477)	6,100	17,580	201,669
Overseas equities	304,596	80,323	(222,049)	19,476	2,805	185,151
	487,881	126,504	(273,526)	25,576	20,385	386,820
Pooled investment vehicles	709,784	374,462	(323,886)	61,873	68,037	890,270
Unit Trusts	33,405	116,506	(83,073)	177	1,538	68,553
Managed funds	114,464	15,859	(73,694)	3,314	4,794	64,737
Property (See Note 10b)	93,625	6,017	(4,602)	504	(3,389)	92,155
Derivatives (forward foreign exchange contracts, futures)	2,714	28,709	(22,495)	(6,282)	1,620	4,266
	1,441,873	798,284	(781,553)	85,133	93,073	1,636,810
Cash	11,948					7,192
Total Net Investments	1,453,821					1,644,002

Analysis of gains/(losses) for the year	2012/13 £'000
Realised - Profit and losses on disposal of investments	85,133
Unrealised - Changes in the market value of investments	93,073
	178,206

Direct transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and any other trading fees. Transaction costs incurred during the year amounted to £0.359m, which is 0.01% of the purchases and sales proceeds (for comparison the costs in 2012/13 were £0.192m, 0.01% of trades).

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NOTE 10(e): INVESTMENTS ANALYSED BY FUND MANAGER

Manager	Asset Class	31 March 2013		31 March 2014	
		£'000	%	£'000	%
Legal & General Policy No. 1	Equities, bonds, cash	435,703	26.5%	488,627	27.7%
Legal & General Policy No. 2	Index-linked bonds	261,626	15.9%	250,203	14.2%
Schroders Investment Management	UK equities	210,374	12.8%	237,857	13.5%
Nordea	Global equities	0	0.0%	161,278	9.2%
Loomis Sayles	Global equities	0	0.0%	158,396	9.0%
Standard Life	UK corporate bonds	130,347	7.9%	131,458	7.5%
Aberdeen Asset Management	Direct property	95,833	5.8%	124,927	7.1%
Legal & General Policy No. 3	Global equities	192,941	11.8%	117,107	6.6%
BlackRock	Alternatives	106,040	6.5%	40,375	2.3%
Strategic cash allocation	Cash	0	0.0%	36,030	2.0%
Partners Group	Infrastructure	0	0.0%	10,236	0.6%
Aberdeen Asset Management	Indirect property	0	0.0%	2,946	0.2%
Legal & General Passive Currency	Currency overlay	3,690	0.2%	1,764	0.1%
M&G	Real Estate Debt	0	0.0%	537	0.0%
GMO UK / Transition residual	Overseas equities	207,448	12.6%	20	0.0%
Total Net Investments		1,644,002	100.0%	1,761,761	100.0%

NOTE 10(f): INVESTMENTS REPRESENTING MORE THAN 5% OF THE NET ASSETS OF THE SCHEME

It is a requirement of the Pensions SORP and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The only occurrences of this within the Cumbria Scheme are the three unitised insurance policies held with Legal and General. These unitised, index-tracking funds are used as an efficient low-risk method of investing in the underlying asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity and as such are easily and readily convertible if required.

The value of these investments was temporarily increased during 2012/13 when the assets of the terminated Global Equity mandate were transferred into them (Policy Number 3). This was a transitional measure while the procurement process secured new managers. Independent advice was sought which recommended this to be the most efficient and lowest acceptable risk option to undertake this transitional process.

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Holding	31 March 2014 £'000	% of Total Net Investments
Policy 1 Legal and General UK Equity Index	201,283	11.4%
Policy 1 Legal and General North America Index	100,478	5.7%
Policy 1 Legal and General AAA Over 15yr Index	69,366	3.9%
Policy 1 Legal and General Sterling Liquidity Fund	35,008	2.0%
Policy 1 Legal and General Europe(Ex UK)Equity Index	28,119	1.6%
Policy 1 Legal and General Over 5 Yr Index-Linked Gilts Index	27,348	1.6%
Policy 1 Legal and General Japan Index	13,812	0.8%
Policy 1 Legal and General Other Pacific Basin Index	13,213	0.7%
Policy 1 Total	488,627	27.7%
Policy 2 Legal and General Over 5 Yr Index-Linked Gilts Index	250,203	14.2%
Policy 3 Legal and General FTSE World Equity Index	117,107	6.6%
	855,937	48.5%

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NOTE 11: FINANCIAL INSTRUMENTS

Accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses, including fair gains and losses, are recognised. Investment property is not a financial instrument and as such does not feature in any but the first of the following tables. The following table analyses the fair value amounts of financial assets and liabilities by category, and the net gains and losses. No financial assets were reclassified during the accounting period.

The Net Assets of the Scheme can be classified as Financial Instruments and Investment Property as follows:

	31 March 2013 £'000	31 March 2014 £'000
Financial Instruments	1,559,070	1,645,303
Statutory debts / liabilities & provisions	7,840	6,259
Investment Property	92,155	123,168
Net Assets of the Fund	1,659,065	1,774,730

	31 March 2013				31 March 2014			
	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CLASSIFICATION								
<u>Financial Assets</u>								
Investments								
Equities	386,820	-	-	386,820	533,896	-	-	533,896
Fixed interest securities	130,009	-	-	130,009	130,882	-	-	130,882
Pooled investment vehicles	1,023,560	-	-	1,023,560	924,543	-	-	924,543
Derivative contracts	4,720	-	-	4,720	1,780	-	-	1,780
Cash deposits	-	13,669	-	13,669	-	53,096	-	53,096
Current & long-term assets	-	5,858	-	5,858	-	9,399	-	9,399
	1,545,109	19,527	-	1,564,636	1,591,101	62,495	-	1,653,596
<u>Financial Liabilities</u>								
Derivative contracts	(454)	-	-	(454)	(26)	-	-	(26)
Current/long-term liabilities	-	-	(5,112)	(5,112)	-	-	(8,267)	(8,267)
Total Financial Instruments	1,544,655	19,527	(5,112)	1,559,070	1,591,075	62,495	(8,267)	1,645,303
ANALYSIS OF NET GAINS AND LOSSES FOR YEAR ENDED 31st MARCH								
Financial Assets	181,376	-	-	181,376	85,943	-	-	85,943
Financial Liabilities	(285)	-	-	(285)	(26)	-	-	(26)
Total Net Gains/(Losses)				181,091				85,917

The table following summarises the book cost of the financial assets and liabilities by class of instrument compared with the fair values (market value).

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31 March 2013			31 March 2014	
Book Cost	Fair Value		Book Cost	Fair Value
£'000	£'000		£'000	£'000
1,203,550	1,545,109	Financial Assets		
19,527	19,527	Fair Value through profit and loss	1,345,020	1,591,101
		Loans and receivables	62,495	62,495
1,223,077	1,564,636	Total Financial Assets	1,407,515	1,653,596
		Financial Liabilities		
-	(454)	Fair Value through profit and loss	-	(26)
(5,112)	(5,112)	Financial Liabilities at amortised cost	(8,267)	(8,267)
(5,112)	(5,566)	Total Financial Liabilities	(8,267)	(8,293)
1,217,965	1,559,070	Total Financial Instruments	1,399,248	1,645,303

We are required to disclose the difference between the carrying value and the fair value; the fair values disclosed are the same as the carrying value.

NOTE 11(a): VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

To show the liquidity of the assets the Scheme holds, under IFRS the valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. This is aimed at showing how much can be easily liquidated and thereby readily made available as cash if required with level 1 representing the most liquid and level 3 the most illiquid. This illiquidity assessment is subjective, but as with any assessed additional investment risk investors should expect to be rewarded through higher investment returns.

As the Scheme is in deficit it needs to generate excess returns at an acceptable level of risk. To do this the Scheme diversifies across asset classes, managers and products, making use of its strong covenant as an open Public Sector Pension Scheme. As such it can take advantage of the potentially higher returns offered for investing in more illiquid asset classes such as private equity and infrastructure. Thus the liquidity or how easily a financial asset can be quantified at a point in time does not automatically equate to the value of it to the Scheme, merely how readily it can be realised as cash if required.

Level 1 – 47% of the Scheme's Holding in Financial Instruments (2012/13: 39%)

These are considered the most reliably quantifiable and easily liquidated i.e. converted into cash, assets, carrying the lowest valuation and liquidity risk.

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, valued using bid prices where available. These can be freely traded in active markets and are mainly quoted equity shares, fixed interest bonds, cash, and also include quoted unit trusts.

Level 2 – 51% of the Scheme's Holding in Financial Instruments (2012/13: 59%)

While these assets are not usually convertible into cash immediately they are still considered to be relatively liquid with easily verified and relatively certain asset pricing of the underlying stocks if not the pooled fund itself.

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Quoted market prices are not available. Valuation techniques are used to determine fair value. The techniques use inputs that are based significantly on observable market data.

This includes pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. Though the funds themselves are not traded on active markets, they have pre-set, often weekly trading dates, such that liquidation is relatively easy with a short lead-in time.

Level 3 – 2% of the Scheme's Holding in Financial Instruments (2012/13: 2%)

For many of these assets prices are not readily quantifiable and they often prove to be the most illiquid. As such they hold both the highest liquidity and valuation risk.

Quoted market prices are not available. Valuation techniques are used to determine fair value. At least one input that has a significant effect on the valuation is not based on observable market data.

Such instruments include unquoted equity investments, private equity and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. These estimation techniques are referred to in Note 2 paragraph 2.8(c). The investment may be tied in for some time (in particular with private equity) and withdrawal would take longer than levels 1 or 2. The values of hedge funds are based on the net asset value provided by the fund manager. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Scheme.

The following table provides an analysis of the financial assets and liabilities of the Pension Scheme grouped into levels 1 to 3, based on the level at which the fair value is observable. Cash deposits, current & long term assets/liabilities are not measured at 'fair value through profit and loss' per Note 11, but have been included in the table to illustrate a reconciliation to the financial instruments figure quoted in Note 11.

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VALUATION CLASSIFICATION LEVEL	31 March 2013				31 March 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FINANCIAL INSTRUMENT CLASSIFICATION								
<u>Financial Assets</u>								
Investments								
Equities	386,059	-	761	386,820	532,868	-	1,028	533,896
Fixed interest securities	130,009	-	-	130,009	130,882	-	-	130,882
Pooled investment vehicles	71,469	923,235	28,856	1,023,560	58,880	826,523	39,140	924,543
Derivative contracts	-	4,720	-	4,720	-	1,780	-	1,780
Cash deposits	13,669	-	-	13,669	53,096	-	-	53,096
Current & long-term assets	-	5,858	-	5,858	-	9,399	-	9,399
	601,206	933,813	29,617	1,564,636	775,726	837,702	40,168	1,653,596
<u>Financial Liabilities</u>								
Derivative contracts	-	(454)	-	(454)	-	(26)	-	(26)
Current & long term liabilities	-	(5,112)	-	(5,112)	-	(8,267)	-	(8,267)
Total Financial Instruments	601,206	928,247	29,617	1,559,070	775,726	829,409	40,168	1,645,303
Percentage of Financial Instruments	38.6%	59.5%	1.9%	100.0%	47.1%	50.5%	2.4%	100.0%

The decrease in level two category and increase in level one category reflects the temporary arrangement in 2012/13 whereby assets were held in pooled investment vehicles within the Legal and General passive portfolio while full procurement processes for new managers were undertaken. Because all the underlying assets were identifiable, easily quantified and the pooled fund is tradable at relatively short notice, the minimal increase in risk was considered acceptable. The new global equity manager mandates began in December 2013, involving the transfer out of pooled vehicles (level two) to quoted global equities (level one).

The investments categorised as Level 3 in the above table (an unquoted equity investment and two pooled funds) are the most difficult to value using observable market transactions and are those most subject to estimation. For these investments, a change in fair value of £0.439m (£0.640m unrealised gain and £0.201m realised loss) was recognised in the analysis of net gains for the year to 31 March 2014 (total £85.917m) in Note 11. Purchases of £16.224m and sales of £6.112m had also taken place for Level 3 investments.

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NOTE 12(a): LONG TERM ASSETS

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31st March. The following table shows those expected to be realised more than twelve months from the Net Assets Statement date.

	31 March 2013 £'000	31 March 2014 £'000
Long Term Debtors		
Long term debtors - contributions	-	-
Long term debtors - employer exit	1,981	1,643
Total Long Term Assets	1,981	1,643
Long Term Debtors relating to (per IFRS headings):		
Central Government bodies	1,981	1,643
Other entities and individuals	-	-
Total Long Term Assets	1,981	1,643

‘Long-term debtors – employer exit’ is the debt due from the Ministry of Justice in transferring the Cumbria Magistrates Courts to central government, and as these payments will be received in ten annual instalments which began in April 2011, the next instalment of £0.329m is shown within ‘Employer exit from the scheme due < 1 year’ (see Note 12(b)) and the remainder of £1.643m shown above as ‘Long Term Debtors – Employer exit’ (see also Note 3).

NOTE 12(b): CURRENT ASSETS

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income due but not received at 31st March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

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	31 March 2013 £'000	31 March 2014 £'000
Cash balances	6,477	5,578
Current Debtors		
Securities sold awaiting settlement	69	3,982
Investment income accrued	4,100	4,372
Property debtors	979	777
Contributions due	5,184	5,009
Employer exit from scheme due < 1 year	1,374	329
Miscellaneous	989	528
Total Current Debtors	12,695	14,997
Total Current Assets	19,172	20,575
Current Debtors relating to (per IFRS headings):		
Central Government bodies	844	624
Other local authorities	4,462	4,289
Other entities and individuals	7,389	10,084
Total Current Debtors	12,695	14,997

Securities sold awaiting settlement varies due to the timing of investment sales; this is the value of sale trades in progress at 31st March 2014. The volume of active trade transactions has increased in 2013/14 as two new global equity managers began mandates in December 2013.

Contributions due at 31st March varies from year to year, depending on the actual dates that payments are made by employers in respect of contributions and in settlement of invoices. The payment of £1.046m on exit from the scheme by Agilisys was accrued for in 2012/13 and received in April 2013.

NOTE 13(a): LONG TERM LIABILITIES

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31st March. The following table shows those expected to be realised more than twelve months from the Net Assets Statement date.

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	31 March 2013 £'000	31 March 2014 £'000
Long term Creditors		
Interest provision on long-term debt	392	350
Total Long term Liabilities	392	350
Long Term Creditors relating to (per IFRS headings):		
Other entities and individuals	392	350
Total Long term Liabilities	392	350

NOTE 13(b): CURRENT LIABILITIES

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31st March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2013 £'000	31 March 2014 £'000
Current Creditors		
Securities purchased awaiting settlement	271	3,753
Property creditors	2,146	2,266
Investment Managers fees	720	841
Tax payable	554	590
Interest provision on long-term debt	32	42
Miscellaneous	1,975	1,407
Total Current Liabilities	5,698	8,899
Current Creditors relating to (per IFRS headings):		
Central government bodies	554	590
Other local authorities	1,214	1,284
Other entities and individuals	3,930	7,025
Total Current Liabilities	5,698	8,899

Securities purchased awaiting settlement varies due to the timing of investment purchases; this is the value of buy trades in progress at 31st March 2014. The volume of active trade transactions has increased in 2013/14 as two new global equity managers began mandates in December 2013.

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NOTE 14: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension Scheme maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk. These risks are a function of investing and cannot be completely avoided. They are however closely monitored and where possible appropriate mitigation methods are used to limit the Scheme's exposure.

Overall Procedures for Managing Risk

The principal powers under which an LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension scheme money that is not needed immediately to make payments from the Scheme. These regulations require the Scheme to formulate a policy for the investment of its Fund money. Cumbria LGPS practices are outlined in the Scheme Policy Document and can be found on-line at www.cumbria.gov.uk/finance.

With regards to investing, to minimise risks in this area the Administering Authority's risk management procedures focus on the unpredictability of financial markets; implementing operating restrictions on managers and diversification across the managers and asset classes within portfolio.

The Scheme annually reviews its Statement of Investment Principles (SIP) and corresponding Investment Strategy which set out the Scheme's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Statement of Investment Principles (SIP) and the Cash Investment Policy can both be found in the Scheme Policy Document published on-line at: www.cumbria.gov.uk/finance.

During 2011/12 the Scheme completed an in-depth review of its Investment Strategy. Local Government Pension Schemes have a long term liability profile, and their investment strategy must be undertaken with a view to matching this. Switching asset allocations is expensive, resource intensive and time consuming. While annual review to keep abreast of trends in market conditions and liability profiles (eg. discounted future pensions payments) is appropriate, a more detailed review, leading to material changes in asset classes should only be undertaken every 3-7 years. Completion and implementation of the outcomes of this review have been taking place during both 2012/13 and 2013/14, and are expected to be finalised during 2014/15. The SIP has been constructed to show both the transitional and final asset allocations expected throughout this period of change.

The Pensions Committee review the total Scheme investment performance against its bespoke total benchmark return and also the individual managers' performance. Investment performance by external Investment Managers is reported to the Pensions Committee quarterly. Performance of the Pension Scheme investments

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managed by external Investment Managers is compared to both benchmark and target returns. The aim during 2014/15 is for the Investment Sub Group, introduced towards the end of 2013, to take on more responsibility for tactical investment manager performance monitoring from the Pension Committee thus freeing up Committee time to focus on more strategic issues.

As a further control, a substantial amount of due diligence is performed at the appointment stage both by Officers and independent investment consultants to ascertain managers' risk control, audit and monitoring procedures.

Liquidity Risk

Liquidity Risk is the risk that the Scheme will not be able to meet its financial obligations when they fall due.

The main liquidity risk for the Scheme is not having funds available to meet commitments to make pension payments to members as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Scheme to ensure its obligations can be covered.

As part of both the Triennial Valuation and the annual investment review, Scheme membership and projected maturity profiles are reviewed. Currently the Scheme is cash positive (i.e. it collects more in annual income than it requires to fulfil all obligations). However, on contributions alone, the Scheme experienced a cash deficit of £5.351m in 2013/14 (£5.702m in 2012/13). This amount was anticipated due to the volume of workforce restructuring across all the Scheme's employers. There was no requirement to liquidate assets ahead of previous plans as the value was easily accommodated within the Scheme's cash reserves.

On advice from the Scheme's Actuary it is projected that the Scheme will remain cash positive for the medium term. However in the medium term, in light of further anticipated reductions in local government budgets and the resultant workforce reductions, coupled with possible reductions in active membership (due to proposed increases in employee contributions through the introduction of the 2014 Scheme), this will be kept under active review.

Note 11(a) explains the Scheme holds a large value of very liquid securities which could be promptly realised if required. As at 31st March 2014 the value of assets which could be converted to cash within three months, without significant loss to the Scheme, is £1,595.736m, i.e. 90% of net assets (31st March 2013 £1,523.595m 92%). The value of the illiquid assets was £178.994m which represented 10% of net assets (31st March 2013 £135.486m, 8%).

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

A maturity analysis for investment liabilities (all of which are derivatives) is shown in Note 10(c). The current liabilities of the Scheme (see Note 13(b)) are all due within 12 months from the Net Asset Statement date. The long term liabilities of the

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Scheme (see Note 13(a)) consist of the interest provision on the long term debtor – employer exit. This is being unwound as follows:

	31 March 2013 £'000	31 March 2014 £'000
Due 1 to 2 years	42	52
Due 2 to 5 years	183	211
Due 5 to 10 years	167	87
Total Long term liabilities	392	350

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. Market risk reflects interest rate risk, currency risk and other price risks.

The Scheme is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Scheme's assets failing to deliver the returns required to match the underlying liabilities of the Scheme over the longer term.

To mitigate against market value risk, the Scheme has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2009. Details can be found in the Scheme's Statement of Investment Principles. The Scheme has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Scheme. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each asset class.

Mitigation against market risk is also achieved by diversifying across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Scheme. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

To increase diversification across the Scheme and thereby further reduce the Schemes' overall market risk the recent Investment Strategy Review has introduced some new asset classes (e.g. infrastructure and real estate debt) which the Scheme will shortly be investing in.

Market Risk – Sensitivity Analysis

The Scheme's funding position is sensitive to changes in equities (which affect the net assets available to fund benefits) and bond yields (which affect the value placed on the Scheme's liabilities). Potential price changes are determined based on the observed historical volatility of asset class returns. Historical evidence suggests that 'riskier' assets such as equities are expected to display greater potential volatility than bonds as an example. The potential volatilities are consistent with a one

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standard deviation movement in the change in value of the assets over the latest three years. This volatility can be applied to the investment assets of the Scheme at the period end in the following table to show the potential increase and decrease of value.

	2013/14 £'000	% Change	Value on Increase	Value on Decrease
UK Equities	458,565	12.4%	515,427	401,703
Overseas Equities	557,085	12.2%	625,049	489,121
Bonds	200,248	6.7%	213,665	186,831
Index Linked Gilts	277,552	8.9%	302,254	252,850
Alternatives	47,248	4.9%	49,563	44,933
Cash	101,719	0.1%	101,821	101,617
	1,642,417		1,807,779	1,477,055

Foreign Exchange Risk

The Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31st March 2014, the Scheme had overseas investments (excluding forward foreign exchange contract) of £618.551m and £4.710m cash denominated in currencies other than sterling. The impact of a 5% movement in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £31.163m, or 1.8% of the Scheme's total value. The fund holds many different currencies. To assess the risk the Scheme is exposed to as a result of holding these currencies Officers have concluded, taking into account information provided by Scheme's performance monitoring advisor (State Street Investment Analytics), that a 5% movement is a reasonable measure to apply across the basket of currencies.

Foreign Exchange – Derivative Contracts

One way for pension schemes to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is known for LGPS's to hedge 50% of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset.

The Cumbria Scheme in line with recognised practice has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Scheme's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

As at 31st March 2014, the Scheme had both open over-the-counter forward foreign exchange contracts, and exchange traded futures contracts. See Note 10(c) for an analysis of these contracts.

Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. In essence the Scheme's entire investment portfolio is exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing. Consequently the risk of loss is implicitly provided for in the carrying values of the Scheme's financial assets and liabilities. In addition to this, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Scheme has had no experience of default or uncollectable deposits over recent years.

Through review of the Scheme's external Investment Managers annual internal control reports the Scheme monitors its exposure to credit and counterparty risk. This review is aimed at ensuring that Managers exercise reasonable care and due diligence in its activities on behalf of the Scheme.

All derivative transactions incorporate a degree of credit risk. The longer the term of a transaction, the greater the potential for change in market value, and the greater the credit risk. In relation to forward currency contracts and the stock lending programme there are two elements to this: counterparty risk and settlement risk.

The Scheme's cash and cash-like holdings as at 31st March 2014 were £5.578m (2012/13: £6.477m) within current assets (see Note 12(b)), £47.518m (2012/13: £7.192m) shown as cash within investments (see Note 10), and a further £13.615m shown as unit trusts in Note 10 where BlackRock and Schroders invest in their in-house Money Market Funds as part of their portfolios. In addition to this, £35.008m of the Scheme's holding in unitised insurance policies shown in Note 10 under pooled investments, is ultimately held in the passive manager's Money Market Fund (Legal and General), and as such is included below. The credit ratings of the accounts and funds were as follows:

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Summary	Rating	Balances as at 31 March 2013 £'000	Balances as at 31 March 2014 £'000
Money Market Funds			
SSGA GBP Liquidity Fund	AAA	-	40,526
SSGA EUR Liquidity Fund	AAA	-	43
Legal & General Sterling Liquidity Fund	AAA	-	35,008
BlackRock Institutional Sterling Cash	AAA	44,219	-
BlackRock Institutional Cash USD	AAA	-	7,460
Schroder Offshore Cash Guernsey	AAA	-	6,155
Bank deposit accounts			
National Westminster Bank	A	6,477	5,578
Bank current accounts			
State Street Bank & Trust	A+	3,474	4,721
Barclays Bank	A	3,678	1,759
Short Term Deposit			
Bank of New York call account	AA-	40	469
Total		57,888	101,719

Counterparty risk

The principal mitigation of the counterparty risk on a foreign currency trade is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by the managers' as part of their oversight of risks. Subject to overriding requirements as our fiduciary agent to demonstrate best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- previous dealing experience of the counterparty,
- level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks,
- the bank's position in the market for sourcing PFI, corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty.

As part of the managers credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis. In addition, more formal review takes place via quarterly meetings which can be convened at very short notice to meet any particular demands (as was the case, for example, in the Lehman crisis, when it met daily).

Settlement risk

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Scheme has delivered payment but before the counterparty has delivered its payment then there would be a small time-limited risk of payment versus non-payment. This occurs when a party faces possible loss between the time a settlement payment is made and a payment is received on the same business day. This risk is more frequent in exchange of different currencies. The manager applies operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

There is no movement of principal capital, the credit exposure to either party is represented by the profit or loss on the positions at that point in time i.e. £1.754m gain at 31st March 2014.

As currency movements can be quite volatile positions can change from day to day quite significantly. It is difficult to approximate the size of the risk using historical currency movements, as these cannot be relied upon as a guide to future movements.

Interest rate risk

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

The Scheme's direct exposure to interest rate movements as at 31st March 2014 and 31st March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2012/13 £'000	2013/14 £'000
Fixed interest securities (including pooled investments)	522,157	477,800
Cash and cash equivalents	13,669	12,527
Money market funds and pooled cash vehicles	44,219	89,192
	580,045	579,519

Unquoted Investments

The Scheme holds significant amounts of unquoted securities. This is mainly due to the fact that the unitised insurance policy held by the passive manager, Legal and General, is invested in unquoted, unitised, index-tracking funds, used as an efficient low risk method of investing in the asset classes. The underlying assets the index-

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tracking funds hold on behalf of clients are quoted assets such as bonds and equity. The Scheme and the investment managers may also choose to invest in unquoted investments, mainly as managed funds as a preferred method of investing in smaller asset classes or less easily accessed markets. The Scheme is increasing its allocation to infrastructure, and other alternative investment and debt products, and unquoted pooled funds give an efficient method of accessing exposure to these assets.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. The valuations are audited for each investment manager by their respective auditors and reported to the Scheme as clients.

The unquoted investments held at 31st March 2014 are as follows:

Asset Class	2012/13 £'000	2013/14 £'000	Manager	Holding Details
Equities				
Equity unquoted - UK	761	1,028	Schroders	Northern Investors, a holding in a venture capital fund (remnants of investments made in 1984-1990) which is illiquid due to there being no market for exit, held on a care and maintenance basis until wind-up. Part redeemed in 2012/13.
Pooled investment vehicles				
Unitised insurance policies	890,270	855,937	Legal and General	Index tracking funds.
Other managed funds	61,821	31,014	Blackrock	Alternative funds - hedge funds, private equity, commodities. A mix of in-house funds and funds external to BlackRock.
	0	2,946	Aberdeen	Overseas property funds (ex-BlackRock).
	0	10,237	Partners Group	Infrastructure fund.
	0	537	M&G	Real Estate Debt funds.
	952,852	901,699		

NOTE 15: ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Scheme operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of two independent AVC scheme providers. To comply with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 the transactions are treated separately to the Schemes' accounts and therefore do not form part of these accounts.

The two providers offered are Standard Life and Scottish Widows. The Scheme gives no guarantee of investment performance of the providers and makes no contribution to the employees' funds. The previous scheme on offer to employees

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was the Equitable Life Assurance Society but in December 2000 it stopped accepting new business. The values of the two schemes for Cumbria LGPS, along with the value of Equitable Life, are shown below:

	2012/13 £'000	2013/14 £'000
Standard Life	1,004	1,014
Scottish Widows	1,170	1,074
Equitable Life	1,006	923
Total AVCs	3,180	3,011

AVC contributions of £0.114m were paid directly from employees pay to the providers during the year (2012/13: £0.147m).

Members have the option of contributing to the various Schemes offered by their chosen provider. The purpose of contributions paid by a member is the securing of a pension at retirement, usually by buying an annuity or transferring the investment into the main Scheme assets under Regulation 66 of the Local Government Pension Scheme Regulations 1997. The investment could be realisable earlier in the event of a member's death before retirement.

NOTE 16: RELATED PARTY TRANSACTIONS

In day-to-day operations the scheme has many transactions with Cumbria County Council as the administering authority of the scheme, including the pension contributions as an employer, payments on the scheme's behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The Scheme has not for example invested in schemes of economic regeneration sponsored by any of the employing bodies including Cumbria County Council.

There are normal transactions with all the employers who have members in the scheme, who may be regarded as related parties, predominantly relating to employee and employer contributions. These transactions are reported as part of the income and expenditure statements.

Executive Board Members and senior employees of the main Employer organisations within the Cumbria Local Government Pension Scheme (LGPS) were asked to complete a declaration on related parties, in addition to all members of the Cumbria Pensions Committee, and relevant senior officers. An examination of the returns for 2013/14 reveals that there were no material transactions between the members/officers and their families affecting involvement with the Pension Scheme. Each member of the Pension Committee formally considers conflicts of interest at each meeting and the outcome is declared in the public minutes. Any transactions as have been identified are either non-material or are associated with the normal activities of the individuals in question.

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Related parties returns are sent to the main employer organisations, and the aim is for receipt of returns to cover 85% of the active membership. This target has been exceeded in 2013/14.

Key Management Personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies equally to the accounts of Cumbria Local Government Pension Scheme.

The Scheme does not employ any staff directly. Cumbria County Council employs the staff involved in providing the duties of the administering authority (excluding the pensions administration service which is provided by 'YPS') for the Scheme. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers' remuneration disclosure in the notes to the Cumbria County Council Annual Financial Report 2013/14 (see Note 15 to those statements).

In the interests of transparency the Scheme has incorporated disclosure of the remuneration of Senior Officers employed by Cumbria County Council who have responsibility of the management of the Scheme to the extent that they have power to direct or control the major activities of the Scheme (in particular activities involving the expenditure of money) whether solely or collectively with other persons:

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2013/14 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS:

Post Title	Salary recharged to Cumbria LGPS £	Bonuses paid or receivable recharged to Cumbria LGPS £	Expenses allowance paid or receivable recharged to Cumbria LGPS £	Payment upon Termination of Employment recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
Assistant Director – Finance (s.151 Officer)	11,250	0	0	0	11,250	1,458	12,708
Senior Manager – Technical Finance (deputy s.151 - LGPS)	52,527	0	0	0	52,527	6,776	59,303
	63,777	0	0	0	63,777	8,234	72,011

2012/13 Remuneration as charged to Cumbria LGPS of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS:

Post Title	Salary recharged to Cumbria LGPS £	Bonuses paid or receivable recharged to Cumbria LGPS £	Expenses allowance paid or receivable recharged to Cumbria LGPS £	Payment upon Termination of Employment recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
Corporate Director – Resources (note 1)	6,403	0	0	0	6,403	826	7,229
Assistant Director – Finance (s.151 Officer)	6,452	0	0	0	6,452	829	7,281
	12,855	0	0	0	12,856	1,655	14,510

Notes

- Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.
- Expense allowances – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2013/14 (and 2012/13) the Council's mileage rate was at or below the HMRC rate so there is deemed to be no benefit received.
- Employer's Service Pension Contribution – LGPS 12.9% (current service cost).
- Time spent on LGPS – as noted above no officers are employed by Cumbria LGPS. The Scheme is therefore charged by Cumbria County Council for the time spent by officers undertaking Scheme work. These percentages are the time spent by Senior Officers during 2013/14 on Cumbria LGPS specific work.

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Note 1: Following a change in the Corporate structure of the Senior Management of the Council, the direct involvement of the Corporate Director – Resources in the day business of the Pensions Committee ceased after March 2013 and the involvement of the Assistant Director – Finance (s.151 Officer), increased correspondingly. The Senior Manager – Technical Finance (deputy s.151 – LGPS) undertook work for the Scheme in 2012/13 but did not meet the criteria for disclosure as a Senior Officer with significant management responsibilities for Cumbria LGPS in that year, however following the realignment of responsibilities as a result of the change in structure, the Senior Manager has been included in Senior Officer disclosure for 2013/14.

In addition to the Remuneration of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS details, there was one officer working on Cumbria LGPS who received annual remuneration in the £50,000 to £54,999 range during the year, however the remuneration of the Officer in respect of work undertaken on behalf of the Scheme was less than £50,000 during the year.

During 2012/13, in addition to the Remuneration of Senior Officers of Cumbria County Council who have significant management responsibilities for Cumbria LGPS, one officer received remuneration in the £50,000 - £54,999 range and one officer in the £65,000 - £69,999 range however the remuneration of both Officers in respect of work undertaken on behalf of the Scheme was less than £50,000 during the year.

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

At 31st March 2014, the Scheme was legally obliged to complete the development at Acrewood Park, St. Albans of a new-build, multi-let trade counter estate of six units, following purchase of the site in March 2014. Work has commenced and monthly development payments will be made up to the maximum commitment of £7.073m, with the expectation that development will be complete in January 2015. See Note 10(b).

NOTE 18: CONTINGENT ASSETS

Tax Reclaims

Cumbria Pension Scheme has potential claims against HM Revenue and Customs and some European countries for tax withheld on foreign income dividends. A leading professional services firm, acting on behalf of the Cumbria Scheme, has continued to pursue these claims during 2013/14. The estimated value of claims still outstanding is £3.877m.

These claims are made on the basis that within the European Union all member states should enjoy the same status. In respect of tax, resident investors should not be treated differently from non-residents. There have been some notable court cases such as *Manninen and Fokus*, *EU Commission v Germany*, *Santander*, and *EU Commission v Portugal* that have added to the strength of the argument. More recently the Spanish Tax Authorities have issued repayments to some Pension Funds and German law has been amended to remove discrimination by introducing

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withholding tax on dividend payments to German corporations. Whilst it is prudent for the Cumbria Scheme not to make any assumptions, the Netherland settlement received in 2009, the Norwegian settlement received in 2010, the Austrian settlement received in 2012 and the partial repayments received from the Spanish Tax Authorities in 2013 lend some optimism as to the success of recovering additional income for the Scheme. Additional Fokus “top-up” claims have been submitted in Germany and Italy during 2013/14.

Further claims have also been registered in the High Court for potential tax recovery from HMRC in respect of manufactured dividends on equity stock lent out through the stock lending programme. The claim to date has a value in excess of £0.767m, although no accrual was put in the accounts as the outcome is uncertain.

The fees incurred to date for all the above tax claims regardless of the outcome total £0.396m, and have been charged as expenditure to the fund account in the appropriate accounting period.

Class actions

Where shareholder value has been eroded by wrongful action by company directors, sometimes it is possible for monies to be recovered via the courts by a shareholder class action against the company or its directors. The Scheme uses Institutional Protection Services Ltd to monitor these class actions. The Scheme will seek to recover any significant monies due where the probability of success is believed to outweigh the additional cost of doing so.

NOTE 19: IMPAIRMENT LOSSES

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2013/14 are considered to be recoverable with no impairment.

There were no impairments of investments during 2013/14.

Financial assets that are past due as at 31st March but not impaired:

The Scheme generally allows a payment period of 30 days. Included within current debtors (see Note 12(b)) are £0.095m of debtors aged between two and six months (£0.016m 2012/13). Debtors aged greater than six months are fully provided for; these totalled £0.011m as at 31st March 2014 (£0.048m 2012/13).

NOTE 20: STOCK LENDING

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). A programme began during 2005 through the custodian, State Street Bank and Trust, to earn additional income for the scheme from stock lending. The limit on amounts to be loaned was increased to 25% during March 2014.

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Securities on loan at the 31st March 2014 of £53.713m (2012/13: £35.101m) are included in the net asset statement to reflect the scheme's continuing economic interest in the securities, and consist of £47.415m UK equities and £6.298m overseas equities (2012/13: £30.330m UK equities and £4.771m overseas equities). The related collateral totalled £56.406m (2012/13: £37.103m), consisting £34.403m overseas bonds and £22.003m UK equities (2012/13: £21.800m overseas bonds and £15.303m UK equities).

For the year to 31st March 2014, the scheme earned income of £0.063m (2012/13 £0.118m) through stock lending of the various assets (as detailed in Note 8).

NOTE 21: POST BALANCE SHEET EVENTS

The membership of the Cumbria Probation Trust transfers to the Ministry of Justice from 1st June 2014, along with Probation Trusts nationally and will be run from the Greater Manchester Pension Fund (GMPF). The corresponding transfer of assets to GMPF is expected to happen during 2014/15 and the mechanics for this is to be agreed nationally by October 2014 (current estimates value the transfer at approximately £35m).

There are no other post balance sheet events to report at the time of writing.

NOTE 22: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND THE USE OF ESTIMATES AND UNCERTAINTIES

In applying the policies, the Scheme has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- the Scheme will continue in operational existence for the foreseeable future as a going concern;
- No investments are impaired (further detail on the investment strategy and approach to managing risk in Note 14).

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Note 2: Summary of Significant Accounting Policies.

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. Pension Fund Accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed in the following table:

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Item	Uncertainties	Effect if actual differs from assumptions
Market Value of Investments	<p>Investments at Level 1 & 2 - Valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. Investments have been valued at the IFRS accepted method of 'Fair Value' since 2008/09, this being the 'bid price' where possible.</p> <p>Investments Level 3 – the hardest to value holdings often do not depend on market forces, but are subject to uncertainties unique to each holding. Valuations are mostly based on future cash flow so will depend on the expectations of the specific income streams and inflation linkage.</p> <p>Property – valuations use the expected cashflow streams from current leases with reference also to the value of the property on the open market.</p>	<p>For every 1% increase in market value, the value of the Scheme will increase by approx £17.6m, with a decrease having the opposite effect.</p> <p>Level 3 investments – often income will be inflation linked eg RPI uplifts, based on throughput eg power production or infrastructure usage, or underlying company performance in the case of private equity. If actual outcomes for these variables differ greatly from expectations, valuations can be lower than expected and also higher too. Manager skill and experience is essential in predicting the variables, planning and controlling the outcomes.</p> <p>Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons; for each case the underlying factors would be considered before acceptance or otherwise of the sale.</p>
Pensions Liability	Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases.	The effects on the funding level of changes in the individual assumptions can be measured, but interact in complex ways. For instance, a 1 year increase in life expectancy would result in a £50m increase in deficit shortfall (ie £457m to £507m). The Actuarial Valuation at March 2013 contains further information.
Long-term Debt	Income received in instalments over many years is time discounted to reflect the time value of money.	A discount rate of 3.5% was used, with every 1% reduction reducing the income recognised.
Bad Debt Provision	Assumptions about ability of debtor to pay and likelihood of debt recovery.	Less income is recovered than predicted. Alternatively, debt can be recovered after being written off.

NOTE 23: ACTUARIAL POSITION OF THE FUND

Below is shown a statement from the Scheme Actuary as required by the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). This statement shows both the actuarial valuation result and the actuarial value of the Scheme's past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26. The full Actuarial Valuation Report as at 31st March 2013 is available on the County Council's website, at www.cumbria.gov.uk/finance.

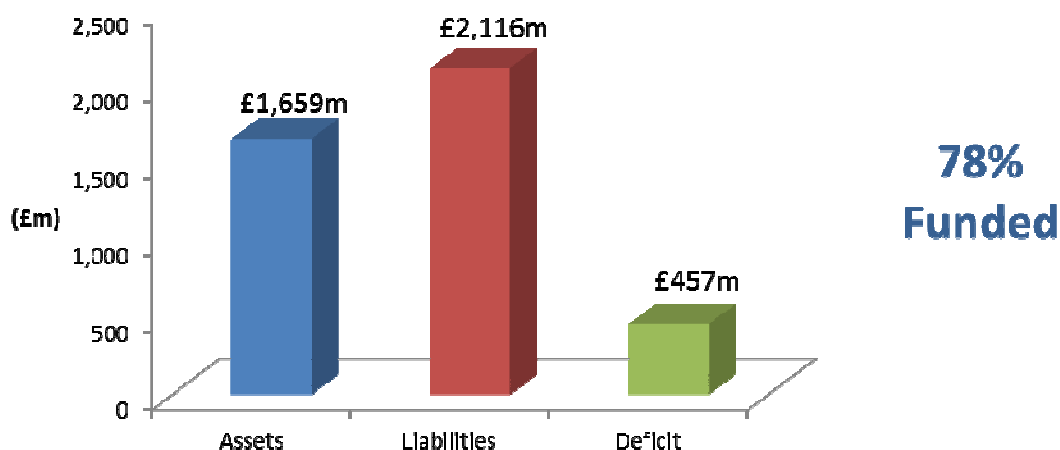
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Accounts for the year ended 31st March 2014 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2013.

An actuarial valuation of the Cumbria Local Government Pension Scheme was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Scheme's assets of £1,659 million represented 78% of the Fund's past service liabilities of £2,116 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £457 million.



The valuation also showed that a common rate of contribution of 14.2% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 83% with a resulting deficit of £343 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Scheme, the updated deficit would be eliminated by a contribution addition of £20m per annum increasing at 4.1% per annum (equivalent to approximately 8.0% of projected Pensionable Pay at the valuation date) for 19 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Scheme by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Scheme is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Scheme's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31 March 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.5% per annum
Rate of pay increases	4.15% per annum	3.9% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

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The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% p.a. versus 4.2% p.a.). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation.

The value of the Scheme's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £2,302 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by c£159 million. Adding interest over the year increases the liabilities by a further c£97 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another £7 million (including any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives a reduction in liabilities of c£41 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £2,206 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2014

NOTE 24: ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

The Scheme is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted. There has been no such change in accounting standards issued which impact on 2013/14.

From 1st April 2013, the Code of Practice on Local Council Accounting in the United Kingdom (the Code) has not introduced any changes in accounting policies required for 2013/14. The only change considered to have an impact on LGPS employers and not the Pension Scheme Accounts is:

- IAS 19 Employee Benefits – IAS19 changed for accounting years starting on or after 1st January 2013, and this affects the LGPS employers only, rather than the Pension Scheme.

NOTE 25: PARTICIPATING EMPLOYERS OF THE SCHEME

As at 31st March 2014 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

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Employers of the Scheme as at 31 March 2014 (total 111)	
Scheme Employers:	Scheduled Bodies No Actives (11)
Cumbria County Council	Brampton Parish Council
District Councils (6)	Charlotte Mason College
Allerdale Borough Council	Cumbria Institute of the Arts
Barrow Borough Council	Cumbria Primary Teacher Training
Carlisle City Council	Cumbria Sea Fisheries
Copeland Borough Council	Dept Constit Affairs (Cumbria Magistrates)
Eden District Council	Health Authority
South Lakeland District Council	Millom Town Council
Scheduled Bodies (48)	Port of Workington
Appleby Grammar Academy	Practical Alternatives to Custody (Ltd)
Arnside National CofE Academy	Water Authority
Barrow Sixth Form College	Admitted Bodies (36)
Broughton Primary Academy	Attendo Monitoring (Leaving)
Burton Morewood Primary Academy	Barrow & District Soc for Blind
Caldew Academy	Barrow Citizens Advice (Leaving)
Carlisle College	Carlisle Leisure Allerdale
Cartmel Priory Academy	Carlisle Leisure Ltd
Castle Carrock Academy	Commission for Social Care Inspection
Cleator Moor Town Council	Creative Management Services (Leaving)
Cockermouth Town Council	Creative Management Support (New)
Crosby on Eden Academy	Cumbria Cerebral Palsy
Cumbria Police & Crime Commissioner	Cumbria Deaf Vision
Cumbria Probation Service	Cumbria Tourism
Cumbria Waste Management	Eden Housing Association
Dallam Academy	Egremont & District Pool Trust
Dearham Primary Academy	FOCSA Services
Eaglesfield Paddle Academy	Glenmore Trust
Furness Academy	Graham Asset Management
Furness College	Harraby Community Centre
Ghyllside Academy	Higham Hall
Gilsland Academy	Home Group (Copeland)
Great Corby Academy	Kendal Brewery Arts Centre Trust Ltd
Kendal College Further Educ	Longtown Memorial Hall Community Centre
Kendal Town Council	Mellors Catering Services - Police
Keswick Academy	Mellors Catering Services - Whitehaven
Keswick Town Council	Morton Community Centre
Kirkbie Kendal Academy	North Country Leisure (Copeland)
Kirkby Stephen Academy	Oaklea Trust
Lake District National Park Authority	People First - No. 2 (New)
Lakes College (West Cumbria)	People First
Maryport Town Council	Riverside Housing
Orian (New)	Soundwave
Penny Bridge Academy (New)	South Lakeland Leisure (Leaving)
Queen Elizabeth Academy	South Lakes Housing
Queen Elizabeth Grammar Academy	South Lakes Services (New)
Richard Rose Academies	Tullie House Trust
Seaton Academy	West House
Settlebeck High Academy	Wigton Joint Burial Committee
Stramongate Academy	Admitted Bodies No Actives (9)
The Queen Katherine School Academy	Cumbria Training Partnership
Trinity Academy	Direct Training Services
Valuation Tribunal Service	Henry Lonsdale Trust
Ulverston Town Council	Kendal Citizens Advice (Leaving)
West Lakes Academy	Lake District Cheshire Homes
Whitehaven Academy (New)	Lakeland Arts Trust
Wigton Town Council	NRCS Ltd (Neighbourhood Revitalisation)
William Howard Academy	Project Homeless
	Troutbeck Bridge Swim Pool Ltd

10.3 GLOSSARY

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

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

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

Alternatives

Alternatives are investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as art, wine etc, and financial assets such as commodities, private equity, hedge funds, venture capital and derivatives.

Asset Allocation

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

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

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

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

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

Buy and Hold Credit

An approach to bond investment that is very different to an index-tracking or traditional active approach. In the case of "buy and hold" investing, the starting point of the portfolio construction process is not the index weight of the bonds, but a basket of bonds that the manager believes have a high probability of honouring the payment obligations due. As such the investor's return expectation has a "margin of safety" and is not dependant on a change in sentiment in credit markets. The intention is typically to hold the bonds until maturity (and to be prepared to sell bonds if the default risk increases). Constant duration portfolios are also available.

Career Average Revalued Earnings (CARE) Scheme – the pension at retirement will relate to your average salary over your career (while paying into the pension

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scheme). More precisely, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

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

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

Defined Benefit – An employer-sponsored retirement plan where employee benefits are sorted out based on a formula using factors such as salary history and duration of employment. Public sector pension schemes, including the LGPS, are defined benefit.

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

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

Diversification

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

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

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

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

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

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

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

Gilts

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

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

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

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

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

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

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pensions benefits and payments that are due to be paid when someone retires; the LGPS is a 'final-salary' scheme where pension relates to years service and final salary and so the pensions liability can be estimated by the actuary.

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

Myners Review – Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review, published in March 2001, investigated the challenges facing institutional investment decision making.

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

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

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

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

Retail Price Index – Measure of price inflation in the UK used as a guide for pensions updating. A basket of representative goods in the market is priced on a regular basis to monitor the rate of inflation. (The Government is also publishing details of the Consumer Prices Index).

Real Estate Debt – Commercial property loans; the debt is secured against commercial property or portfolios of property, eg. hotels, shopping centres, offices.

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place some time after the deal and price are agreed.

Statement of Investment Principles – The SIP sets out details of the investment policy being followed by a pension scheme. Includes certain specific statements such as the kinds of investments held and the balance between them, risk and expected returns, realisations of investments, socially responsible investments and corporate governance policy.

Stock Lending – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Target – Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.

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

Unit Trust – A specific type of pooled investment fund.

Unquoted (Unlisted) Stock – A company share that is not available for purchase or sale through the stock market.

Venture Capital – Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.



**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CUMBRIA
COUNTY COUNCIL**

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Cumbria County Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Cumbria County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director - Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Assistant Director - Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director - Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and

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SECTION 11 – INDEPENDENT AUDITOR’S REPORT

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Jackie Bellard
Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB
25th September 2014