Statement of Accounts 2014/2015

Cumbria County Council
Unaudited Annual Financial Report 2014/15

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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 2014/15 and the overall financial position of the Council as at 31st March 2015. This is to give electors, local taxpayers, Elected 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.

1.3. During the year the Council's financial position is reported to Elected Members on the position against the planned Net Revenue Budget and Capital Programme (agreed by Council in February 2014). This is known as the outturn position. These figures are then converted through a series of technical accounting adjustments to present an IFRS compliant Statement of Accounts. Para 5.29 explains this in more detail.

1.4. As part of the development of the Statement of Accounts each year the content is reviewed for applicability and materiality. The result being to declutter the Accounts by only including relevant and material accounting policies and disclosure notes.

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 2014/15 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 One of the most significant changes to the Council's accounts in 2014/15 is as a result of the introduction of new accounting standards on group accounts and consolidation. The Code of Practice for 2014/15 reflected these changes and updated the requirements for accounting for schools. Subsequently the recognition of land and building assets used by each school has been reviewed to determine whether they should be accounted for on the Council's Balance Sheet. There are a variety of arrangements in place including the Council directly owning the assets, the schools or the school's Governing Body owning the assets or a third party such as a religious body or Charitable Trust owning the assets. There is also the situation where the Council,

schools or schools Governing Bodies have the rights to use the assets granted to them under licence.

3.3 As a result of the assessment the land and building (and where relevant vehicles and equipment) assets of 49 Voluntary Controlled (VC) Schools valued at £59.7m were taken 'off' the Council's Balance Sheet (as at 1st April 2013) as they are owned by the Diocese. 12 Foundation schools valued at £36.5m have been brought 'on' to the Council's Balance Sheet (as at 1st April 2013) as the Governing Body for each school own the assets. The net overall impact on the 1st April 2013 Balance Sheet of these changes is a net decrease of £23.2m.

3.4 In order to reflect the impact of the changed accounting for schools a prior period adjustment has been made to the Council's accounts which has resulted in a restated Balance Sheet and Comprehensive Income and Expenditure Statement (CIES) for 2013/14 and a restated 1st April 2013 Balance sheet position. IAS 1 requires that a third Balance sheet should be presented where changes are material. Hence for this year the Council is showing a restated 1st April 2013 Balance Sheet position that reflects taking off the VC schools and adding the additional Foundation Schools from that date. Further adjustments for 2013/14 and 2014/15 have been made in relation to transactions relating to these schools and finally those that came onto the Balance Sheet have been revalued in line with all schools for 2014/15. (See Note 42 and 21.5)

3.5 From a revenue perspective all income, expenditure, assets and liabilities relating to maintained schools are consolidated into the Council's accounts as they are considered to be entities controlled by the Council. This is no change to previous years where all income and costs associated with maintained schools were included within the Council's accounts.

4. MAIN INFLUENCES ON THE 2014/15 ACCOUNTS

Economic Climate

4.1 The Council's budget for 2014/15 was set within an extremely challenging economic context and continued reductions in funding from Government. The Chancellor's Budget Statement in March 2014 confirmed the continuation of the austerity programme and the extension of austerity measures into 2015/16 and beyond.

4.2 The Medium Term Financial Plan (MTFP) agreed by Council in February 2014 established the 2014/15 budget within a three year financial envelope. In total £28.939m of savings were required in 2014/15. This was one of the highest level of annual revenue savings that the Council has had to deliver. Overall between 2011/12 and 2014/15 the Council has identified £127m of savings. This has meant significant changes across the Council, changes to services and reductions in staffing levels.

4.3 The provisional outturn on the Revenue Budget for 2014/15 is a net underspend of £0.088m at 31st March 2015. This demonstrates that the Council continues to manage its finances effectively despite the financial challenges it faces. The year end position is the result of a combination of Directorate overspends and underspends offset by underspends on Corporate expenditure items such as Treasury Management (see para 4.5) and Inflation.

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 continue its utilisation of short term cash balances (from reserves) to fund capital expenditure rather than raising new long term loans. This also reduces the risks from investment of cash with counterparties. This strategy, along with the impact of slippage in the 2013/14 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 net underspend for the Council in 2014/15.

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 net Pensions Liability and hence the Council's Balance Sheet. One of the significant changes on the Balance Sheet for 2014/15 is the increase in the Council's net Pensions Liability of £120.638m to £621.770m (£501.132m in 2013/14). This has resulted in the Council having a Net Liability position (i.e. Liabilities are greater than Assets) on the Balance Sheet as at 31st March 2015. The principal reason for this change in the net Pensions Liability is the impact of corporate bond yields.

4.8 Corporate 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 calculating pensions liabilities (70 years plus), a small change in the discount rate can lead to large changes in the valuation of promised retirement benefits. At the end of the prior year (i.e. as at 31st March 2014) bond yields experienced a rally from the low levels seen in 2012/13, however during 2014/15 this rally faltered and yields again fell (to a level below that seen in 2012/13). This lead to a significant decrease in the discount rate applied to pensions liabilities (from 4.5% as at 31st March 2014 to 3.3% as at 31st March 2015) and this has been the key contributor in the increase in the Council's net Pension Liability during 2014/15.

4.9 If bond yields had not fallen significantly in 2014/15 from the 2013/14 position the Pensions liability would not have increased and the Council's Balance Sheet position would have been in a positive position. This shows the significant impact that the economic climate and in particular bond yields can have on the reported financial position (to meet accounting requirements) of the Council.

4.10 As explained further in para 6.2 the Council has prepared the accounts on the basis that the Council is a going concern in accordance with IAS1 notwithstanding the net liability position (negative Balance Sheet). The Council can continue to meet its financial commitments as they occur via the delivery of its Medium Term Financial Plan (MTFP) including implementation of its 2015/16 budget. The usable cash reserves position remains healthy and the Council is addressing the liability position in accordance with external requirements and its accounting policies, over both the medium and longer term.

4.11 Current Assets are higher than Current Liabilities so liquidity in the short term is positive. Likewise although Long Term Assets are lower than Long Term Liabilities this is mainly due to the net Pensions Liability position the volatility of which is explained above in para 4.8. The Council has a statutory requirement to reduce the Liability within a period of 19 years. At the time of calculating the deficit lump sum amounts the Council had a total deficit repayment value of £147m. (See Note 38). The Council, along with all other employers, are paying additional employer contributions annually to meet this shortfall as required by the actuarial valuation of the Fund carried out as at 31st March 2013. The valuations are carried out by actuaries every three years.

4.12 In considering the Net Liability position on the Balance Sheet the Council has £128.834m of usable reserves (cash backed) as at 31 March 2015. The negative unusable reserves balance is not cash backed. Unusable reserves reflect the requirements of many of the technical accounting transactions included within the Statement of Accounts. The increase in the Pensions Reserve is reflective of the increase in the net Pensions Liabilities (see Para 6.3 and 6.4). It is the usable reserves position that is critical to the Council's going concern assumptions.

5. REVIEW OF 2014/15

5.1 This section provides background to the Council's financial strategy and budget for 2014/15 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.

5.3 This section also explains the conversion of the Net Budget outurn position that is reported to Elected Members throughout the financial year to the Statement of Accounts position that reflects the technical accounting requirements as identified by the Code of Practice on Local Authority Accounting. Both are important financial positions as the Net Budget position determines (from a statutory perspective) the Council Tax Requirement each year, whilst the Statement of Accounts presents the financial position as compliant with International Financial Reporting Standards (IFRS), interpreted by the Code.

Revenue Expenditure

5.4 The Council agreed the net Revenue Budget for 2014/15 at its meeting in February 2014. The net Revenue Budget requirement (gross expenditure less specific grants and fees and charges) is £398.337m. Council also agreed no Council Tax increase as it 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 2014/15 remained at the same level as that set in 2010/11 (£1,161.50 per Band D property). The Council Tax Requirement (income raised from Council Tax Payers) was £185.778m.

5.5 The 2014/15 budget was set against a context of unprecedented reductions to Local Government financing and required the Council to include in the 2014/15 budget £28.939m of planned savings.

5.6 These savings included reducing and streamlining management across the Council, delivering commissioning and procurement savings, review of post 16 transport policies and ceasing to subsidise bus services and working with communities instead to find community transport solutions. In addition general efficiency savings across the Directorates were delivered and there was continued investment in Social Care services from the use of Health funding to support Health service provision.

5.7 Progress against the agreed 2014/15 savings target of £28.939m at 31st March 2015 showed that Directorates had delivered £26.808m (93%) of the total savings target.

5.8 A small number of savings were not delivered in 2014/15. These included delays in the introduction of Electronic Recording at Home within Health and Care Services (£0.750m) and withdrawal during the year of the schemes to introduce On street parking charges and Resident Permit charges (£0.600m). Compensatory underspendings were delivered during the year which allowed for an overall provisional outturn position, as at 31st March 2015, of a net underspend of £0.088m.

5.9 The original net Revenue Budget of £398.337m was financed from Government grant funding (£190.700m), Retained Business Rates (£20.514m) and Council Tax income (£187.123m). The budget also planned for a transfer of £0.240m to earmarked reserves resulting in a Total Net Expenditure of £398.097m (See Table 1).

5.10 The Final Budget for Total Net Expenditure as at 31st March 2015 was £402.197m. This was a net increase of £4.100m. This relates mainly to an increased transfer from reserves of £3.311m during 2014/15 and additional Government Grants of £0.789m received during the year.

5.11 There have been some changes to the levels of Grant income and Business Rate Income received during the year. This reflects the compensation received from Government in the form of a grant in respect of Small Business Rate Relief and other Business Rate changes that were announced nationally. Councils cannot influence these decisions and hence they are compensated for that loss of income and receive a grant from Government.

5.12 From 1st April 2014 Cumbria established a Business Rate Pool that comprises the County Council, Allerdale Borough Council, Barrow Borough Council, Eden District Council, South Lakeland District Council and Carlisle City Council. Government treats the Pool as a single body with the County Council acting as the lead authority. There is a formal agreement and a financial protocol agreed by all members.

5.13 By working together the Pool members retain a greater proportion of business rate growth (Retained Levy) within the Pool area, providing opportunities to promote economic growth as well as building financial resilience. For 2014/15 £2.056m of Retained Levy was retained as additional funding for the Pool members in Cumbria. The County Council gain from the Pool was £0.699m against a budget of £0.700m; it also received £0.030m to act as the Lead Authority. (See Note 8).

5.14 In essence the Pool members retain any Levy that would have been paid to Government on business rate growth locally and it is then allocated across the members in accordance with the financial protocol. The financial protocol also requires that an element of the Net Retained Levy for the Pool is set aside each year to provide protection for Pool members from falls in business rate income. Each member retains its relative proportion of the Cumbria Business Rate Pool Local Volatility Reserve on its own Balance Sheet. For the County Council this was £0.179m in 2014/15. (See note 8)

5.15 The Actual Total Net Expenditure as at 31st March 2015 was £402.109m against a final budget of £402.197m resulting in a £0.088m underspend against budget. This underspend has been added to the General Fund Balance.

5.16 The Council actively monitored and managed delivery of the 2014/15 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.

5.17 The table below summarises the provisional outturn position (subject to external audit) for 2014/15 reported to Council at its meeting in June 2015.

Table 1 – Summary of Final Outturn Position 2014/15 as at 31st March 2015

	Original Budget £m	Final Budget £m	Actual £m	Variance Overspend / (Underspend) £m
Children's Services	80.918	83.316	89.311	5.995
Health & Care Services	121.859	124.224	124.518	0.294
Environment & Community Services	106.530	110.372	110.575	0.203
Fire & Rescue Service	21.578	18.656	18.381	(0.275)
Local Committees	7.859	8.272	8.272	0
Resources	35.266	45.567	45.427	(0.140)
Other Corporate Costs (Treasury Management, Inflation, Dividends, Insurance, residual and past service pensions costs)	24.087	11.790	5.625	(6.165)
Total Net Expenditure	**398.097**	**402.197**	**402.109**	**(0.088)**
Financed by:				
Government Grants	190.700	192.465	192.465	0
Retained Business Rates	20.514	19.538	19.538	0
Council Tax	187.123	187.123	187.123	0
Transfer (to)/ from Reserves – Earmarked Reserves	(0.240)	3.071	3.071	0
Transfer (to) / from General Reserves	0	0	(0.088)	(0.088)
Total Financing	**398.097**	**402.197**	**402.109**	**(0.088)**

5.18 The most significant pressure within Children's Services is the cost of placements of Looked After Children. The total cost of supporting Looked After Children in 2014/15 was £26.321m which was in excess of the budget by £5.090m. This is as a result of having more children looked after than projected. Other related costs were also higher than projected resulting in a net overspend of £5.995m.

5.19 The areas where the Council experienced the greatest cost pressure were in Children's Services (£5.995m), Health & Care Services (£0.294m) and Environment & Community Services (£0.203m). There were underspends reported in Fire and Rescue Services (£0.275m) and Resources (£0.140m) resulting in a net cost pressure from Directorate budgets of £6.077m.

5.20 Within Health and Care Services the overall pressure at year end results from pressures in Mental Health Services relating to both staff costs and costs of care packages being higher than projected. Increased costs within Cumbria Care Older People Residential Services and non-delivery of the Electronic Recording of Support at Home saving (see para 5.8). These were offset by below budget activity in Cumbria Care Support at Home and early implementation of promoting independence reviews. Overall there was a net overspend of £0.294m.

5.21 Within Environment and Community Services the net overspend was again a combination of different factors; pressure in the highways and transport service areas offset by reduced spend in the Environment and Regulatory services. Overall there was a net overspend of £0.203m.

5.22 The Council has mitigated these Directorate net pressures with underspends on Corporate budgets of £6.165m. This included £2.750m within Treasury Management (as referred to in paragraph 4.5), and £3.151m underspend on inflation and contingency budgets.

5.23 As shown in Table 1 above the original budget planned the transfer of revenue to earmarked reserves of £0.240m. Adjustments during the year in respect of transfers to and from revenue earmarked reserves reflect the active management of resources and transfer of budgets between financial years. This resulted in a net transfer from revenue earmarked reserves to support revenue expenditure of £3.071m (including schools).

5.24 There was also a £0.006m transfer from revenue earmarked reserves to capital financing. This resulted in a net movement of £3.077m (See Table 2).

5.25 Included in the transfer to earmarked reserves are the Local Committee net revenue carry forwards of £0.457m and Local Member Schemes carried forward of £0.492m totalling £0.949m. This allows the Local Committees to carry forward unspent balances from 2014/15 to be spent in 2015/16. For the Local Member Schemes the carry forward

has been extended to 2016/17 to align with the remaining period of the presently elected Council.

5.26 This transfer to earmarked reserves will enable the continuation of agreed schemes and activities funded from resources which were allocated as part of the 2014/15 budget to be delivered in 2015/16.

Table 2 – Movement on Revenue Earmarked Reserves

	31st March 2014 £m	Transfers Out £m	Transfers In £m	Net Movement £m	31st March 2015 £m
General Fund Balance	**15.133**	0	0.088	0.088	**15.221**
Earmarked Reserves Schools & DSG Reserves	**12.586**	(8.384)	5.165	(3.219)	**9.367**
Non School Reserves					
Revenue Grants	33.025	(3.919)	3.817	(0.102)	32.923
Modernisation Reserve	21.288	(2.539)	2.000	(0.539)	20.749
Insurance Reserve	6.512	0	0.540	0.540	7.052
Directorate Reserves	15.875	(3.160)	2.426	(0.734)	15.141
Other Reserves	6.614	(1.529)	2.506	0.977	7.591
	83.314	**(11.147)**	**11.289**	**0.142**	**83.456**
Total Earmarked Reserves	**95.900**	**(19.531)**	**16.454**	**(3.077)**	**92.823**

5.27 The General Fund Balance increased to £15.221m as at 31st March 2015 (Balance Sheet page 31) as a result of the £0.088m underspend in the year. This is consistent with the target set by Council in February 2015 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.

5.28 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 29).

5.29 As stated earlier 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 (SeRCOP). The SeRCOP is designed to enhance comparability between Councils' Accounts. This means that there are a number of technical accounting adjustments that are required to convert that outturn position into the Statement of Accounts position.

5.30 There is also a requirement for all corporate overheads to be allocated to the defined service headings as presented in the CIES. During 2014/15 a review of overhead allocations has been undertaken reflecting the Council's continued centralisation of costs into corporate budgets where appropriate. The changes in Directorate structures in 2014/15 also prompted the review. This revised allocation is reflected in the CIES Cost of Services for 2014/15.

5.31 The overall net revenue position on the Comprehensive Income and Expenditure Statement is a net deficit of £211.444m, which compares with a net surplus of £96.220m in 2014/15. This is a reduction of £307.664m.

5.32 One of the explanations for the reduction from 2013/14 is a result of increased net revaluation losses on Property Plant and Equipment, Assets held for Sale and Heritage assets of £69.085m (£85.891m charged to the CIES in 2014/15 compared to £16.806m charged in 2013/14).

5.33 Another significant change is in respect of pension costs charged to the CIES. In respect of retirement benefits (pensions) accounting requirements determine that the Council must recognise the cost of retirement benefits in the cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. Each year this cost of retirement benefits earned by employees is recalculated and an appropriate charge made to the CIES. Note 38.1 explains this in detail with some costs being charged to the Cost of Services whilst other are charged below the line. As with all Pension costs the values, as defined by the actuary, are dependent upon economic factors and are heavily influenced by what can seem small changes in financial assumptions. One of the largest changes from 2013/14 is due to the remeasurement of the net defined benefit pensions asset of £147.923m in 2013/14 to a liability position of £132.111m in 2014/15. This reflects an increased charge (below the line) to the CIES of £280.034m.

5.34 Within the Cost of Services in the CIES there is increased spend in some Directorates and reduced spend in other Directorates compared to 2013/14. These changes reflect the under and over spends reported across Directorates for 2014/15 as part of the outturn position (see Table 1), the implementation of the majority of the planned savings during 2014/15 as reported in para 5.7 and 5.8, the revised overhead allocations referred to in para 5.30 and the inclusion of the technical accounting costs, some of which have already been explained.

5.35 It can be seen from Note 4 in the accounts that although Net Expenditure has reduced by £10.975m from £413.084m in 2013/14 to £402.109m the inclusion of the various technical accounting costs results in a Cost of Services position of £442.993m in 2014/15 compared to £411.200m in 2013/14. This is an overall increase of £31.793m.

5.36 These technical accounting adjustments and costs are shown in the first table presented in Note 4 - Amounts Reported for Resource Allocation. It provides a reconciliation between the Net Expenditure reported to management (£402.109m in 2014/15 –see Table 1) and the Cost of Services reported in the CIES (£442.993m in 2014/15).

5.37 There are some 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) whilst there are also amounts reported in the Net Expenditure figures that are not included in the CIES and they are Revenue Contributions to Capital, capital grants and contributions transferred to reserves and pooled fund transactions.

5.38 The main difference however relates to amounts that are included in the CIES but are not included in the Net Expenditure figures which are the result of technical accounting requirements. These include IAS 19 adjustments, employee benefit accruals, revaluation gains and losses and capital charges.

5.39 The most significant technical accounting change that relates to the Cost of Services in the CIES is the increased revaluation losses charged to services of £47.702m (£62.819m in 2014/15 compared to £15.117m in 2013/14). The majority of which relate to schools, following the introduction of a revised methodology for valuing schools in 2014/15, and therefore explains the significant increase in the costs of Education and Children's Services from 2013/14 to 2014/15. This is explained further in para 6.8.

5.40 The reduced Non Distributed Costs in 2014/15 reflect the reduced curtailment costs charged to the pension fund in respect of staff leaving the Council through voluntary redundancy from those charged in 2013/14.

5.41 There was a increase in the deficit on revaluation of Property, Plant and Equipment assets charged below the line (i.e. below Cost of Services) of £21.383m in 2014/15. It has increased from £1.689m in 2013/14 to £23.072m in 2014/15. This is in addition to the revaluation losses reported in the Cost of Services element referred to in para 5.39 above. Accounting rules determine that for assets that are classed as surplus any valuation gains or losses are reported below the line. Para 6.8 explains the reasons behind these revaluation losses overall.

5.42 The explanations above show the volatility that technical accounting requirements and financial assumptions re pension liabilities can have on the results reported in the Council's Statement of Accounts and why there can be a significant difference between costs reported to management and cost reported in the Accounting Statements.

Capital Expenditure

5.43 Capital expenditure as defined in Accounting Policy xi on page 47 includes expenditure on buildings, adaptations, roads, equipment and intangible assets such as software and licences. Capital expenditure is defined by the Code of Practice and capital and revenue transactions must be accounted for separately.

5.44 In 2014/15, the Council's capital investment totalled £84.061m (£66.926m in 2013/14) as reported in Note 18.

5.45 The increased capital investment for 2014/15 compared to 2013/14 reflects that there have been improvements in the delivery of capital schemes resulting in much lower slippage in spend from one financial year to the next and a significant number of schemes completed and progressed in 2014/15.

5.46 In 2014/15 significant investment into key developments in schools continued benefiting the children in Cumbria. This included the Transforming Learning programme of capital investment which is a capital investment programme to transform the learning environment of 11 schools in Carlisle and Penrith (extensions and remodelling and one new build). A number of the schemes were completed whilst the rest are under construction. These included Pennine Way School and Community Centre new build which is still under construction and Ulverston Victoria High School which is being remodelling.

5.47 Schemes completed in 2014/15 also include Kingmoor Junior School, (extension and remodelling) Kingmoor Nursery and Infant School, (extension and remodelling) and Yewdale Primary School (extension and remodelling).

5.48 In addition the Council is delivering a Basic Need Programme which includes a number of schemes designed to support schools that need additional accommodation to meet pupil places driven demand are extended. Schemes in 2014/15 included Seaton Junior School, (extension completed), Bridekirk and Dovenby (extension completed) and Cockermouth Modular Buildings which have been completed. Work at Rockcliffe Primary School is expected to be completed by the end of August 2015

5.49 Schools Priority Capital Maintenance is a programme of planned maintenance work (Health & Safety work, roof upgrades, heating system replacements etc) undertaken across the County to ensure schools are safe, wind and watertight. A total of 76 Schools had works completed, primarily during the 2014 summer holidays, with work in a further 16 completed by the end of March 2015.

5.50 The Barrow Care Home scheme is nearing completion, despite the default of the main contractor, GB Building Solutions Ltd, following administration and the Council is now working with a new main contractor to deliver the final fit out. The completion date has been delayed until December 2015 as a result. Alongside this the programme of extending Extra Care housing provision across the County continued with schemes at various stages of delivery across Cumbria. Projects are being progressed at Brampton and Wigton, for example.

5.51 Across the Highways network there was significant investment during 2014/15 of £37.5m alongside delivery of the first tranches of the Street Lighting Improvement Programme (£1.559m) and the refit of the Windermere Ferry. Bootle Fire station was completed in November 2014 and the BP4W programme to provide modern office accommodation across the County progressed. Projects include the commencement of the Carlisle New Build and projects at Parkhouse in Carlisle, Craven House in Barrow and Skirsgill in Penrith.

5.52 A summary of the capital expenditure and how it was financed is shown in Note 18 to the Statement of Accounts. The Council considers carefully capital financing to ensure it is prudent, affordable and sustainable in the medium and long term. The total capital receipts generated in 2014/15 totalled £5.349m (£4.417m in 2013/14), note 35.2 refers, whilst £3.533m of capital receipts were utilised in year to finance capital expenditure. Capital receipts are earmarked for specific schemes where appropriate.

5.53 The capital investment of £84.061m was financed as shown in the table below.

Table 3 – Capital Financing 2014/15

	£m
Capital Receipts	3.553
Government Grants and contributions	66.085
Revenue Contributions	2.511
Prudential Borrowing	11.912
Total Capital Financing	**84.061**

6.0 **BALANCE SHEET**

6.1 The Council's Balance Sheet demonstrates a net liability position of £11.802m for the Council at the end of 2014/15. This is a decrease of £211.443m from 2013/14 which is predominantly due to the increase in the net pensions liabilities of £120.638m (as stated in paragraph 4.7). There has also been a reduction in total Property, Plant and Equipment of £72.300m which relates to changes in respect of accounting for schools assets and liabilities and changes to the valuation methodology for schools that has resulted in a significant number of lower valuations of those schools during 2014/15. A summary of the key changes to each section of the balance sheet is set out below.

6.2 Although the Council has a net liability position of £11.802m on the Balance Sheet meaning that Net Liabilities are greater than Net Assets the Council is a going concern. One of the key accounting concepts is that the accounts are prepared on a going concern basis in accordance with IAS1 and hence assumes that the Council will continue to exist for the foreseeable future and also that there is no intention to significantly reduce operations. Current Assets are higher than Current Liabilities whereas Long Term Assets are lower than Long Term Liabilities. The Council has £128.834m of usable reserves (cash backed) as at 31st March 2015. The negative unusable reserves balance is not cash backed and the increased liabilities compared to 2013/14 relate primarily to the increase in the net Pensions Liability and hence the Pension Reserve. This is explained below. It is the usable reserves position that is critical to the Council's going concern assumptions.

6.3 There is an increase in the shortfall on the Pensions Reserve of £141.731m from 2013/14. Note 36.3 explains how the Pensions Reserve works, in summary the Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Statutory provisions will ensure that funding will have been set aside by the time the benefits come to be paid. The Council currently has an agreed 19 year deficit recovery period in respect of the Cumbria Local Government Pension Fund consistent with actuarial advice. This supports the Council's going concern principle.

6.4 For 2014/15 there is a difference between the net Pensions Liability on the Balance Sheet and Pensions Reserve shortfall. In previous years the value has been the same as the liability position is matched by the pension reserve position on the Balance Sheet.

6.5 The difference in 2014/15 reflects the impact of the early repayment of the three years LGPS deficit lump sum (£31.827m) by the Council to the Cumbria Local Government Pension Scheme in April 2014. Although the early repayment has already happened accounting standards require the Council to account for the payment of the LGPS deficit lump sum in the year that it falls due as assessed by the actuary. For 2014/15 the value was assessed to be £10.734m. The net Pensions Liability is therefore £21.093m lower than the shortfall reported in the Pensions Reserve reflecting that requirement; the £21.093m is the value of the prepayment that will be accounted for in 2015/16 and 2016/17 respectively. By undertaking the early repayment and therefore paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying its employers deficit to the LGPS by £2.643m over the three years. This saving has been reflected in the Council's revenue budget and MTFP.

Long Term Assets

6.6 Note 21 explains the movements in Property, Plant and Equipment (PPE) assets from 2013/14 to 2014/15 and this shows a reduction of £72.300m. This is as a result of the capitalisation of expenditure relating to County Council owned assets that incurred in 2014/15 of £69.216m offset by a net reduction in valuation of £84.314m, net disposals of £19.388m and net depreciation charges of £31.874m. Assets with a net value of £5.941m transferred from PPE to Current Assets Held for Sale reflecting the asset management strategy of continuing to sell assets and reinvest capital receipts to finance future capital schemes. There is a net £0.001m of rounding included in the Note. (See Note 21).

6.7 The capital investment of £84.061m referred to in para 5.44 is different to the capitalisation value referred to above in para 6.6 (£69.216m) as it includes capital expenditure that cannot be attributed to a Council asset. This expenditure is known as Revenue Expenditure Funded from Capital under Statute (REFCUS) and in 2014/15 it was £14.655m which is a significant increase from £6.457m in 2013/14. The increase relates to spend on the Connecting Cumbria project of £9.451m for which the assets belong to BT, spend of £2.738m relating to VC schools that are now 'off' the County Council balance sheet and spend on schemes such as Go Lakes and Extra Care housing schemes where the Council financially contributes to external partners for the development of these assets. (See Note 18)

6.8 The net reduction in valuation for PPE assets of £84.314m (£62.819m charged to services and £21.495m charged below the line in the CIES) was mainly due to a revised methodology for valuing schools, as advised by the Council's Valuers, resulting in all of the Primary and Secondary schools that have assets on the County Council Balance Sheet being revalued in 2014/15. This included assets for schools that had been brought onto the Balance Sheet following the assessment of control referred to in para 3.2 and 3.3. This revaluation accounted for £63.228m of the net reduction. The other significant net reduction in valuation related to the sale of a number of surplus assets. When surplus assets are sold they are revalued first from Existing Use Value to the lower of that and market value, hence when schools are sold (Parkview and Thorncliffe land and buildings) their valuation significantly reduces. This explains £22.606m of the net reduction. This was offset by increased valuation for other assets of £1.520m as part of the five year rolling programme of valuations.

6.9 A number of the disposals in year relate to de-recognitions rather than actual sales of assets. The NBV of assets that were sold in 2014/15 was £2.987m (£3.855m - £0.868m) whilst the value of de-recognitions was £16.401m (£19.150m - £2.749m). The transfer of five school assets to Academies for nil consideration when they become independent from the Council accounted for £13.122m whilst Community Asset Transfers explains £1.024m. In addition the Council demolished buildings valued at £1.590m and had other de-recognitions of £0.665m.

6.10 The value of intangible assets has reduced by £1.934m primarily due to the amortisation of the assets during the year offsetting the purchase of £0.190m of new assets during the year. (Note 23).

6.11 Long term investments have not changed during the year whilst long term debtors decreased during the year to £7.950m from £8.157m in 2013/14 as shown in Note 25. £6.459m (£6.548m 2013/14) 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

6.12 The net decrease in current assets of £31.377m reflects a number of changes across the asset types. There is an increase in short term investments of £20.146m and an increase in short term debtors of £17.516m offset by a significant reduction in cash and cash equivalents of £70.969m. Overall the decrease reflects the continued use of internal balances to finance capital expenditure rather than take on additional external borrowing and the £21.093m early payment for the LGPS deficit lump sum (See para 6.5).

6.13 Whilst a degree of market uncertainty continued during 2014/15 (mainly driven by continuing Eurozone instability and oil prices) overall the year saw an improvement in financial markets. Therefore there was an increase in the availability of counterparties and longer term investments meeting the strict creditworthiness criteria of the Council. As such the Council was able to place a higher level of deposits at durations of greater than 3 months during 2014/15 (whilst also maintaining a risk aware approach).This lead to an increase in loans and receivables and a reduction in cash and cash equivalents.

6.14 The increase in short term debtors is primarily due to one invoice raised to NHS England of £11.495m which was subsequently paid on 1st April 2015. This is set out in Note 27.

6.15 Current Liabilities have reduced by £7.771m from £106.815m in 2013/14 to £99.044m in 2014/15.

6.16 The Accounting Statements show short term provisions of £1.837m which relate to insurance (motor and fire), Equal Pay commitments and Voluntary Redundancies as set out in Note 33. This is an increase in the short term provisions of £1.503m (from 31st March 2014) offset by the use of provisions of £3.562m. This includes the release of £2m of Equal Pay provision to the Modernisation Reserve as identified in the 2015/16 Budget agreed by Council in February 2015 (see Note 35.1)

Long Term Liabilities

6.17 Long term liabilities have increased by £113.446m primarily due to the increase in the net pension liability of £120.638m explained elsewhere in this Explanatory Foreword. There were also reductions in Long Term Borrowings of £5.527m and reductions in Capital Grants Receipts in Advance of £5.053m. The reduction in Long Term Borrowings relates to a £5.5m loan which is due to mature within the next twelve months and is therefore now shown in current liabilities.

6.18 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.

6.19 The Council's authorised limit for external debt for 2014/15 was £563m and the operational limit was £528m. In 2014/15 the Council operated within the agreed authorised limits.

6.20 The Accounting Statements show Long Term Provisions have increased by a net £2.678m reflecting increased provisions for insurance (employers and public liability) following independent advice received on expected future claims of £1.530m and an overall increase for Business Rate Appeals of £1.148m as set out in Note 33.

6.21 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. A provision for those appeals is required to be included in the Accounts. The Council receives a 10% share of District Council's retained business rates and hence the Council's provision is based on a 10% share of the provision calculated by the six District Councils in Cumbria.

Reserves

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

6.23 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. As at 31 March 2015 they are £128.834m.

6.24 Council agreed a target of £15m for the General Fund Balance when setting the 2014/15 Budget in February 2014. The General Fund Balance as at 31st March 2015 is £15.221m which reflects the increase of £0.088m of underspend in 2014/15 added to the 31st March 2014 balance of £15.133m.

6.25 Overall usable reserves for the Council have reduced by £2.279m during 2014/15. This includes a reduction in earmarked revenue reserves of £3.077m (£0.006m of which was a revenue transfer to support capital financing) and an increase of £1.796m in the Usable Capital Receipts Reserve. The most significant movements in earmarked revenue reserves are explained in the following paragraphs. Note 35.1 sets out the Council's Earmarked Reserves.

Dedicated School Grant (DSG) funded reserves

6.26 DSG funded reserves decreased by £3.219m to £9.367m as at 31st March 2015 (£12.586m as at 31st March 2014). This comprised a net decrease in balances held by individual schools of £3.692m and an increase of £0.473m relating to drawdown of centrally managed DSG budgets.

6.27 There is a significant reduction (£3.692m) in balances held by schools from £8.413m to £4.721m. This reflects the significant challenges that schools are facing in respect of the overall level of funding available to them and is set within the context of the National School Funding Reforms introduced from 1st April 2014. The overall total Dedicated School Grant value is set nationally with a complex formula used to allocate funding between schools.

6.28 The number of schools with a deficit has reduced from 49 to 48 with the value of all school deficits increasing from £2.707m to £4.940m.The number of schools with surplus balances has reduced from 243 to 239, with the value of these surpluses decreasing from £11.120m to £9.661m. The overall level of balances as stated above has reduced significantly.

Revenue grants reserve

6.29 During 2014/15 there was a slight decrease in the Revenue Grants reserve of £0.102m to £32.923m. This reflects grants that have been received but which will not be applied until future years. The balance includes £24.957m of PFI grant to support the Carlisle North Development Route PFI and replacement fire stations project. The balance also includes £3.290m Performance Reward Grant which will be spent to support delivery of the Connecting Cumbria project.

Modernisation Reserve

6.30 The drawdown from the Modernisation Reserve of £2.539m was to fund voluntary redundancies as part of the Council's overall reshaping programme. Many of the savings agreed as part of the 2014/15 budget included reducing staff numbers. The £2.000m increase reflects the release of the Equal Pay phase 2 provision that is no longer required. (See Note 33 and 35.1)

Insurance Reserve

6.31 During 2014/15 there was a net increase in the Insurance Reserve of £0.540m advised by the professional assessment of future claims risk.

Directorate and Other Reserves

6.32 Overall the carry forward and drawdown from the directorate and other reserves, as detailed in Note 35.1, shows a net decrease of £0.734m from 2013/14. These include the carry forward of budget across financial years for various commitments into 2015/16 to enable the continuation of agreed schemes and activities. It also includes the net underspending on Local Committee budgets as explained in para 5.24.

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 and how they 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 As described earlier (para 4.7 and 4.8) the accounting treatment and valuation of Pension Costs can have a significant impact on the Council's Statement of Accounts. Previous paragraphs have described the impact that the increase in the pension liabilities in 2014/15 has had on both the CIES and the Balance Sheet and that statutory provisions will ensure that funding will have been set aside by the time the benefits come to be paid.

7.3 In respect of past service costs the Council has previously (from 1st April 2011) used an annual lump sum corporate contribution to the Pension Fund to make payments to cover these past service liabilities, in line with the strategy to recover these liabilities over a period of 19 years. From 1st April 2014 however the Council, in agreement with the Actuary, opted to make a supplement (increase) to the employer's contribution to fund an allowance for the period 2014-2017.

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 118 employers, across the county, and the Firefighters' Pension Scheme, hence the Council's Statement of Accounts include supplementary financial statements for these pension funds. Section 10 sets out these financial statements and relevant notes for the LGPS and Section 8 for the Firefighters' Pension Scheme.

8.2 Following the enactment of the 2013 Public Sector Pensions Act, pensions across all the public sector have experienced a period of unprecedented change as they move from final salary benefit schemes to career average revalued earnings (CARE) benefits structures. This took place from April 2014 for the LGPS and April 2015 for the Firefighters' Scheme.

Cumbria LGPS:

8.3 As reported in the Annual Financial Report 2013/14 the conclusion of the most recent (May 2012) Investment Strategy Review by the Fund was to restructure investments representing a substantial element of the portfolio (approximately £886m after taking into account growth in the Fund). As at March 2015 98% (£868m) of this restructuring had been completed (March 2014: 74%).

8.4 During the year to 31st March 2015 the Cumbria LGPS Fund value increased by £252.586m to £2,027.316m from £1,774.730m i.e. just over £2bn. This compares to an increase of £115.665m during the year 2013/14. The Fund returned 15.2% for the year which was an outperformance of 2.0% on the Fund's bespoke benchmark for the year of 13.2%.

8.5 Many asset classes performed well over the year, with UK index-linked bonds in particular providing strong returns (21.1%). Global Equities and Property also performed well with returns around 18%, although for equities there were variations by sector and geography. Equity performance was particularly strong in North American markets increasing by 25.1%, Japan 27.1%, and Emerging markets 19.9%; but for UK (6.6%), Europe (excluding UK) 7.5%, and Pacific (ex-Japan) 12.7%, equity index performance was less strong. Corporate bonds also rose in value by 7.6%.

8.6 The Fund actioned an active decision to temporarily transfer its holding in gilts to equities to preserve capital value. As equities have performed strongly this decision has contributed to the outperformance of the Fund during the year.

8.7 The Fund has also performed well over the medium to longer term with the three-year return of 12.0% outperforming the bespoke hedged benchmark of 10.6% (per year). The ten year Fund return was 8.1%, slightly above the benchmark of 8.0% (per year).

8.8 This performance has also been reflected in our comparator results across the LGPS, with the Cumbria Fund being ranked (out of 100) 16th for 1 Year, 18th for 3 years and 34th for 10 years despite our more defensive investment strategy than the average LGPS.

9 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 which commenced in 2010. Earlier paragraphs have outlined the impact of funding reductions up to 2014/15.

9.2 In brief, the context in which the Council will need to plan its budgets over the period 2015-2018 remains difficult. Analysis provided by the Institute of Fiscal Studies of the political manifesto's published in May 2015 suggested that 'roughly 40% of the cuts in day-to-day public services spending between 2009/10 and 2019/20 will have taken place over the Parliament period to May 2015, with roughly 60 per cent to come in the next'. The uncertainty at that time was the value of reductions in each of the next three years and the speed at which the national deficit will be balanced.

9.3 The Council has already identified savings of £127 million (2011/12 – 2014/15). This reflects the unprecedented reductions in government grants from Central Government as the Government seeks to rebalance public finances. The reductions in core grant support to local government are expected to continue with the latest government estimates suggesting that the national finances will not be in balance until 2018/19. (i.e. income received during the year equals expenditure). The Council must take into account these expected reduced levels of funding as it plans its expenditure and service priorities over the medium term.

9.4 In setting a balanced Revenue Budget for 2015/16 the Council agreed £32.558m of savings. Further savings of £13.203m are identified already for 2016/17 and £5.374m in 2017/18. This represents a total of £51.135m of new savings identified. The Council hasn't yet identified all savings for 2016/17 and 2017/18 and in February 2015, when the Medium Term Financial Plan was agreed, a further £33m of additional savings to be found was estimated.

9.5 This would mean that in total £84m of savings will need to be delivered from 2015/16 to 2017/18 which is in addition to the £127m already identified (2011/12 – 2014/15). Overall therefore it was projected in February 2015 that the Council would have to deliver savings of £211m between 2011/12 and 2017/18.

9.6 Confirmation of future funding reductions will be subject to decisions made as part of the next Spending Review which is expected in the Autumn 2015. In addition the Chancellor is presenting an in year budget statement on the 8th July 2015 and the Council is expecting announcements that may increase and accelerate the reductions in Local Government Grant Funding over the next two to three years. Significant financial challenges remain in the medium term.

10. OTHER ITEMS

10.1 Assumptions made about the future in preparing the Statement of Accounts are set out in Note 3.

10.2 The Group Accounting Statements have been restated following the change to the accounting for schools as described in note 42. These are set out in Section 7 and show a decrease of £212.768m in the total value of the Group net assets (from £209.843m at 31st March 2014 to a deficit of £2.925m at 31st March 2015). The decrease relates mainly to the increased net Pension Liability of £121.755m, which reflects the Council's increased net Pension Liability of £120.638m and the increased net Pension Liability of Cumbria County Holdings Ltd of £1.117m. The value of Property Plant and Equipment on the Group Balance Sheet also reduced by £72.280m.

10.3 The entities to be included within the group accounts have been re-considered this year with a careful regard to their materiality. No changes have been made to the group boundary in 2014/15 compared to 2013/14.

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 26th June 2015 in respect of the unaudited Statement of Accounts for 2014/15.

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

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 2015 and its expenditure and income for the year ended the 31st March 2015.

Signed :

Julie Crellin, Assistant Director – Finance (S151 Officer)
26th June 2015

Certificate of Approval of the Council's Statement of Accounts

(TO BE COMPLETED IN SEPTEMBER 2015)

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 23rd September 2015 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

23rd September 2015

TO BE ADDED AT THE CONCLUSION OF THE AUDIT

Section 4 sets out four accounting statements in respect of the Council's activities in 2014/15, showing the previous year's comparators. For this financial year the statements includes a third balance sheet (as at 1st April 2013) as a result of the prior period adjustment related to the change in accounting treatment for school non current assets (details are in note 42).

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 – usable and unusable. 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). Unusable reserves are those that the Council is not able to use to provide services. This 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 9.

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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2015

The 2013/14 Comprehensive Income and Expenditure Statement has been restated to reflect the changes in respect of accounting for schools, details of the restatement are in note 42.

Restated 2013/14					2014/15		
Restated Gross Expenditure £000	Gross Income £000	Restated Net Expenditure £000	Service	Note to the Accounts	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Services:				
3,013	(1,398)	1,615	Central Services to the Public		2,892	(1,540)	1,352
9,587	(633)	8,954	Cultural and Related Services		11,998	(520)	11,478
36,641	(1,086)	35,555	Environmental and Regulatory Services		34,602	(1,273)	33,329
15,831	(4,771)	11,060	Planning Services		18,824	(11,398)	7,426
60,425	(6,599)	53,826	Highways and Transport Services		61,483	(8,153)	53,330
417,230	(299,753)	117,477	Education and Childrens' Services		476,958	(304,013)	172,945
204,288	(54,162)	150,126	Adult Social Care		198,818	(58,593)	140,225
22,794	(336)	22,458	Fire & Rescue Services		20,023	(222)	19,801
12,943	(12,943)	0	Public Health		15,403	(15,403)	0
14,596	(7,128)	7,468	Corporate and Democratic Core		6,630	(4,183)	2,447
4,884	(2,223)	2,661	Non Distributed Costs		3,650	(2,990)	660
802,232	(391,032)	411,200	**Cost of Services**	4	851,281	(408,288)	442,993
4,039	0	4,039	Other Operating Expenditure	6	2,861	0	2,861
97,839	(5,161)	92,678	Financing and Investment Income and Expenditure	7	65,294	(4,984)	60,310
0	(457,891)	(457,891)	Taxation and Non Specific Grant Income	8	0	(449,889)	(449,889)
904,110	**(854,084)**	**50,026**	**(Surplus)/Deficit on Provision of Services**	4	**919,436**	**(863,161)**	**56,275**
		1,689	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	36.1			23,072
		(12)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets	36.4			(14)
		(147,923)	Remeasurements of the net defined benefit liability (asset)	38.1			132,111
		(146,246)	**Other Comprehensive Income and Expenditure**				**155,169**
		(96,220)	**Total Comprehensive Income and Expenditure**				**211,444**

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2015

The 2013/14 Movement in Reserves Statement has been restated to reflect the changes in accounting for schools, details of the restatement are in note 42.

Restated 2013/14	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	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	(625,704)	(533)	2,614	(10,269)	1,008	126,601
Restatement 1/4/13									(8,748)	(14,432)					(23,180)	(23,180)
Restated Balance as at 1st April 2013		15,133	93,064	5,324	7,396	1,863	2,813	125,593	135,792	475,928	(625,704)	(533)	2,614	(10,269)	(22,172)	103,421
Movement in Reserves during 2013/14																
Surplus or (deficit) on the provision of services		(50,026)	0	0	0	0	0	(50,026)	0	0	0	0	0	0	0	(50,026)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	(1,689)	0	147,923	12	0	0	146,246	146,246
Total Comprehensive Income and Expenditure		**(50,026)**	**0**	**0**	**0**	**0**	**0**	**(50,026)**	**(1,689)**	**0**	**147,923**	**12**	**0**	**0**	**146,246**	**96,220**
Adjustments between accounting basis and funding basis under regulations	9	54,490	0	0	1,631	(575)	0	55,546	(9,143)	(22,959)	(23,351)	0	(2,157)	2,064	(55,546)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(10,832)**	**(22,959)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**
Transfers (to) Earmarked Reserves		(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves		29,457	(29,457)	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
Increase/(Decrease) in 2013/14		**0**	**2,836**	**0**	**1,631**	**1,053**	**0**	**5,520**	**(10,832)**	**(22,959)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**
Balance at 31st March 2014		**15,133**	**95,900**	**5,324**	**9,027**	**2,916**	**2,813**	**131,113**	**124,961**	**452,968**	**(501,132)**	**(521)**	**457**	**(8,205)**	**68,528**	**199,641**
Movement in Reserves during 2014/15																
Surplus or (deficit) on the provision of services		(56,275)	0	0	0	0	0	(56,275)	0	0	0	0	0	0	0	(56,275)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	(23,072)	0	(132,111)	14	0	0	(155,169)	(155,169)
Total Comprehensive Income and Expenditure		**(56,275)**	**0**	**0**	**0**	**0**	**0**	**(56,275)**	**(23,072)**	**0**	**(132,111)**	**14**	**0**	**0**	**(155,169)**	**(211,444)**
Adjustments between accounting basis and funding basis under regulations	9	53,292	0	0	1,796	(1,092)	0	53,996	(4,660)	(40,067)	(9,620)	0	424	(73)	(53,996)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(2,983)**	**0**	**0**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**
Transfers (to) Earmarked Reserves	35.1	(16,460)	16,454	6	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	35.1	19,531	(19,531)	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2014/15		**88**	**(3,077)**	**6**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**
Balance at 31st March 2015		**15,221**	**92,823**	**5,330**	**10,823**	**1,824**	**2,813**	**128,834**	**97,228**	**412,903**	**(642,863)**	**(507)**	**881**	**(8,278)**	**(140,636)**	**(11,802)**

BALANCE SHEET AS AT 31st MARCH 2015

The 1st April 2013 and 31st March 2014 Balance Sheets have been restated to reflect the changes in accounting for schools, details of the restatement are in note 42.

Restated 1st April 2013 £000	Restated 31st March 2014 £000		Notes to the Accounts	31st March 2015 £000
		Long Term Assets:		
		Property, Plant and Equipment		
638,854	572,461	Other Land and Buildings		488,983
22,723	24,448	Vehicles, Plant, Furniture and Equipment		24,665
405,157	422,710	Infrastructure		450,205
59	59	Community Assets		65
15,707	3,318	Assets Under Construction		11,822
18,625	42,074	Surplus Properties Not Held For Sale		17,030
1,101,125	1,065,070	**Total Property, Plant and Equipment**	21	992,770
533	533	Heritage Assets	22	543
185	185	Investment Properties		225
6,475	2,920	Intangible Assets	23	986
2,813	3,183	Long Term Investments	24	3,183
8,222	8,157	Long Term Debtors	25	7,950
1,119,353	1,080,048	**Total Long Term Assets**		1,005,657
		Current Assets:		
579	600	Current Assets Held for Sale	26	2,866
1,005	1,434	Inventories		1,098
50,409	45,359	Short Term Debtors and Prepayments	27	62,875
75,694	55,178	Short Term Investments	28.1	75,324
58,051	106,063	Cash and Cash Equivalents	30	35,094
185,738	208,634	**Total Current Assets**		177,257
		Current Liabilities:		
(4,673)	(12,166)	Short Term Borrowings	28.1	(10,110)
0	(368)	Short Term PFI Liability	20	(419)
(72,678)	(73,766)	Short Term Creditors	31	(70,807)
(11,856)	(12,572)	Revenue Grants Receipts in Advance	32	(13,485)
(3,206)	(3,896)	Short Term Provisions	33	(1,837)
(6,842)	(4,047)	Bank Overdraft	28.1 & 30	(2,386)
(99,255)	(106,815)	**Total Current Liabilities**		(99,044)
		Long Term Liabilities:		
(315,939)	(308,413)	Long Term Borrowings	28	(302,886)
(4,003)	(3,699)	Long Term Creditors		(4,310)
(113,913)	(117,519)	Long Term PFI Liability	20	(117,618)
(36,192)	(42,509)	Capital Grants Receipts in Advance	34	(37,456)
(6,664)	(8,954)	Long Term Provisions	33	(11,632)
(625,704)	(501,132)	Net Pensions Liability	38.2	(621,770)
(1,102,415)	(982,226)	**Total Long Term Liabilities**		(1,095,672)
103,421	**199,641**	**Net Assets / (Liabilities)**		**(11,802)**
		Usable Reserves		
15,133	15,133	General Fund Balance		15,221
93,064	95,900	Earmarked Reserves	35.1	92,823
5,324	5,324	Earmarked Capital Reserve	35.1	5,330
7,396	9,027	Usable Capital Receipts Reserve	35.2	10,823
1,863	2,916	Capital Grants and Contributions Unapplied Reserve	35.2	1,824
2,813	2,813	Long Term Investment Reserve	35.2	2,813
125,593	131,113			128,834
		Unusable Reserves		
135,792	124,960	Revaluation Reserve	36.1	97,228
475,928	452,969	Capital Adjustment Account	36.2	412,903
(625,704)	(501,132)	Pensions Reserve	36.3	(642,863)
(533)	(521)	Financial Instruments Adjustment Account	36.4	(507)
2,614	457	Collection Fund Adjustment Account	36.5	881
(10,269)	(8,205)	Accumulated Absences Account	36.6	(8,278)
(22,172)	68,528			(140,636)
103,421	**199,641**	**Total Reserves**		**(11,802)**

CASH FLOW STATEMENT AS AT 31st MARCH 2015

The 2013/14 Cash Flow Statement has been restated to reflect the changes in accounting for schools, details of the restatement are in note 42.

Restated 2013/14			2014/15	
£000	£000		£000	£000
	(50,026)	Net Surplus/(Deficit) on the Provision of Services		(56,275)
		Adjust net surplus or (deficit) on provision of services for non cash movements		
31,866		Depreciation	31,874	
3,966		Amortisation	2,124	
15,306		Net Revaluations downwards	64,479	
(12)		Adjustments for effective interest rates	(14)	
(7)		Increase/(Decrease) in Interest Creditors	(57)	
(645)		Increase/(Decrease) in Creditors	(1,328)	
366		Increase/(Decrease) in Interest and Dividend Debtors	(96)	
(2,646)		(Increase)/Decrease in Debtors	(18,576)	
(429)		(Increase)/Decrease in Inventories	336	
23,351		Pension Liability	(11,473)	
2,980		Contributions to Provisions	619	
0		Movement in Investment Property values	(40)	
46,860		Carrying Amount of non current assets sold	19,816	
	120,956			**87,664**
		Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities		
(45,741)		Capital grants credited to surplus or (deficit) on the provision of services	(50,323)	
(4,417)		Proceeds from the sale of property, plant and equipment, investment properties or intangible assets	(5,349)	
	(50,158)			**(55,672)**
	20,772	**Net Cashflows from Operating Activities *****		**(24,283)**
		Net Cashflows from Investing Activities		
(54,110)		Purchase of PPE, Investment property and intangible assets	(69,514)	
(358,370)		Purchase of short term and long term investments	(158,250)	
(340)		New Long Term Loan	(10)	
4,417		Proceeds from the sale of PPE, Investment property and intangible assets	5,349	
378,150		Proceeds from short term and long term investments	138,200	
60,017		Other receipts from investing activities	46,562	
	29,764			**(37,663)**
		Net Cashflows from Financing Activities		
285		Payments for the reduction on PFI liability	150	
(14)		Payment for the reduction of long term borrowing	(7,512)	
	271	Net cashflows from Financing Activities		(7,362)
	50,807	**Net Increase or (Decrease) in Cash and Cash Equivalents**		(69,308)
	51,209	Cash and Cash Equivalents at the Beginning of the Reporting Period		102,016
	102,016	**Cash and Cash Equivalents at the End of the Reporting Period (Note 30)**		**32,708**

*** The Net Cashflows from Operating Activities in 2014/15 include interest received of £0.944m (2013/14 £1.667m), dividends received £2.000m (2012/13 £2.000m) and interest paid of £29.352m (2013/14 £29.236m).

Section 5 provides details of the significant accounting policies and estimation techniques used in the preparation of the Council's accounts.

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i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its overall financial position as at 31st March 2015. 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 2014/15 and the Service Reporting Code of Practice for Local Authorities 2014/15, 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.

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.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct material errors.

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

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the 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 all borrowing incurred before 1st April 2008 and "Supported Borrowing" after 1st April 2008 the MRP is calculated at 4% per annum. For borrowing incurred after 1st April 2008 MRP is calculated by equal instalments over the life of the assets.

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 2014/15 (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.

Non Distributed Costs – Changes in employees past service costs and any depreciation and impairment losses chargeable on assets held for sale.

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 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 and Children's service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

b) Firefighters' Pensions

There are currently three 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.
- The modified scheme for retained firefighters employed between 1st July 2000 and 5th July 2006 when they weren't eligible to join the 1992 scheme.

The Firefighters' schemes are accounted for as defined benefits schemes. Although contributions are made into the schemes and they are based on final salary, they are unfunded to the extent that assets are not specifically held to meet pension liabilities. The 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 Pension Scheme is accounted for as a defined benefits scheme. The assets and liabilities are included net in the Balance Sheet:

1. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 3.3% (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) Re-measurement comprising:

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

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.

viii. Government Grants and Contributions

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

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

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

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

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.

Revenue Grants

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

ix. Leases

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.

<u>The Council as Lessee</u>

Buildings

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

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

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

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

Land

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

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

Finance Leases

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

ix. Leases continued

Finance Leases continued

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.

<u>The Council as Lessor</u>

Buildings

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

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

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

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

Land

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

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

ix. Leases continued

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

x. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

xi. Property, Plant and Equipment

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

Recognition

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

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

Componentisation

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

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

xi. Property, Plant and Equipment continued

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.

<u>Revaluation losses</u>

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.

xi. Property, Plant and Equipment continued

Impairment

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

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

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

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

Disposals and Non Current Assets Held for Sale

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

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

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

xi. Property, Plant and Equipment continued

Disposals and non current assets held for sale continued

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

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

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

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

Depreciation

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

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

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

xi. Property, Plant and Equipment continued

Depreciation continued

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

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

Components have been recognised in the financial year 2014/15 where:

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

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

Non Current Assets - Schools

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

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

- **Community schools** are owned by the Council and are, therefore, recognised on the Balance Sheet.
- **Voluntary Aided** and **Voluntary Controlled** schools are owned by either the respective Diocese or a Trust or Foundation with no formal rights to use the assets through a licence arrangements passed to the School or Governing Bodies. As a result none of these schools are recognised on the Balance Sheet.
- **Foundation School**s – For 12 schools the ownership lies with the school or the school's Governing Body so the school is recognised on the Council's Balance Sheet. For the remaining 4 schools ownership is either with either the Diocese or a Trust with no formal rights to use the assets through a licence arrangements passed to the School or Governing Bodies. As a result these 4 schools are not recognised on the Balance Sheet.

xi. Property, Plant and Equipment continued

Non Current Assets – Schools continued

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

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

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

xiii. 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 Council'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 Council'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.

xiv. 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.

xv. 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.

xv. Intangible Assets continued

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.

Financial Instruments

xvi. 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.

Financial Instruments continued

xvii. 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.

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.

Debtors

Debtors are recognised when goods and services have been provided by the Council for an agreed price. The value of the debtors recognised in the Balance Sheet represents the current value of the outstanding asset of the Council as at 31st March as a proxy for amortised cost.

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.

Financial Instruments continued
xvii. Financial Assets continued
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 determinable payments - discounted cash flow analysis

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).

xviii. Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents will only be money market fund deposits, as fixed maturity deposits have penalties built in for early redemption.

xix. 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.

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.

xx. 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.

xx. Reserves continued

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement to specific reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue service in that year to score against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into General Fund Balance Movement in Reserves Statement 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.

xxi. Interests in Companies and Other Entities

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

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

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

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

xxii. Joint Arrangements

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

- A Joint Venture
- A Joint Operation

Joint Venture

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

Joint Operation

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

xxiii. 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.

xxiv. Events After the Balance Sheet Date

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

Adjusting Events

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

Non Adjusting Events

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

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

xxv. Value Added Tax

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

xxvi. Pooled Funds

Both Health & Care 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 IFRS 11 Joint Arrangements.

xxvii 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.

Cumbria has a Business Rate Pool, established on 1st April 2014, it comprises the County Council, Allerdale Borough Council, Barrow Borough Council, Eden District Council, South Lakeland District Council and Carlisle City Council. Government treats the Pool as a single body with the County Council acting as the lead authority. The Cumbria Business Rate Pool has a formal agreement and a financial protocol agreed by all members. At the financial year end, alongside the reporting of the Business Rate income for the Council as reported above, the financial protocol requires that each member retains its relative proportion of the Cumbria Business Rate Pool Local Volatility Reserve on its own Balance Sheet. An element of the Net Retained Levy for the Pool is set aside each year to provide protection for Pool members from falls in business rate income.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13.

- IFRIC 21 Levies. This clarified the recognition point for payment of levies as the activity which triggers the payment of the levy. This is already current accounting practice.

- Annual Improvements to IFRSs (2011 – 2013 Cycle) :
    - IFRS 1: Meaning of effective IFRSs;
    - IFRS 3: Scope exceptions for joint ventures;
    - IFRS 13: Scope of paragraph 52 (portfolio exception); and
    - IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

The above standards will be adopted from 1st April 2015, it is anticipated that there will be no material impact on the financial statements.

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 £0.020m net income was generated in 2014/15 (£0.017m 2013/14).

The Capital Programme & 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 2008/09 the Council impaired its general property base due to the national property market slump. However, all properties have now been through the five year rolling programme of revaluation and reflect the fair value. Throughout 2014/15 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 has been an ongoing debate about the correct accounting treatment for the various types of schools in Local Authority Balance Sheets. CIPFA/LASAAC have consulted on a number of occasions on proposals for the accounting treatment in relation to schools' non current assets and as a result have revised the accounting requirements for Schools in the 2014/15 Code of Practice.

2. Critical Judgements in Applying Accounting Policies continued

Accounting for Schools – Consolidation

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

The timetable for the closure of the Council's accounts requires the 87 schools that operate a "cheque book" arrangement locally i.e. they manage the day to day accounting for income and payments close their accounts by mid March. Therefore they have to make use of estimates for their March payroll costs.

Accounting for Schools – Balance Sheet Recognition of Schools

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

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

The Council has completed a school by school assessment across the different types of schools it controls. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown below:

- **Community schools** are owned by the Council and are, therefore, recognised on the Balance Sheet.
- **Voluntary Aided** and **Voluntary Controlled** schools are owned by either the respective Diocese or a Trust or Foundation with no formal rights to use the assets through a licence arrangement passed to the School or Governing Bodies. As a result none of these schools are recognised on the Balance Sheet.
- **Foundation Schools** – For 12 schools the ownership lies with the school or the school's Governing Body so the school is recognised on the Council's Balance Sheet. For the remaining 4 schools ownership is either with the Diocese or a Trust with no formal rights to use the assets through a licence arrangement passed to the School or Governing Bodies. As a result none of these schools are recognised on the Balance Sheet.

2. Critical Judgements in Applying Accounting Policies continued

The table below sets out the number and type of schools within the County as at 31st March 2015.

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Nursery Schools	No of Special Schools	No. of Pupil Referral Units	Total No. of Schools	On Council's Balance Sheet	Off Council's Balance Sheet
Community	118	12	6	5	3	144	144	0
Voluntary Controlled (VC)	49	1	0	0	0	50	0	50
Voluntary Aided (VA)	73	4	0	0	0	77	0	77
Foundation	14	2	0	0	0	16	12	4
Total Maintained Schools	**254**	**19**	**6**	**5**	**3**	**287**	**156**	**131**
Academies	17	19	0	0	0	36	0	36
Total	**271**	**38**	**6**	**5**	**3**	**323**	**156**	**167**

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

Accounting for Schools - Transfers to Academy status

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

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 had been an expectation that CIPFA would produce specific guidance, 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 on environmental monitoring and routine site maintenance. A reliable estimate of the future costs that relate to the closed landfill sites cannot be made because of the age of the sites and lack of information on the type and volumes of waste disposed of and they are not engineered sites.

The Council has considered this issue again in 2014/15 and has concluded that no provision is required for the 2014/15 accounts but will continue to make disclosure in contingent liabilities (note 41).

2. Critical Judgements in Applying Accounting Policies continued

Closed Landfill Sites continued

Background to the Sites

The Council has responsibility for 36 closed landfill sites (27 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 environmental permitting scheme, although they are monitored by the Council for environmental purposes.

All the sites vary considerably in size and the nature of the waste landfilled. However all of the 27 sites that contain non inert waste were closed a number of years ago (between 18 and 40+ years ago). This means they predate current site engineering methods.

The Council spends in the region of £0.400m per annum monitoring and routinely maintaining sites.

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.

2. Critical Judgements in Applying Accounting Policies continued

Closed Landfill Sites continued

Site Management

The Council has a planned monitoring regime with the work currently contracted to Cumbria Waste Management Ltd until 31st March 2016. 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 2015 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 £28.368m, a 0.1% increase in inflation would result in an increase of £28.894m in the net pension deficit and a 1 year increase in life expectancy would increase net deficit by £29.933m. 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 £3.994m and a 1 year increase in life expectancy would result in an increase of £4.783m in the net pensions deficit.

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

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 £1.079m for every year that useful lives had to be reduced.

Provisions

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 long term and short term provisions are estimated at £7.750m at 31st March 2015. If the estimate of the insurance provision was underestimated by 10% then the charge to the accounts would increase by £0.775m.

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 2014/15 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 2015. 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 2015 is £4.122m (31st March 2014 £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 £0.412m.

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

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 2015 is summarised in the Explanatory Foreword (Table 1) and this shows net expenditure of £402.109m (£413.084m in 2013/14). This is expanded in the segmental analysis over the page showing the subjective analysis (the main categories of income and expenditure) by Directorate. There is a net reduction of £10.975m in net expenditure. The main changes between the years in the Net Expenditure (directorate) subjective analysis are shown below and mainly reflect the savings delivered in the year and the under and overspend positions reported in paragraphs 5.18 to 5.22 of the Explanatory Foreword.

2013/14 £000		2014/15 £000	Movement between years £000
	Directorate Income		
(92,921)	Fees and Charges	(92,987)	(66)
(16,319)	Other Income	(17,562)	(1,243)
(25,842)	Internal Income	(23,798)	2,044
(3,353)	Interest and Investment Income	(3,093)	260
(294,548)	Service Specific Grant Income	(299,902)	(5,354)
(432,983)	**Total Income**	**(437,342)**	**(4,359)**
	Expenditure		
327,508	Employee Costs	327,494	(14)
61,273	Employee Costs of VA and Foundation Schools	62,809	1,536
29,217	Interest Payable	29,282	65
777	Precepts Paid	784	7
427,292	Running Expenses	419,082	(8,210)
846,067	**Total Expenditure**	**839,451**	**(6,616)**
413,084	**Net Expenditure**	**402,109**	**(10,975)**

Increased service specific grant income of £5.354m is mainly attributable to an increase in the Public Health grant recognised of £2.723m and receipt of the new Universal Free School Meals grant of £3.411m in 2014/15. There were other increase and decreases to specific grants from 2013/14 and the main service specific grants received in the year are detailed in note 17.

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:

2014/15 Segmental Reporting

Directorate income and expenditure Reported to Management 2014/15	Children's Services £000	Health & Care Services £000	Environment & Community Services £000	Fire & Rescue Service £000	Local Committees £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(16,265)	(59,179)	(11,222)	(65)	(63)	(5,860)	(333)	(92,987)
Other income	(4,035)	(11,063)	(1,417)	(82)	(31)	(1,028)	94	(17,562)
Internal income	(837)	(239)	(16,765)	0	0	(5,128)	(829)	(23,798)
Interest & Investment Income	(55)	0	(1)	0	0	(53)	(2,984)	(3,093)
Service Specific Grant income	(274,091)	(14,966)	(5,937)	(76)	(51)	(3,342)	(1,439)	(299,902)
Total Income	**(295,283)**	**(85,447)**	**(35,342)**	**(223)**	**(145)**	**(15,411)**	**(5,491)**	**(437,342)**
Employee costs	180,887	61,898	32,494	14,232	2,846	26,908	8,229	327,494
Employee Costs of Voluntary Aided and Foundation Schools	62,809	0	0	0	0	0	0	62,809
Interest Payable	0	0	13,813	0	0	1,360	14,109	29,282
Precepts Paid	0	0	0	0	0	0	784	784
Running expenses	140,898	148,067	99,610	4,372	5,571	32,570	(12,006)	419,082
Total Expenditure	**384,594**	**209,965**	**145,917**	**18,604**	**8,417**	**60,838**	**11,116**	**839,451**
Net Expenditure	**89,311**	**124,518**	**110,575**	**18,381**	**8,272**	**45,427**	**5,625**	**402,109**

Reconciliation of directorate income & Expenditure to Cost of Services in CI&ES	2014/15 £000	£000
Net expenditure in directorate analysis above		402,109
Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES		
Trading accounts Port of Workington - included in Environment	(738)	
Precepts - included in Other Corporate	(784)	
Interest and Dividend received	3,040	
Interest paid included in CoS transferred to Financing & Investment Income	(14,109)	
PFI Interest paid included in CoS to Financing & Investment Income	(15,173)	
Investment property income from CoS to Financing & Investment Income	53	
Investment property expenditure from CoS to Financing & Investment Income	(33)	
		(27,744)
Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES		
PFI Principal (MRP) included in CoS moved to MIRS	150	
Pooled Budget adjustment - Income	11,787	
Pooled Budget adjustment - employee costs	(296)	
Pooled Budget adjustment - running exps	(11,491)	
RCCO included above moved to MIRS	(2,511)	
		(2,361)
Amounts included in Cost of Services not reported to Management		
MRP included above moved to MIRS	(16,182)	
IAS19 Adjustment - past service cost and curtailments	2,607	
IAS19 Adjustment - current service cost	(12,039)	
IAS19 Adjustment - Settlements expenditure	1,043	
IAS19 Adjustment - Settlements income	(2,990)	
Employee benefit accrual	73	
Capital charges	33,998	
Revaluation (gains) / losses	64,479	
REFCUS Expenditure	14,655	
REFCUS Grants	(14,655)	
		70,989
Cost of Services in Comprehensive I&E Statement		**442,993**

4. Amounts Reported for Resource Allocation Decisions continued

2013/14 Segmental Reporting

The 2013/14 Segmental Reporting note has been restated to reflect the changes to the directorate structure in 2014/15 and the prior period adjustment in respect of Schools.

Restated Directorate income and expenditure Reported to Management 2013/14	Children's Services £000	Health & Care Services £000	Environment & Community Services £000	Fire & Rescue Service £000	Local Committees £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(17,768)	(57,947)	(10,538)	(91)	(109)	(5,473)	(995)	(92,921)
Other income	(2,686)	(10,889)	(1,554)	(250)	(61)	(919)	40	(16,319)
Internal income	(1,586)	(159)	(17,619)	0	0	(5,509)	(969)	(25,842)
Interest & Investment Income	(54)	0	(1)	0	0	(53)	(3,245)	(3,353)
Service Specific Grant income	(272,371)	(12,307)	(5,661)	0	0	(3,536)	(673)	(294,548)
Total Income	**(294,465)**	**(81,302)**	**(35,373)**	**(341)**	**(170)**	**(15,490)**	**(5,842)**	**(432,983)**
Employee costs	180,372	62,405	33,749	15,579	106	25,940	9,357	327,508
Employee Costs of Voluntary Aided and Foundation Schools	61,273	0	0	0	0	0	0	61,273
Interest Payable	0	0	13,634	1,321	0	0	14,262	29,217
Precepts Paid	0	0	0	0	0	0	777	777
Running expenses	136,010	150,750	98,816	5,240	13,605	33,084	(10,213)	427,292
Total Expenditure	**377,655**	**213,155**	**146,199**	**22,140**	**13,711**	**59,024**	**14,183**	**846,067**
Net Expenditure	**83,190**	**131,853**	**110,826**	**21,799**	**13,541**	**43,534**	**8,341**	**413,084**

Reconciliation of directorate income & Expenditure to Cost of Services in CI&ES	2013/14 Restated £000	£000
Net expenditure in directorate analysis above		413,084
Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES		
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 and Dividend 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)
Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES		
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)
Amounts included in Cost of Services not reported to Management		
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	35,833	
Revaluation (gains) / losses	15,306	
REFCUS Expenditure	6,457	
REFCUS Grants	(6,457)	29,817
Cost of Services in Comprehensive I&E Statement		**411,200**

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 2013/14 £000	Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)	2014/15 £000	Movement Between Years £000
413,084	Net expenditure in the Directorate Income & Expenditure Reported to Management	402,109	(10,975)
(28,021)	Amounts included in Directorate Income & Expenditure reported to Management reported below Cost of Services in CIES	(27,744)	277
385,063	**Sub Total**	**374,365**	**(10,698)**
(3,680)	Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES	(2,361)	1,319
29,817	Amounts included in Cost of Services not reported to Management	70,989	41,172
411,200	**Cost of Services in Comprehensive Income and Expenditure Statement**	**442,993**	**31,793**

Further details of the amounts included in Cost of Services not reported to Management are shown on the previous pages in the reconciliation of directorate Income & Expenditure to Cost of Services in CI&ES. The most significant movement between years is the revaluation losses of £49.173m.

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.

2014/15 Subjective Analysis

Subjective Analysis 2014/15	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	(110,548)	8,020	11,787	(2,990)	(93,731)	(1,884)	(95,615)
Interest and investment income	(3,093)	3,093	0	0	0	(3,100)	(3,100)
Income from council tax	0	0	0	0	0	(188,272)	(188,272)
Government grants and contributions	(299,902)	0	0	(14,655)	(314,557)	(261,617)	(576,174)
Total Income	**(413,543)**	**11,113**	**11,787**	**(17,645)**	**(408,288)**	**(454,873)**	**(863,161)**
Employee expenses	327,493	(711)	(296)	(12,331)	314,155	711	314,866
Employee Costs of Voluntary Aided and Foundation Schools	62,809	0	0	365	63,174	0	63,174
Other service expenses (less Internal income)	395,284	(8,080)	(13,852)	2,123	375,475	1,911	377,386
Depreciation, amortisation and impairment	0	0	0	33,998	33,998	0	33,998
Revaluation (gains)/losses	0	0	0	64,479	64,479	0	64,479
Interest Payable	29,282	(29,282)	0	0	0	49,550	49,550
Precepts and levies	784	(784)	0	0	0	784	784
IAS19 Administration Expenses	0	0	0	0	0	731	731
(Gain) or loss on disposal of non current assets	0	0	0	0	0	14,468	14,468
Total Expenditure	**815,652**	**(38,857)**	**(14,148)**	**88,634**	**851,281**	**68,155**	**919,436**
(Surplus) or deficit on the provision of services	**402,109**	**(27,744)**	**(2,361)**	**70,989**	**442,993**	**(386,718)**	**56,275**
(Surplus) or deficit on the provision of services from CI&ES					**442,993**	**(386,718)**	**56,275**

4. Amounts Reported for Resource Allocation Decisions continued

2013/14 Subjective Analysis Restated

The 2013/14 subjective analysis has been restated to reflect the prior period adjustment in respect of Schools (note 42 refers). The format of the table has been restated to represent the reporting structure during 2014//15.

Restated 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	(6,457)	**(300,870)**	**(271,546)**	**(572,416)**
Total Income	**(407,141)**	**11,460**	**13,329**	**(8,680)**	**(391,032)**	**(463,052)**	**(854,084)**
Employee expenses	327,508	(869)	(2,782)	(6,880)	**316,977**	**869**	**317,846**
Employee Costs of Voluntary Aided and Foundation Schools	61,273	0	0	(745)	**60,528**	**0**	**60,528**
Other service expenses (less Internal income)	401,450	(8,618)	(14,227)	(5,017)	**373,588**	**2,238**	**375,826**
Depreciation and amortisation	0	0	0	35,833	**35,833**	**0**	**35,833**
Revaluation (gains)/losses	0	0	0	15,306	**15,306**	**0**	**15,306**
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**	**42,525**	**42,525**
Total Expenditure	**820,225**	**(39,481)**	**(17,009)**	**38,497**	**802,232**	**101,878**	**904,110**
(Surplus) or deficit on the provision of services	**413,084**	**(28,021)**	**(3,680)**	**29,817**	**411,200**	**(361,174)**	**50,026**
(Surplus) or deficit on the provision of services from CI&ES					**411,200**	**(361,174)**	**50,026**

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 £26.203m which comprises £20.802m unitary charge and £5.401m for services (2013/14 total £25.432m, £19.770m unitary charge and £5.662m for services) in respect of the Public Private Partnership for Waste Management.

- Connect CNDR Ltd of £13.490m (2013/14 £13.292m) in respect of the Carlisle Northern Development Route PFI scheme.

The Council received income from Cumbria Clinical Commissioning Group in respect of the Joint Commissioning Pooled Budget. Note 11 sets out pooled budget arrangements.

6. Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

Restated 2013/14 £000	Other Operating Expenditure	2014/15 £000
777	Precepts	784
2,519	(Gains)/losses on the disposal of non current assets	1,346
743	IAS 19 Administration Expenses	731
4,039	**Total**	**2,861**

The (Gains) / Losses on disposals for 2013/14 has been restated to reflect the clarification from CIPFA on where the loss on disposal arising from the transfer of a school to Academy status should be recognised. When a school transfers to academy status the resulting gain or loss on transfer is recognised within the Financing and Investment Income and Expenditure line on the CIES. This gain or loss on disposal has previously been recognised here in the Other Operating Expenditure.

7. Financing and Investment Income and Expenditure

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

Restated 2013/14 £000		Financing and Investment Income and Expenditure	2014/15 £000	
		Trading Operations		
(140)		Premises Unit – Income	0	
322		Premises Unit - Expenditure	0	
	182	Net deficit on Premises trading operations		0
(1,705)		Port of Workington – Income from charges	(1,884)	
1,916		Port of Workington – Expenditure	1,717	
870		Port of Workington - Depreciation	905	
	1,081	Net deficit on Port of Workington Trading Operations		738
		Expenditure		
	29,218	Interest payable and similar charges		29,282
	25,508	Pensions interest cost and expected return on pensions assets		20,268
	40,006	Losses on the disposal of Academies		13,122
		Income		
	(1,300)	Interest receivable and similar income		(1,040)
	(17)	Income and expenditure in relation to investment property		(20)
	0	Revaluation increase investment property		(40)
	(2,000)	Investment Income		(2,000)
	92,678	**Total**		**60,310**

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

Further details on the Pension interest cost and return on pension assets can be found in note 38. As per note 6 on the previous page the losses arising from the disposal of Academies are now included in Financing and Investment Expenditure.

Interest receivable has decreased as a result of the prevailing poor interest rate returns and lower cash balances. The investment income is the ordinary share dividends received from Cumbria County Holdings Ltd.

8. Taxation and Non Specific Grant Income

The Council raises Council Tax, Business Rates and receives grants from central government each year to support revenue expenditure which is not attributable to specific services. The grants, Business Rates and Council Tax received for 2014/15 were:

Restated 2013/14 £000	Taxation and Non Specific Grant Income	2014/15 £000
211,043	Non ring fenced government grants	146,209
44,126	Capital grants and contributions	50,338
255,169		196,547
186,479	Council tax income	188,272
16,243	Retained Business Rates	17,935
0	Retained Levy from Business Rates Pool	699
0	Share of Business Rate Pool Volatility Reserve	179
0	Top up Grant Payments from Districts	46,257
457,891	**Total**	**449,889**

8. Taxation and Non Specific Grant Income continued

Cumbria Business Rates Pool

Cumbria has a Business Rate Pool that comprises the County Council, Allerdale Borough Council, Barrow Borough Council, Eden District Council, South Lakeland District Council and Carlisle City Council. Government treats the Pool as a single body with the County Council acting as the lead authority. The arrangements came into effect from 1st April 2014 and have a formal agreement and a financial protocol agreed by all members. Due to Government treating the Pool as a single body, the District Councils pay their tariff payments direct to the County Council (rather than paying it to Government) and where the value of the tariff payments is less than the value of the County Council's expected Top Up Grant for that year the Council receives the difference as a grant from Government.

By working together the Pool Members retain a greater proportion of business rate growth within the Pool area, providing opportunities to promote economic growth as well as building financial resilience. As a Pool the members retain any Levy that would have been paid to Government on business rate growth locally and it is allocated across the members in accordance with the financial protocol. The distribution of the retained levy for the Council is shown within Business Rate Retention income in the Comprehensive Income and Expenditure Statement and is shown in the Table below.

The financial protocol also requires that an element of the Net Retained Levy for the Pool is set aside each year to provide protection for Pool members from falls in business rate income. Each member retains its relative proportion of the Cumbria Business Rate Pool Local Volatility Reserve on its own Balance Sheet. The Council's share of the volatility reserve (£0.179m) is held on the balance sheet as an earmarked reserve.

The amount of Retained Levy retained by the Pool and how that is redistributed is as follows:

Cumbria Business Rate Pool	**2014/15 £000**
Retained Levy:	
Allerdale Borough Council	360
Barrow Borough Council	350
Carlisle City Council	334
Eden District Council	320
South Lakeland District Council	692
Total Retained Levy	**2,056**
Pooling Distribution of Retained Levy	
Allerdale Borough Council	170
Barrow Borough Council	163
Carlisle City Council	158
Eden District Council	140
South Lakeland District Council	291
Cumbria County Council – Lead Authority role	30
Cumbria County Council	699
Volatility Reserve	405
Total	**2,056**

9. Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure 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.

2014/15 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	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 2014	15,133	95,900	5,324	9,027	2,916	2,813	131,113	124,960	452,969	(501,132)	(521)	457	(8,205)	68,528	199,641
Movement in Reserves during 2014/15															
Surplus/(deficit) on the provision of services	(56,275)	0	0	0	0	0	(56,275)	0	0	0	0	0	0	0	(56,275)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(23,072)	0	(132,111)	14	0	0	(155,169)	(155,169)
Total Comprehensive Income and Expenditure	**(56,275)**	**0**	**0**	**0**	**0**	**0**	**(56,275)**	**(23,072)**	**0**	**(132,111)**	**14**	**0**	**0**	**(155,169)**	**(211,444)**
Adjustments between accounting basis and funding basis under regulations (Note 9)															
Reversal of items debited / credited to CI&E statement															
Depreciation of non current assets	31,874	0	0	0	0	0	31,874	0	(31,874)	0	0	0	0	(31,874)	0
Depreciation and impairment of Intangible assets	2,124	0	0	0	0	0	2,124	0	(2,124)	0	0	0	0	(2,124)	0
Net Revaluation (Gains) / Losses on Property, Plant & Equipment	64,439	0	0		0	0	64,439		(64,439)	0	0	0	0	(64,439)	0
Revenue Expenditure Funded from Capital Under Statute	14,655	0	0	0	0	0	14,655	0	(14,655)	0	0	0	0	(14,655)	0
Grants on revenue expenditure funded from capital under statute	(14,655)	0	0	0	0	0	(14,655)	0	14,655	0	0	0	0	14,655	0
Net (Gains) and losses on disposal of non current assets	14,467	0	0	5,349	0	0	19,816	0	(19,816)	0	0	0	0	(19,816)	0
Insertion of items not debited / credited to CI&E statement															
Minimum Revenue Provision	(16,032)	0	0	0	0	0	(16,032)	0	16,032	0	0	0	0	16,032	0
Capital expenditure charged to the general fund balance	(2,511)	0	0	0	0	0	(2,511)	0	2,511	0	0	0	0	2,511	0
Other adjustments															
Collection fund adjustment account	(424)	0	0	0	0	0	(424)	0	0	0	0	424	0	424	0
Accumulated Absences Adjustment	73	0	0	0	0	0	73	0	0	0	0	0	(73)	(73)	0
Employers contributions payable to pension funds	(43,233)	0	0	0	0	0	(43,233)	0	0	43,233	0	0	0	43,233	0
IAS 19 retirement benefit charges	52,853	0	0	0	0	0	52,853	0	0	(52,853)	0	0	0	(52,853)	0
Receipts used in financing	0	0	0	(3,553)	0	0	(3,553)	0	3,553	0	0	0	0	3,553	0
Capital Grants Unapplied - used in financing	(50,338)	0	0	0	(1,092)	0	(51,430)	0	51,430	0	0	0	0	51,430	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(2,078)	2,078	0	0	0	0	0	0
Difference between current value and historis cost depreciation on revalued assets	0	0	0	0	0	0	0	(2,582)	2,582	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (Note 9)	**53,292**	**0**	**0**	**1,796**	**(1,092)**	**0**	**53,996**	**(4,660)**	**(40,067)**	**(9,620)**	**0**	**424**	**(73)**	**(53,996)**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(2,983)**	**0**	**0**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**
Transfers (to) Earmarked Reserves (Note 35.1)	(16,460)	16,454	6	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves (Note 35.1)	19,531	(19,531)	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2014/15	**88**	**(3,077)**	**6**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**
Balance at 31st March 2015	**15,221**	**92,823**	**5,330**	**10,823**	**1,824**	**2,813**	**128,834**	**97,228**	**412,903**	**(642,863)**	**(507)**	**881**	**(8,278)**	**(140,636)**	**(11,802)**

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

2013/14 Movement in Reserves Statement

The Movement in Reserves Statement has been restated to reflect the changes in schools. Note 42 sets out the detailed changes.

Restated 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	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	(625,704)	(533)	2,614	(10,269)	1,008	126,601
Restatement 1st April 2013								(8,748)	(14,432)					(23,180)	(23,180)
Restated Balance as at 1st April 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	135,792	475,928	(625,704)	(533)	2,614	(10,269)	(22,172)	103,421
Movement in Reserves during 2013/14															
Surplus/(deficit) on the provision of services	(50,026)	0	0	0	0	0	(50,026)	0	0	0	0	0	0	0	(50,026)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(1,689)	0	147,923	12	0	0	146,246	146,246
Total Comprehensive Income and Expenditure	**(50,026)**	**0**	**0**	**0**	**0**	**0**	**(50,026)**	**(1,689)**	**0**	**147,923**	**12**	**0**	**0**	**146,246**	**96,220**
Adjustments between accounting basis and funding basis under regulations (Note 9)															
Reversal of items debited / credited to CI&E statement															
Depreciation of non current assets	31,867	0	0	0	0	0	31,867	0	(31,867)	0	0	0	0	(31,867)	0
Depreciation and impairment of Intangible assets	3,966	0	0	0	0	0	3,966	0	(3,966)	0	0	0	0	(3,966)	0
Net Revaluation (Gains) and Losses on Property, Plant & Equipment	15,306	0	0	0	0	0	15,306		(15,306)	0	0	0	0	(15,306)	0
Revenue Expenditure Funded from Capital Under Statute	6,457	0	0	0	0	0	6,457	0	(6,457)	0	0	0	0	(6,457)	0
Grants on Revenue expenditure funded from capital under statute	(6,457)	0	0	0	0	0	(6,457)	0	6,457	0	0	0	0	6,457	0
Net (Gains) and losses on disposal of non current assets	42,443	0	0	4,417	0	0	46,860	0	(46,860)	0	0	0	0	(46,860)	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	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	2,338	0
Other adjustments															
Collection fund adjustment account	2,157	0	0	0	0	0	2,157	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	2,064	2,064	0
Employers contributions payable to pension funds	(43,784)	0	0	0	0	0	(43,784)	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	(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	2,786	0
Capital Grants Unapplied - used in financing	(44,126)	0	0	0	(575)	0	(44,701)	0	44,701	0	0	0	0	44,701	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(6,137)	6,137	0	0	0	0	0	0
Difference between current value and historis cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,007)	3,007	0	0	0	0	0	0
2010/11 Adjustments	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 9)	**54,490**	**0**	**0**	**1,631**	**(575)**	**0**	**55,546**	**(9,144)**	**(22,958)**	**(23,351)**	**0**	**(2,157)**	**2,064**	**(55,546)**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**
Transfers (to) Earmarked Reserves	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	29,457	(29,457)	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves	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
Increase/(Decrease) in 2013/14	**0**	**2,836**	**0**	**1,631**	**1,053**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**
Balance at 31st March 2014	**15,133**	**95,900**	**5,324**	**9,027**	**2,916**	**2,813**	**131,113**	**124,960**	**452,969**	**(501,132)**	**(521)**	**457**	**(8,205)**	**68,528**	**199,641**

10. Discontinued Operations

The transfer of schools to Academy status continued with 5 schools (2 in 2013/14) converting during the year, this resulted in a reduction in gross income of £2.618m and expenditure of £3.123m. This transfer of responsibility also resulted in a reduction of £13.122m in the net book value of land, buildings and equipment recorded on the Balance Sheet.

11. Pooled Budgets

Within Health & Care Services, 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 Learning Disability pooled fund jointly commissions statutory social care and some clinical services to improve general well-being 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 and Intermediate Care. Six district based Health and Social Care Joint Management teams use funds flexibly across these 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.

11. Pooled Budgets continued

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

2014/15 Pooled Funds	Youth Offending Service £000	Learning Disability Pooled Fund £000	Integrated Community Equipment Services £000	Locality £000
Income				
Cumbria County Council	(613)	(13,999)	(387)	(3,330)
Police Authority Home Office Grant	(59)	0	0	0
Cumbria CCG	(145)	(7,753)	(383)	(3,522)
Cumbria Police Service	(153)	0	0	0
Cumbria Probation Service	(117)	0	0	0
	(1,087)	(21,752)	(770)	(6,852)
Expenditure	991	22,139	772	6,834
(Surplus)/Deficit for year	(96)	387	2	(18)
Council's share of (surplus)/deficit	(96)	249	1	(7)

2013/14 Pooled Funds	Youth Offending Service £000	Learning Disability Pooled Fund £000	Integrated Community Equipment Services £000	Locality £000
Income				
Cumbria County Council	(619)	(40,558)	(298)	(3,632)
Police Authority Home Office Grant	(59)	0	0	0
Cumbria CCG	(145)	(7,799)	(298)	(3,587)
Cumbria Police Service	(153)	0	0	0
Cumbria Probation Service	(117)	0	0	0
	(1,093)	(48,357)	(596)	(7,219)
Expenditure	921	49,147	614	7,655
(Surplus)/Deficit for year	(172)	790	18	436
Council's share of (surplus)/deficit	(172)	662	9	238

12. Members' Allowances

Allowances and expenses paid to elected Members (Councillors) during 2014/15 were:

2013/14 £000	Type of Allowance	2014/15 £000
670	Basic Allowances	677
251	Special Responsibility Allowance	254
138	Expenses	127
1,059		**1,058**

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

13. 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 2014/15 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 2014/15.
- *Employer's Current Service Pension Contribution* - LGPS 13.0% (2013/14 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". This would have been included in the figures in the table overleaf however in 2014/15 there have been no senior officer pension strain payments.

13. Officers' Remuneration continued

2014/15 Senior Officers' Remuneration

Post Title	Name	Salary £	Total Remuneration excluding pension contributions £	Employer's Pension contributions £	Total Remuneration including pension contributions £
Chief Executive	Diane Wood	140,000	140,000	18,200	158,200
Corporate Director – Resources (to 8/2/15)	Dominic Donnini **(note 1)**	109,375	109,375	14,219	123,594
Interim Corporate Director – Environment & Community Services (from 9/2/15)	Dominic Donnini **(note 1)**	15,625	15,625	2,031	17,656
Corporate Director – Health & Care Services (to 25/1/15)	Richard Parry **(note 2)**	106,688	106,688	13,280	119,968
Interim Corporate Director – Health & Care Services (from 8/1/15)	Sally Burton **(note 2)**	20,000	20,000	0	20,000
Corporate Director – Environment & Community Services (to 6/2/15)	Jim Savege **(note 3)**	109,747	109,747	14,627	124,374
Acting Director – Public Health (to 11/4/14)	Rebecca Wagstaff **(note 4)**	3,281	3,281	459	3,740
Assistant Director – Health & Wellbeing (Director Public Health) (from 14/4/14)	Colin Cox **(note 4)**	92,044	92,044	12,886	104,930
Corporate Director - Children's Services (to 30/4/14)	Julia Morrison **(note 5)**	20,032	20,032	1,354	21,386
Corporate Director – Children's Services (Acting to 1/5/14)	John Macilwraith (**note 5)**	125,000	125,000	16,250	141,250
Assistant Director – Finance	Julie Crellin	90,450	90,450	11,758	102,208
Monitoring Officer (interim arrangements)	Caroline Elwood **(note 6)**	100,170	100,170	0	100,170
Assistant Director of Fire (Chief Fire Officer) to 28/2/15)	Ian Cartwright **(note 7)**	110,759	110,759	20,683	131,442
Assistant Director of Fire (Chief Fire Officer) from 1/3/15)	Jim Onions **(note 7)**	8,833	8,833	1,882	10,715
		1,052,004	**1,052,004**	**127,629**	**1,179,633**

13. Officers' Remuneration continued
2014/15 Senior Officers' Remuneration continued

Notes

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 2014/15 the Council's mileage rate is at or below the HMRC rate so there is deemed to be no benefit received.

Employer's Pension Contribution - LGPS 13.0%, Firefighters' Pension Scheme 21.3%.

1. Dominic Donnini also acted as Interim Corporate Director – Environment & Community Services from 9/2/15. The post of Corporate Director – Resources was not filled on an interim basis between 9/2/15 and 31/3/15 and this post subsequently been removed from the extended leadership team structure.

2. Richard Parry left the post on 25/1/15. Sally Burton was appointed as Interim Corporate Director – Health & Care Services on 8/1/15.

3. Jim Savege left the post on 6/2/15, the Annualised salary for 2014/15 was £125,000.

4. Rebecca Wagstaff left the post of Acting Director Public Health on 11/4/14. Colin Cox was appointed as Director Public Health 14/4/14.

5. Julia Morrison was Corporate Director – Children's Services for the period 1/4/14 until 30/4/14 but was absent from 7/11/13 and left the Authority on 30/4/14. John Macilwraith was Acting Corporate Director – Children's Services until 1/5/14 when he was appointed as Corporate Director.

6. Caroline Elwood acted as Monitoring Officer for 1/4/14 to 31/3/15.

7. Ian Cartwright was Assistant Director of Fire (Chief Fire Officer) and left the post on 28/2/15. His salary amount included £13,658 for holiday pay owed to him at the 28/2/15. Jim Onions was appointed from 1/3/15.

2013/14 Senior Officers' Remuneration

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.

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	0	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	0	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
Assistant Director of Fire (Chief Fire Officer)	Ian Cartwright (note 12)	43,750	0	43,750	9,319	53,069
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
		1,131,725	**290,084**	**1,421,809**	**438,969**	**1,860,778**

13. Officers' Remuneration continued

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.

12. Ian Cartwright was appointed as Assistant Director of Fire (Chief Fire Officer) from 1/11/13. This post replaced the previous post of Corporate Director – Safer & Stronger.

13. 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 16 non-school staff (26 for 2013/14) whose salary is less than £50,000 but have been included in the note as they received or were due payments upon the termination of their employment that brought their total remuneration above £50,000.

	2013/14 Number of Staff			2014/15 Number of Staff		
	School Staff	Other Staff	Total	School Staff	Other Staff	Total
£50,000 - £54,999	100	65	165	87	76	163
£55,000 - £59,999	82	23	105	68	25	93
£60,000 - £64,999	42	18	60	36	18	54
£65,000 - £69,999	11	24	35	16	19	35
£70,000 - £74,999	4	4	8	6	6	12
£75,000 - £79,999	7	1	8	7	4	11
£80,000 - £84,999	1	9	10	0	1	1
£85,000 - £89,999	5	4	9	1	13	14
£90,000 - £94,999	1	3	4	2	2	4
£95,000 - £99,999	1	7	8	0	3	3
£100,000 - £104,999	1	2	3	0	0	0
£105,000 - £109,999	0	1	1	0	1	1
£110,000 - £114,999	0	0	0	0	1	1
£115,000 - £119,999	0	1	1	0	0	0
£120,000 - £124,999	0	1	1	0	0	0
£140,000 - £144,999	0	1	1	0	0	0
£160,000 - £164,999	0	0	0	0	1	1
	255	**164**	**419**	**223**	**170**	**393**

14. 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 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.

14. 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 2014/15 was £4.870m for 248 employees, an average of £19.6k (£5.365m for 226 employees in 2013/14, an average of £23.7k). The value of exit packages related to schools in 2014/15 was £1.159m for 66 employees (£0.542m for 41 employees in 2013/14).

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	
	2013/14 No.	2014/15 No.	2013/14 No.	2014/15 No.	2013/14 No.	2014/15 No.	2013/14 £'000	2014/15 £'000
£0-£20,000	2	1	33	42	35	43	352	380
£20,001-£40,000	0	0	4	16	4	16	85	410
£40,001-£60,000	1	0	1	5	2	5	105	233
£60,001-£80,000	0	0	0	2	0	2	0	136
Total	**3**	**1**	**38**	**65**	**41**	**66**	**542**	**1,159**

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	
	2013/14 No.	2014/15 No.	2013/14 No.	2014/15 No.	2013/14 No.	2014/15 No.	2013/14£ £'000	2014/15 £'000
£0-£20,000	0	0	104	127	104	127	972	1,121
£20,001-£40,000	0	0	38	27	38	27	1,087	752
£40,001-£60,000	0	0	27	14	27	14	1,304	693
£60,001-£80,000	0	0	6	9	6	9	396	603
£80,001-£100,000	0	0	6	2	6	2	538	182
£100,001-£150,000	0	0	3	3	3	3	328	360
£150,001-£200,000	0	0	1	0	1	0	198	0
Total	**0**	**0**	**185**	**182**	**185**	**182**	**4,823**	**3,711**

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	
	2013/14 No.	2014/15 No.	2013/14 No.	2014/15 No.	2013/14 No.	2014/15 No.	2013/14 £'000	2014/15 £'000
£0-£20,000	2	1	137	169	139	170	1,324	1,501
£20,001-£40,000	0	0	42	43	42	43	1,172	1,162
£40,001-£60,000	1	0	28	19	29	19	1,409	926
£60,001-£80,000	0	0	6	11	6	11	396	739
£80,001-£100,000	0	0	6	2	6	2	538	182
£100,001-£150,000	0	0	3	3	3	3	328	360
£150,001-£200,000	0	0	1	0	1	0	198	0
Total	**3**	**1**	**223**	**247**	**226**	**248**	**5,365**	**4,870**

14. 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 2014/15 the termination payments made to employees totalled £3.360m and related to 248 staff. In 2013/14 the termination payments made to employees totalled £3.617m and related to 226 staff.

15. External Audit Costs

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

2013/14 £000	External Audit Costs	2014/15 £000
153	Fees payable to the Audit Commission and Grant Thornton with regard to external audit services carried out by the appointed auditor	153
(21)	Rebate on audit fee received from Audit Commission	(16)
5	Fees payable to the Audit Commission and Grant Thornton for the certification of grant claims and returns	5
23	Fees payable in respect of other services (Note 1)	0
160		**142**

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

16. 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 2014/15 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 2014			325,840	
Academy Figure Recouped for 2014/15			(76,638)	
Total DSG After Academy Recoupment for 2014/15			249,202	
Add Brought Forward from 2013/14			4,173	
Less Carry forward to 2015/16 agreed in advance			(2,482)	2,482
Agreed initial budgeted distribution in 2014/15	31,101	219,792	250,893	
Add In Year Adjustments 2014/15	0	0	0	
Final Budgeted Distribution for 2014/15	31,101	219,792	250,893	
Less Actual central expenditure	(31,527)			
Less Actual ISB deployed to schools		(217,693)		
Add Council contribution for 2014/15	0	0		
Carry forward to 2015/16	**(426)**	**2,099**		1,673
Total Carry Forward				**4,155**

This does not include the adjustment of £0.027m to the early years block of the grant updated to reflect pupil numbers on the January 2015 census which was notified to the Council in May 2015.

17. Grant Income

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 2014/15 that were credited to Services.

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

- £41,710 Police and Crime Panel Grant from the Home Office in 2014/15 (£56,437 2013/14). 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 2014/15.
- £40,000 in 2014/15 and 2013/14 towards the salary of Independent Domestic Violence Advisors (IDVA).
- £15,000 in 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.

Restated 2013/14 £000	Grants Credited to Services	2014/15 £000
253,167	Dedicated Schools Grant	249,202
0	Dedicated Schools Grant 2013/14	107
9,825	Pupil Premium	13,163
886	Primary PE and Sports Funding	1,909
10,097	Sixth Form Funding from YPLA	9,502
2,491	Adult & Community Learning	2,632
0	Universal Free School Meals	3,411
904	Youth Offending Teams	922
12,307	Public Health	15,030
56	Police and Crime Panel Grant	42
40	IDVA Grant	40
15	MARAC Grant	0
4,624	Other grants	3,942
6,457	Revenue Expenditure Funded from Capital Under Statute (REFCUS) grants	14,655
300,869	**Total Grants Credited to Services**	**314,557**

The Dedicated Schools Grant received in 2014/15 shown in the above table includes £0.107m received this year that relates to 2013/14 early years block of the grant updated to reflect pupil numbers on the January 2014 census which was notified to the Council in May 2014.

17. Grant Income continued

The Council received the following Non ring fenced Government Grants and Capital Grants and contributions in 2014/15 which were credited to taxation and non specific grant income.

Restated 2013/14 £000	Credited to Taxation and Non Specific Grant Income	2014/15 £000
116,670	Revenue Support Grant (RSG)	100,792
59,225	Top Up Grant	14,123
13,536	PFI Grant	13,536
2,099	Council Tax Freeze Grant 2013/14	2,103
685	Extended Rights to Free Travel	399
178	Local Lead Flood Authority	178
583	New Homes Bonus	975
658	New Homes Bonus RSG Top Slice Refund	268
815	Adoption Reform Grant	404
223	Fire Revenue Grant	257
7,061	Education Services Grant	6,693
439	Local Reform and Community Voice Grant	453
1,391	Local Welfare Assistance Grant	1,371
1,910	Additional Highways Grant (severe weather 2014)	0
656	NNDR Small Business Relief Grant	1,999
1,383	Troubled Families	1,088
0	Special Educational Needs Reform	564
0	New Burdens Grant	391
619	Council Tax Support Scheme – Transitional Grant	0
1,333	LACSEG Academies Funding Refund	0
595	Efficiency Support for Services in Sparse Areas	0
615	Additional RSG (Capitalisation Redistribution)	0
369	Other General Grants	615
44,126	Capital Grants	50,338
255,169	**Total Credited to Taxation and Non Specific Grant Income**	**196,547**

The main changes in the grants credited to Taxation and Non Specific Grant Income are:

- £15.878m reduction in Revenue Support Grant (RSG) is determined by the overall reduction of the Settlement Funding Assessment (SFA).

- Cumbria has a Business Rate Pool that came into effect from 1st April 2014 and comprises the County Council and 5 of the 6 Cumbrian Districts. The pool arrangement results in the District Councils paying tariff payments direct to the Council (£46.257m in 2014/15) with a corresponding reduction in the level of Top Up Grant when compared to 2013/14 in the table above that the Council receives from Government.

18. 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

Restated 2013/14 £000	Movement on Capital Financing Requirement	2014/15 £000
497,179	Opening Capital Financing Requirement	491,752
	Capital Investment:	
59,687	Property, Plant and Equipment	69,216
412	Intangible Assets	190
6,457	Revenue Expenditure Funded From Capital Under Statute	14,655
370	Investments	0
66,926		84,061
	Sources of Finance:	
(2,786)	Capital Receipts	(3,553)
(51,157)	Government Grants and Contributions	(66,085)
	Sums set aside from revenue:	
(16,072)	Minimum Revenue Provision	(16,032)
(2,338)	Revenue Contributions	(2,511)
491,752	**Closing Capital Finance Requirement**	**487,632**
	Explanations of Movement in Year:	
	Increase/ (Decrease) in underlying need to borrow	
(15,571)	- Supported by Government Financial Assistance	(16,032)
6,741	- Unsupported by Government Financial Assistance (Prudential Borrowing)	11,912
3,403	- Assets acquired under PFI	0
(5,427)	**Increase/(decrease) in Capital Financing Requirement**	**(4,120)**

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 2014/15 this amount was £16.032m (2013/14 £16.072m).

19. 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 in Other Land and Buildings. The Net Book Value at 31st March 2015 was £15.000m (31st March 2014 £13.509m).

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 2014/15 there were no contingent rents payable by the Council (None in 2013/14).

The Council sub lets part of the Parkhouse Building to Capita. Income of £0.565m was received in 2014/15 and a further £1.852m is expected in future years.

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 2014			**31st March 2015**		
	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	664	951	1,615	582	826	1,408
Later than one year but not later than five years	1,808	1,165	2,973	1,528	1,314	2,842
Later than five years	3,998	17	4,015	3,960	3	3,963
	6,470	**2,133**	**8,603**	**6,070**	**2,143**	**8,213**

19. Leases continued

Operating Leases continued

The expenditure is allocated to the appropriate service in accordance with SeRCOP within the Comprehensive Income and Expenditure Statement for 2014/15. Lease payments of £2.341m (2013/14 £2.609m) 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:

	31st March 2014	**31st March 2015**
	Operational Land & Buildings £000	**Operational Land & Buildings £000**
Not later than one year	669	849
Later than one year but not later than five years	2,166	1,998
Later than five years	1,091	3,131
	3,926	**5,978**

The income is allocated to the appropriate service in accordance with SeRCOP within the Comprehensive Income and Expenditure Statement for 2014/15. Lease income of £1.357m (2013/14 £1.111m) were recognised as income in the Comprehensive Income and Expenditure Statement.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no contingent rents receivable by the Council in 2014/15 or 2013/14.

20. Private Finance Initiatives and Similar Contracts

The Council currently has three PFI/PPP contracts which are detailed below, the liability at 31st March 2015 is:

Short Term Liability at 31st March 2014 £000	Long Term Liability at 31st March 2014 £000	Total PFI Liability at 31st March 2014 £000	Contract	Short Term Liability at 31st March 2015 £000	Long Term Liability at 31st March 2015 £000	Total PFI Liability at 31st March 2015 £000
0	42,036	42,036	Waste Management PPP	0	42,530	42,530
154	59,437	59,591	Carlisle Northern Development Route PFI	179	59,282	59,461
214	16,046	16,260	Fire Station Replacement PFI	240	15,806	16,046
368	**117,519**	**117,887**		**419**	**117,618**	**118,037**

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 £526m. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme.

To achieve this aim, 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 £40.093m (2013/14 £41.692m).

20. Private Finance Initiatives and Similar Contracts continued

Waste Management Contract continued

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 £20.802m gross unitary charge in 2014/15 (£19.770m in 2013/14).

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 2015/16	15,364	368	(90)	7	5,959	21,608
Payable within 2 and 5 years	67,128	1,567	96	(253)	23,829	92,367
Payable within 6 and 10 years	96,095	2,190	3,599	(827)	28,979	130,036
Payable within 11 and 15 years	110,073	2,478	13,192	(1,228)	23,836	148,351
Payable within 16 and 20 years	99,395	2,215	23,869	(1,288)	9,391	133,582
Total	**388,055**	**8,818**	**40,666**	**(3,589)**	**91,994**	**525,944**

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 £407m. The contract is an essential component of the economic regeneration of West Cumbria, one of the most economically deprived parts of the North West.

The primary aim of the contract was to design, build, finance and operate a new 8.3km largely single carriageway road to connect the North and West of Carlisle. The intention is to relieve pressure on radial routes within Carlisle City, which is key to realising development of the strategic employment site at Kingmoor Park to its full potential of 5,500 jobs. The CNDR was scheduled to be fully completed, contractually, by 2013, but was completed and became operational in February 2012 and was recognised on the Council's Balance Sheet at £60.091m. The current net book value on the Council's Balance Sheet is £54.137m (2013/14 £55.563m).

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.

20. Private Finance Initiatives and Similar Contracts continued

Carlisle Northern Development Route continued

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 over the life of the contract, the abated PFI credits i.e. the net present value using the Government interest rate of 6.3% is £158m.

The Council paid £13.490m gross unitary charge in 2014/15 (£13.292m in 2013/14) 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 2015/16	5,762	179	705	7,285	**13,931**
Payable within 2 and 5 years	22,908	2,187	3,819	28,855	**57,769**
Payable within 6 and 10 years	31,142	6,031	6,598	33,439	**77,210**
Payable within 11 and 15 years	36,027	10,295	8,363	28,752	**83,437**
Payable within 16 and 20 years	41,436	17,741	10,329	20,958	**90,464**
Payable within 21 and 25 years	42,392	24,496	9,526	7,536	**83,950**
Total	**179,667**	**60,929**	**39,340**	**126,825**	**406,761**

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 £55m. At the end of the concession period the fire stations will be transferred to the Council's ownership. The contract will run for 25 years from the date of final handover, and the Council pays a unitary payment. The stations built in Cumbria are:

- Carlisle - 2 sites - Carlisle East and Carlisle West.
- Workington – 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.

20. Private Finance Initiatives and Similar Contracts continued

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. The final fire station, Workington, was completed in 2013/14 and became operational in June 2013. The five fire stations are included in the Council's Balance Sheet at a net book value of £14.244m (2013/14 £14.593m).

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 over the life of the contract. The Council paid £1.959m gross unitary charge in 2014/15 (£1.863m in 2013/14) 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	493	240	28	1,341	2,102
Payable within 2 and 5 years	2,108	1,180	181	5,137	8,606
Payable within 6 and 10 years	2,994	2,117	383	5,743	11,237
Payable within 11 and 15 years	3,461	3,165	562	4,648	11,836
Payable within 16 and 20 years	4,009	4,754	744	3,006	12,513
Payable within 21 and 25 years	3,050	4,286	535	696	8,567
Total	**16,115**	**15,742**	**2,433**	**20,571**	**54,861**

21. Property, Plant and Equipment

21.1 Movement on Balances – Movement 2014/15

2014/15	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	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation								
At 1st April 2014	593,133	61,051	507,312	59	3,318	43,279	1,208,152	115,355
Additions	14,577	4,509	40,466	0	9,569	95	69,216	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(23,029)	0	0	6	0	(15,391)	(38,414)	0
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(61,351)	0	0	0	0	(9,020)	(70,371)	0
Derecognition – disposals	(345)	(920)	0	0	0	(2,590)	(3,855)	0
Derecognition	(16,933)	(551)	0	0	0	(1,666)	(19,150)	0
Assets reclassified to/from Held for Sale	(4,557)	0	0	0	0	(1,665)	(6,222)	0
Reclassifications – other	(3,055)	2	0	0	(1,065)	4,121	3	0
At 31st March 2015	**498,440**	**64,091**	**547,778**	**65**	**11,822**	**17,163**	**1,139,359**	**115,355**
Accumulated Depreciation								
At 1st April 2014	(20,672)	(36,603)	(84,602)	0	0	(1,205)	(143,082)	(3,507)
Depreciation charge	(14,334)	(4,027)	(12,970)	0	0	(543)	(31,874)	(3,374)
Depreciation written out to the Revaluation Reserve	15,184	0	0	0	0	1,735	16,919	0
Depreciation written out to the surplus/deficit on the provision of services	7,481	0	0	0	0	71	7,552	0
Derecognition – disposals	0	857	0	0	0	11	868	0
Derecognition	2,292	347	0	0	0	110	2,749	
Assets reclassified to/from Held for Sale	263	0	0	0	0	18	281	0
Depreciation on reclassifications - other	329	0	(1)	0	0	(330)	(2)	0
At 31st March 2015	**(9,457)**	**(39,426)**	**(97,573)**	**0**	**0**	**(133)**	**(146,589)**	**(6,881)**
Net Book Value								
at 31st March 2015	**488,983**	**24,665**	**450,205**	**65**	**11,822**	**17,030**	**992,770**	**108,474**
at 1st April 2014	**572,461**	**24,448**	**422,710**	**59**	**3,318**	**42,074**	**1,065,070**	**111,848**

21. Property, Plant and Equipment continued
21.2 Movement on Balances - Comparative Movements in 2013/14

Restated 2013/14	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	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation								
At 1st April 2013	659,754	54,872	477,525	59	15,707	18,837	1,226,754	111,665
Additions	13,103	4,820	29,685	0	10,725	1,354	59,687	3,689
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(13,900)	1,378	0	0	0	(79)	(12,601)	0
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(13,632)	0	0	0	0	(3,534)	(17,166)	1
De-recognition – disposals	(1,242)	(105)	0	0	0	(1,881)	(3,228)	0
De-recognition	(42,959)	(1,882)	0	0	0	(12)	(44,853)	0
Assets reclassified to/from Held for Sale	(586)	0	0	0	0	143	(443)	0
Reclassifications – other	(7,405)	1,968	102	0	(23,114)	28,451	2	0
At 31st March 2014	**593,133**	**61,051**	**507,312**	**59**	**3,318**	**43,279**	**1,208,152**	**115,355**
Accumulated Depreciation								
At 1st April 2013	(20,900)	(32,149)	(72,368)	0	0	(212)	(125,629)	(227)
Depreciation charge	(15,637)	(3,902)	(12,224)	0	0	(104)	(31,867)	(3,280)
Depreciation written out to the Revaluation Reserve	10,038	(1,045)	0	0	0	1,868	10,861	0
Depreciation written out to the surplus/deficit on the provision of services	2,049	0	0	0	0	0	2,049	0
De-recognition – disposals	41	105	0	,0	0	7	153	0
De-recognition	962	388	0	0	0	0	1,350	0
Depreciation on reclassifications - other	2,775	0	(10)	0	0	(2,764)	1	0
At 31st March 2014	**(20,672)**	**(36,603)**	**(84,602)**	**0**	**0**	**(1,205)**	**(143,082)**	**(3,507)**
Net Book Value								
at 31st March 2014	**572,461**	**24,448**	**422,710**	**59**	**3,318**	**42,074**	**1,065,070**	**111,848**
at 1st April 2013	**638,854**	**22,723**	**405,157**	**59**	**15,707**	**18,625**	**1,101,125**	**111,438**

21. Property, Plant and Equipment continued

21.3 Depreciation

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

21.4 Capital Commitments

At 31st March 2015 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £6.376m. Similar commitments at 31st March 2014 were £11.343m. The major commitments are:

2013/14 £000	Capital Project	2014/15 £000
	Schools – new build and refurbishments:	
341	West Lakes Academy	308
141	Trinity School	127
50	Ulverston Victoria High School	250
1,150	Transforming Learning Schemes	500
0	Early Education for Two Year Olds	197
1,750	Priority Maintenance (Schools)	400
730	Completed Projects (Schools)	0
	Other Projects:	
829	Connecting Cumbria	1,137
347	Highways Schemes	1,362
527	Other Minor Schemes	388
0	Extra Care Housing	1,272
0	Breathing Apparatus Telemetry Equipment	435
4,642	Barrow Elderly Persons Home	0
543	Lazonby & Bootle Fire Stations	0
293	Better Places For Work	0
11,343		**6,376**

The Council has further contractual commitments in respect of PFI/PPP schemes that are detailed in Note 20.

21.5 Effects of Changes in Estimates

In 2014/15 the Council has made a material change in the estimates methodology used relating to the changes in the design guidance published in Building Bulletin 103: Area Guidelines for Mainstream Schools' (BB103) which was released in April 2014. All Primary and Secondary schools have been revalued in the year in line with these changes.

21. Property, Plant and Equipment continued

21.6 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 2014/15 were:

- D Kirkwood, BSc (Hons) MRICS
- D Wiggins, BSc (Hons) MRICS
- P Robinson, MSc 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 is a direct charge to the revenue account in the year of purchase. The exception to this is schools' equipment funded from capital grant.

The significant assumptions applied in estimating the fair values are:

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

Property assets are classified as:

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

21. Property, Plant and Equipment continued

21.6 Revaluations

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) or Existing Use Value (EUV)
Investment Property	Market Value
Assets held for sale	Market Value or Existing Use Value (EUV) if lower
Surplus Assets	Existing Use Value (EUV)

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	21,251	0	21,251
Valued at fair value (Net Book Value) as at:				
31/3/2015	327,486	0	3,136	330,622
31/3/2014	25,134	0	6,325	31,459
31/3/2013	76,734	319	2,849	79,902
31/3/2012	30,703	3,095	1,938	35,736
31/3/2011	28,926	0	2,782	31,708
Total	**488,983**	**24,665**	**17,030**	**530,678**

There were no impairment losses throughout the financial years 2013/14 and 2014/15.

22. Heritage Assets

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

The carrying value of Heritage Assets held by the Council as at 31st March 2015 was £0.543m (£0.533m as at 31 March 2014). The increase in value of £0.010m reflects the updating of insurance valuations for the civic regalia.

23. 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 £2.124m charged to revenue in 2014/15 (£3.966m 2013/14) 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 2014/15 of £0.190m related to new software. The movement on Intangible Asset balances during the year is as follows:

Intangible Assets	**2013/14 £000**	**2014/15 £000**
Balance at start of year:		
Gross carrying amount	19,598	20,010
Accumulated amortisation	(13,124)	(17,090)
Net carrying amount at start of year	6,474	2,920
Purchases	412	190
Amortisation for the period	(3,966)	(2,124)
Net carrying amount at end of year	**2,920**	**986**
Comprising:		
Gross carrying amount	20,010	20,200
Accumulated amortisation	(17,090)	(19,214)
	2,920	**986**

24. 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.

In 2012/13, 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.

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.

There was no movement in 2014/15 and the balance as at 31st March 2015 is £3.183m.

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.

25. Long Term Debtors

Long Term Debtors	Balance at 31st March 2014 £000	Net In Year Transactions £000	Balance at 31st March 2015 £000
Charlotte Mason & Barrow 6th Form Colleges	449	(30)	419
Magistrates Court Service	592	(24)	568
Residential Care Charges	6,548	(89)	6,459
Other Long Term Debtors	340	10	350
Staff Car Loans	228	(74)	154
	8,157	**(207)**	**7,950**

The 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.

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 £6.459m is considered as long term debt in 2014/15 (£6.548m 2013/14), as it is either secured by a charge on property or is part of a deferred payment agreement.

26. Current Assets Held For Sale

Current Assets held for Sale	2013/14 £000	2014/15 £000
Balance outstanding at start of year	579	600
Assets newly classified as held for sale:		
Property, Plant & Equipment	719	6,041
Revaluation gains / (losses) recognised in the Revaluation Reserve	50	(1,586)
Revaluation gains / (losses) recognised in the surplus/deficit on provision of services	(189)	(1,659)
Assets declassified as held for sale:		
Property, Plant & Equipment	(275)	(100)
Assets Sold	(284)	(430)
Balance outstanding at year end	**600**	**2,866**

27. Short Term Debtors and Prepayments

An analysis of sums due to the Council as at 31st March 2015 is as follows:

31st March 2014 £000	Debtors and Prepayments	31st March 2015 £000
	Debtors:	
13,000	Central Government Bodies	11,836
(56)	Central Government Bodies – doubtful debt allowance	(42)
3,796	Other Local Authorities	6,497
(7)	Other Local Authorities – doubtful debt allowance	0
3,204	NHS Bodies	13,675
(55)	NHS Bodies – doubtful debt allowance	(6)
0	Public Corporations and Trading Funds	1
27,534	Other Entities and Individuals	29,260
(8,197)	Other Entities and Individuals – doubtful debt allowance	(8,087)
39,219		**53,134**
	Prepayments:	
20	Other Local Authorities	27
6,120	Other Entities and Individuals	9,714
6,140		**9,741**
45,359	**Total Debtors and Prepayments**	**62,875**

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

BREAKDOWN OF LARGE VARIANCES	31st March 2014 £000	31st March 2015 £000	Variance £000
Accounts Receivable	6,828	16,872	10,044
Connecting Cumbria	1,975	2,518	543
VAT	7,272	7,919	647
Non Domestic Rates – Arrears	1,287	2,809	1,522
Council Tax – owed by Billing Authority	853	2,088	1,235
RAS Home Care Prepayments	912	2,698	1,786
Direct Payments	168	1,077	909
Other debtors and prepayments	26,064	26,894	830
Total	**45,359**	**62,875**	**17,516**

An invoice for £11.495m was raised in March 2015 to the NHS which was subsequently paid on 1st April 2015.

27. Short Term Debtors and Prepayments 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 as shown in the Council's accounts at 31st March is analysed below:

Bad Debt Provision	31st March 2014 £000	31st March 2015 £000
Central Bad Debt Provision	1,234	1,050
Residential Accounting System (RAS) and Home Care System (NAS)	1,970	1,815
Business Rates Payers	314	297
Council Tax Payers	4,797	4,973
Total	**8,315**	**8,135**

28. Financial Instruments

Categories of Financial Instruments

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

28.1 Financial Instruments Balances

Long Term Financial Instruments

	31st March 2014 £000	31st March 2015 £000
Long Term Investments:		
Unquoted equity at cost	3,183	3,183
Long Term Debtors:		
Loans and receivables	8,157	7,950
Long Term Borrowings:		
Financial liabilities at amortised cost	(308,413)	(302,886)
Other Long Term Liabilities:		
PFI liabilities	(117,519)	(117,618)

28.1 Financial Instruments Balances continued
Current Financial Instruments

	Current	
	31st March 2014 £000	31st March 2015 £000
Short Term Investments:		
Loans and receivables	55,178	75,324
Cash and Cash equivalents	106,063	35,094
Total Short Term Investments	**161,241**	**110,418**
Short Term Debtors:		
Loans and receivables (contractual debtors only)	14,328	15,579
Short Term Borrowings:		
Financial liabilities at amortised cost	(12,166)	(10,110)
Bank Overdraft	(4,047)	(2,386)
Total Short Term Borrowings	**(16,213)**	**(12,496)**
Short Term Creditors:		
Financial liabilities at amortised cost (contractual creditors only)	(46,866)	(44,882)
PFI Liability	(368)	(419)
Total Short Term Creditors	**(47,234)**	**(45,301)**

Reclassifications
There were no reclassifications in the year.

28.2 – 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:

2014/15	PFI Liability £000	Financial Liabilities (measured at amortised costs) £000	Financial Assets (Loans & Receivables) £000	Total £000
Interest Expense	15,173	14,109	0	29,282
Total expense in (surplus) or deficit on the provision of services	**15,173**	**14,109**	**0**	**29,282**
Interest and Investment Income	0	0	(3,040)	(3,040)
Total income in (surplus) or deficit on the provision of services	**0**	**0**	**(3,040)**	**(3,040)**
Net (Gain)/Loss for year	**15,173**	**14,109**	**(3,040)**	**26,242**

28. Financial Instruments continued

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

2013/14	PFI Liability £000	Financial Liabilities (measured at amortised costs) £000	Financial Assets (Loans & Receivables) £000	Total £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**

Fair Value Of Assets And Liabilities

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

- For Public Works Loan Board (PWLB) debt, 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.

28. Financial Instruments continued

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

Fair Value Of Assets And Liabilities continued

The fair values calculated are as follows:

Fair Value of Liabilities

	31st March 2014		31st March 2015	
Fair Value of Liabilities	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities:				
PWLB borrowings	290,200	300,905	282,700	343,714
Market Loans	25,520	26,063	25,507	31,606
Local Authorities	193	193	179	179
Accrued Interest	4,666	4,666	4,610	4,610
Creditors – contractual	46,866	46,866	44,882	44,882
Bank Overdraft	4,047	4,047	2,386	2,386
PFI Liability	117,887	183,864	118,037	207,384

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.

Fair Value of Assets

	31st March 2014		31st March 2015	
Fair Value of Assets	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and Receivables:				
Cash	16,107	16,107	9,038	9,038
Deposits with banks and building societies	144,875	144,931	101,019	101,083
Accrued Interest	245	245	293	293
Deposit with Insurer	15	15	68	68
Unquoted Equity	3,183	3,183	3,183	3,183
Long Term Debtors	8,157	8,157	7,950	7,950
Debtors – contractual	14,328	14,328	15,579	15,579

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.

29. 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. The institutions include Bank of England Debt Management Deposit Account Facility DMADF Fund, Money Market Funds, other Local Authorities, Banks and part nationalised UK banks. Commonly used counterparties are Royal Bank of Scotland, NatWest, Lloyds, Bank of Scotland, HSBC and Nationwide Building Society, and National Australia Bank.

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there is no evidence at 31st March 2015 that was likely to crystallise.

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

Credit Risk continued

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 £1.986m (£1.322m 2013/14) of the £3.425m (£3.052m 2013/14) balance is past its due date for payment. This analysis does not include all contractual debtors. The Council also has £13.517m and £1.476m owed by individuals in respect of outstanding residential and non residential care charges (RAS and NAS) (£14.178m and £1.900m in 2013/14). Of this debt £6.459m (2013/14 £6.548m) 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 2014 £000**	**31st March 2015 £000**
Less than one month	1,730	1,439
One to two months	213	338
Two to six months	241	451
Six months to one year	122	275
More than one year	746	922
Total	**3,052**	**3,425**

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 2014 £000**	**31st March 2015 £000**
Central Bad Debt Provision	1,115	1,001
RAS and NAS	1,970	1,815
Total	**3,085**	**2,816**

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

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 meets 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.

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

Analysis of maturity of long and short term loans

Loan Principal outstanding	**On 31st March 2014 £000**	**On 31st March 2015 £000**
Public Works Loans Board	290,200	282,700
Market debt	25,520	25,507
Other	193	179
Total	**315,913**	**308,386**
Less than 1 Year	7,500	5,500
Between 1 and 2 years	5,693	7,500
Between 2 and 5 years	22,500	31,000
Between 5 and 10 years	39,200	37,700
More than 10 years	241,020	226,686
Total	**315,913**	**308,386**

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

Liquidity Risk continued

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 2014 £000	On 31st March 2015 £000
Business Reserve Instant Access	55,000	16,927
Fixed Term Deposits	65,000	75,050
Money Market Funds	24,875	9,042
Total	**144,875**	**101,019**
Less than 1 year	144,875	101,019
Total	**144,875**	**101,019**

Market Risk

Interest Rate Risk

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

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

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

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

Interest Rate Risk continued

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 2015, 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 £1.618m. The impact of a 1% fall in interest rates would be a net decrease in income of £1.040m, 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.

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.

30. Cash and Cash Equivalents

31st March 2014 £000	Cash and Cash Equivalents	31st March 2015 £000
16,122	Bank Current Accounts	9,106
89,941	Short Term Deposits	25,988
106,063	**Cash and Cash Equivalents**	**35,094**
(4,047)	Bank Overdraft	(2,386)
102,016		**32,708**

The balance on the Council's main bank accounts at 31st March 2015 was £2.386m (2013/14 £4.047m) 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 £9.106m (2013/14 £16.122m) in hand and are included as cash and cash equivalents in Current Assets. Short term deposits totalling £25.988m (2013/14 £89.941m) 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.

31. Short Term Creditors

An analysis of amounts owed by the Council at 31st March 2015 is:

31st March 2014 £000	Creditors and Accruals:	31st March 2015 £000
9,114	Central Government bodies	8,401
3,294	Other Local Authorities	3,090
1,959	NHS Bodies	1,374
0	Public Corporations and Trading Funds	8
59,399	Other Entities and Individuals	57,934
73,766		**70,807**

32. 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 2014 £000	Revenue Grants Receipts in Advance	31st March 2015 £000
224	Health Gain Transition	0
6,244	NHS Support for Social Care	4,995
1,869	Public Health Grant	2,432
4,235	Other grants	6,058
12,572	**Total Revenue Grants Receipts in Advance**	**13,485**

33. Provisions

The Council has made the following provisions:

Long Term Provisions	Balance at 31st March 2014 £000	Additional Provisions Made in 2014/15 £000	Amounts used in 2014/15 £000	Balance at 31st March 2015 £000
Long term provisions				
Insurance – employers & public liability	5,980	1,530	0	7,510
Business Rates Appeals	2,974	4,122	(2,974)	4,122
Total Long term provisions	**8,954**	**5,652**	**(2,974)**	**11,632**
Short term provisions				
Insurance – motor and fire	297	0	(57)	240
MMI Provision	0	72	0	72
Equal Pay – phase 1	147	0	(147)	0
Equal Pay – phase 2	2,224	0	(2,224)	0
Equal Pay	0	190	0	190
Other Provisions	94	0	0	94
Voluntary redundancies	1,134	1,241	(1,134)	1,241
Total short term provisions	**3,896**	**1,503**	**(3,562)**	**1,837**

33. Provisions continued

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 2015. The estimate is based on the advice of consulting actuaries 'Marsh Risk Consulting'. The balance of funding is held in an insurance reserve (£7.052m note 35.1) to support the ongoing self insurance programme for the period to 31st March 2015.

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 was notified in May 2013 resulting in an initial payment (including pre 2013/14 claims) of £0.781m in 2013/14. In 2014/15 the 15% levy equated to £0.089m including a provision of £0.072m for the Council.

Equal Pay

As at 31st March 2014 a provision of £0.147m remained for costs arising from Equal Pay Phase 1 and £2.224m Phase 2 (covering staff in schools). During 2014/15 a commercial settlement was reached with teaching assistants. As a result the provisions were no longer required and were released. £2.000m was subsequently transferred to the Modernisation Reserve in the year. There remained a small number of possible equal pay claims for which a provision of £0.190m has been included in 2014/15.

Voluntary Redundancies

Provisions were made in 2013/14 for redundancies that had been agreed as part of the Corporate voluntary redundancy programme but the individuals employment ended after 31st March 2014. These provisions were fully utilised in 2014/15, but the Council undertook a further programme of voluntary redundancies in 2014/15, some employees left the Council during 2014/15. Where the application has been accepted but the staff will leave the Council after 31st March 2015, further provisions of £1.241m have been made.

33. Provisions continued

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 2015. 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 2015 is £4.122m.

34. 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 2014 £000	Capital Grants Receipts in Advance	31st March 2015 £000
	Education and Children's Services	
3,083	Partnerships for Schools – Academies Grant	3,049
35	Capital Modernisation	0
2,019	Devolved Formula Capital	1,777
156	14-19 Diploma	22
7,872	Basic Need	8,063
15,971	Capital Maintenance	11,849
1,189	Other Children's Grants	1,990
	Highways and Transport Services	
3,622	DfT Flooding Recovery Grant (2009)	2,033
3,606	Highways Maintenance	2,268
1,108	Severe Weather Recovery (2014)	571
0	Pinch Point funding	1,084
625	Other Transport grants and contributions	634
3,223	Other Services	4,116
42,509	**Total Capital Grants Receipts in Advance**	**37,456**

35. Usable Reserves

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement and are detailed in notes 35.1 to 35.2 below.

35.1 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 2014/15.

Earmarked Reserves	Balance at 31st March 2014 £000	Transfer Between Reserves £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31st March 2015 £000
Directorates:					
Health & Care Services (formerly Adult and Local Services)	2,006	0	0	0	2,006
Environment & Community Services	2,709	66	(680)	1,089	3,184
Fire & Rescue Service (formerly Safer & Stronger Communities)	153	0	(153)	0	0
Local Committees	1,351	0	(1,351)	949	949
Resources	8,965	0	(552)	383	8,796
Chief Executive	79	(79)	0	0	0
Children's Services – HQ budgets	625		(424)	5	206
Community Development & Adult Education Centres	(13)	13	0	0	0
	15,875	0	(3,160)	2,426	15,141
Other Reserves:					
Improvement and Efficiency Reserve	2,536	0	(668)	0	1,868
Elections	262	0	(19)	119	362
Sea Fisheries Boat Replacement	807	0	(430)	533	910
Business Rates Volatility Reserve	0	0	0	179	179
Other Services	3,009	0	(412)	1,675	4,272
Modernisation Reserve	21,288	0	(2,539)	2,000	20,749
Revenue Grants	33,025	0	(3,919)	3,817	32,923
	60,927	0	(7,987)	8,323	61,263
Insurance	6,512	0	0	540	7,052
Sub Total – Council Revenue Earmarked Reserves	**83,314**	**0**	**(11,147)**	**11,289**	**83,456**
Delegated Schools Budgets and Ring Fenced Schools Related:					
Schools	8,413	0	(6,090)	2,398	4,721
Children's Services - DSG and other grants ring fenced to schools	4,173	0	(2,294)	2,767	4,646
	12,586	0	(8,384)	5,165	9,367
Total Revenue Earmarked Reserves	**95,900**	**0**	**(19,531)**	**16,454**	**92,823**
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	6	3,947
Total Revenue Reserves for Capital Purposes	**5,324**	**0**	**0**	**6**	**5,330**
Total Revenue Earmarked Reserves	**101,224**	**0**	**(19,531)**	**16,460**	**98,153**

35. Usable Reserves

35.1 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.

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 2014 the balance on this reserve was £21.288m. £2.224m was released from the Equal Pay Provision and £2.000m of this was transferred to the reserve during the year.

As a result of the future funding situation facing the Council, it decided to implement a further voluntary redundancy scheme in April 2014, to assist in delivering the savings required. The cost of redundancies has been met from this Reserve. In 2014/15 the Council has drawn down £2.207m (2013/14 £2.758m) from the reserve in respect of termination costs.

A further £0.332m was drawdown on the reserve to fund residual Equal Pay issues in the year. The balance on the reserve at 31st March 2015 is £20.749m.

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 2015 is £32.923m which includes £3.290m Performance Reward Grant (£4.199m 2013/14) to be spent as part of the Connecting Cumbria project, and £24.957m of PFI grant to support the Carlisle Northern Development Route and replacement fire stations project (£23.528m 2013/14).

Insurance

The Council self-insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self-insurance; the funds set aside have been separated into two elements – a provision and a reserve. The insurance provision £7.750m (long term £7.510m and short term £0.240m note 33) represents the sum estimated to meet claims identified at 31st March 2015. 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 2015 the reserve is £7.052m.

35. Usable Reserves

35.1 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.

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

Schools Earmarked Reserves

Schools Earmarked Reserves	31st March 2014 No.	31st March 2014 £000	31st March 2015 No.	31st March 2015 £000
Schools in surplus	243	11,120	239	9,661
Schools in deficit	49	(2,707)	48	(4,940)
	292	**8,413**	**287**	**4,721**
Children's services - DSG ring fenced to schools		4,173		4,646
Total		**12,586**		**9,367**

There has been a decrease of five in the number of schools as a result of the following schools converting to Academies during the year:

- Stanwix Primary School
- Lazonby Primary School
- Tebay
- Yanwath
- Walney School

35.2 Capital Reserves

31st March 2014 £000	Capital Reserves	2014/15 1st April 2014 £000	In £000	Out £000	31st March 2015 £000
9,027	Usable Capital Receipts Reserve	9,027	5,349	(3,553)	10,823
2,916	Capital Grants & Contributions Unapplied Reserve	2,916	2,510	(3,602)	1,824
2,813	Long Term Investment Reserve	2,813	0	0	2,813
14,756	**Totals**	**14,756**	**7,859**	**(7,155)**	**15,460**

Usable Capital Receipts Reserve

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

35. Usable Reserves

35.2 Capital Reserves continued

Capital Grants and Contributions Unapplied Reserve

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

Long Term Investment Reserve

This reserve has existed since 1993 when the investment in Cumbria Waste Management Ltd was brought on to the Council's Balance Sheet. During 2012/13, ownership of CWM Ltd and the investment transferred to Cumbria County Holdings Ltd. This does not impact on the reserve.

36. Unusable Reserves

Unusable Reserves are summarised on the Balance Sheet on page 31. The details of each unusable reserve is set out in notes 36.1 to 36.6 below.

36.1 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.

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

Restated 1st April 2013	Restated 31st March 2014 £000	Revaluation Reserve	31st March 2015 £000
146,823	135,792	**Balance as at 1st April**	124,960
(8,748)	0	De-recognition of Voluntary Controlled Schools	0
3,116	(1,689)	Revaluation gains / (losses) on non current assets	(23,072)
285	0	Reversal of impairment losses on non current assets	0
(2,993)	(3,007)	Difference between current value and historic cost depreciation on revalued assets	(2,582)
(2,691)	(6,136)	Write off revaluation gains previously recognised on non current assets now disposed	(2,078)
135,792	**124,960**	**Balance at 31st March**	**97,228**

36. Unusable Reserves continued

36.2 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.

Restated 1st April 2013 £000	Restated 31st March 2014 £000	Capital Adjustment Account	31st March 2015 £000
514,166	475,928	**Balance at 1st April**	452,969
(51,010)	0	Derecognise Voluntary Controlled School assets	0
36,578	0	Add Foundation Schools assets	0
(30,881)	(31,867)	Charge for depreciation of non current assets	(31,874)
(3,851)	(3,966)	Amortisation of intangible assets	(2,124)
(23,534)	(15,306)	Revaluation gains / (losses) on non current assets	(64,439)
(11,774)	(6,457)	Revenue Expenditure Funded From Capital Under Statute	(14,655)
(50,604)	(46,860)	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	(19,816)
2,993	3,007	Difference between current value and historic depreciation on revalued assets	2,582
2,691	6,137	Write off revaluation gains previously recognised on non current assets now disposed	2,078
16,343	16,072	Statutory provision for the financing of capital investment charged against the General Fund	16,032
3,694	2,786	Use of capital receipts to finance new capital expenditure	3,553
57,660	44,126	Capital grants and contributions on non current assets credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	50,338
669	575	Capital grants unapplied – applied to capital financing	1,092
11,774	6,457	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	14,655
1,014	2,338	Capital expenditure charged against the General Fund	2,511
475,928	**452,969**	**Balance at 31st March 2015**	**412,903**

36. Unusable Reserves continued

36.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall 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.

Restated 31st March 2014 £000	Pensions Reserve	31st March 2015 £000
(625,704)	**Balance at 1st April 2014**	**(501,132)**
43,784	Employer's Contributions	43,233
(38,223)	Current Service Cost	(31,194)
(427)	Past Service (Cost) or Gain	(867)
(3,597	Curtailments	(1,740)
1,363	Settlements	1,947
(65,779)	Interest on Liabilities	(67,282)
	Re-measurement of Liabilities:	
28,305	- Experience Gains / (Losses)	6,497
127,723	- Gain / (Loss) on Financial Assumptions	(250,185)
(28,293)	- Gain / (Loss) on Demographic Assumptions	0
40,271	Interest on Plan Assets	47,014
(743)	Administration Expenses	(731)
20,188	Re-measurement of Assets	111,577
(501,132)	**Balance at 31st March 2015**	**(642,863)**

36.4 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 2014 £000	Financial Instruments Adjustment Account	31st March 2015 £000
(533)	LOBOs adjustment to amortised cost	(521)
12	In year adjustment	14
(521)	**Balance at 31st March 2015**	**(507)**

36. Unusable Reserves continued

36.5 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.

31st March 2014 £000	Collection Fund Adjustment Account	31st March 2015 £000
2,614	Balance at 1st April 2014	457
(511)	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	1,149
(1,646)	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	(725)
457	**Balance at 31st March 2015**	**881**

36.6 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 2014 £000	Accumulated Absences Account	31st March 2015 £000
(10,269)	Balance at 1st April 2014	(8,205)
10,269	Settlement or cancellation of accrual made at the end of the preceding year	8,205
(8,205)	Amounts accrued at the end of the current year	(8,278)
(8,205)	**Balance at 31st March 2015**	**(8,278)**

37. 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 2014/15, the Council paid £15.474m to Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £15.856m 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

Council staff who transferred from the NHS have maintained their membership in the NHS Pension Scheme. In 2014/15, the Council paid £0.091m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay. The figures for 2013/14 were £0.134m and 14%.

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.

37. Pension Schemes Accounted for as Defined Contribution Schemes continued

Other risks

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 38. Additional and discretionary pensions paid to retired teachers by the County Council totalled £3.382m in 2014/15 and £3.366m 2013/14.

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 £6.998m (2013/14 £6.634m). Employee contributions were £0.862m (2013/14 £0.849m) and employer contributions were £1.235m (2013/14 £1.356m) which equated to 11% and 21.3% of pensionable pay respectively. Under the 2006 Scheme there were benefits of £0.047m (2013/14 £0.026m) paid. Employee contributions were £0.259m (2013/14 £0.244m) and employer contributions were £0.273m (2013/14 £0.282m) which equated to 8.5% and 11% of pensionable pay respectively.

During 2014/15 an additional Firefighters Pension scheme was introduced for retained firefighters employed between 1st July 2000 and 5th April 2006 who, at that time, didn't have access to a Pension Scheme. This is known as the modified scheme. In 2014/15 there were employee contributions of £0.001m (11%) and employer contributions were £0.002m (21.3%).

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.

37. Pension Schemes Accounted for as Defined Contribution Schemes continued

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.

38. 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.

Early payment of 3 years LGPS deficit lump sum in April 2014

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due now each employer (e.g. the County Council) pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has forgone. At the time of calculating the deficit lump sum amounts the Council had a total deficit repayment value of £147m, with an agreed 19 year deficit recovery period. Paying in advance of this schedule enables a gross saving due to the avoidance of these "interest" payments. This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

The value of the benefit from this lump sum early repayment is significant because the pension fund return on its investments is much greater than the returns the County Council can make on its deposits. For Council Treasury monies, as dictated by the Prudential Code, the primary driver is capital preservation while for the Pension Fund, which has a much longer time horizon and therefore relatively higher risk tolerance, the drivers are financial return and diversification.

38. Defined Benefit Pension Schemes continued

Early payment of 3 years LGPS deficit lump sum in April 2014 continued

In addition, by making the early repayment, this reduces the balance of Council's short-term cash deposits, for which there remains counter party (lending) risk.

The contribution rates are based upon a triennial actuarial review of the fund. As part of the 2013 valuation the Council chose to split the deficit between past service and current service elements and to recover the deficit over 19 years. In addition each element has a different contribution rate:

- Current service cost – 13.0% of pensionable pay.
- Past service cost – a lump sum prepayment of £31.827m for the three years from 1st April 2014 to 31st March 2017.

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). From 1st April 2014 the Council, in agreement with the Actuary, opted to make a supplement to the employer's contribution to past service liabilities to fund an allowance of up to £7.312m for non-ill health early retirements in the period 2014-2017. It is anticipated that this period of workforce reduction and restructuring will continue in the medium term.

The total of employer's contributions to the scheme in 2014/15 was £33.720m (2013/14 £30.307m 12.9%). For the Council this represents 13.0% of pensionable pay plus £10.734m which represents the first year of the three year lump sum payment of £31.827m.

Nature of LGPS Scheme

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

Governance

Management of the Scheme is vested in Cumbria County Council as Administering Authority of the Scheme. Cumbria County Council has appointed a Pension Committee (comprised of 8 County Councillors, 1 District Councillor and two non-voting employee representatives) to manage the Scheme. Advice is given by Cumbria County Council's 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.

38. Defined Benefit Pension Schemes continued

Funding the liabilities

Regulations governing the Fund 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 Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31st 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 Fund's primary long-term risk is that the Fund'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 Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Market Risk

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

Interest Rate Risk

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

Foreign exchange risk

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

38. Defined Benefit Pension Schemes continued

Credit / Counterparty risk

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

Liquidity risks

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

Other risks

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

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

Amendments, curtailments and settlements

The provisions of the Fund were amended with effect from 1st April 2014. As explained above for service up to 31st March 2015 benefits were based on salaries when members leave the Fund, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the Fund's administering authority.

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

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

Transactions Relating to Post Employment Benefits

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

38. Defined Benefit Pension Schemes continued

Transactions Relating to Post Employment Benefits continued

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:

38.1 Transactions Relating to Retirement Benefits – 2014/15

2014/15	LGPS £000	Firefighters £000	Teachers £000	Total £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
Current Service Cost	(28,076)	(3,118)	0	(31,194)
Past Service Cost	(867)	0	0	(867)
Curtailments	(1,740)	0	0	(1,740)
Net (Gains) / Losses from Settlements	1,947	0	0	1,947
Total Service Cost	***(28,736)***	***(3,118)***	***0***	***(31,854)***
Other Operating Expenditure				
Administration Expenses	***(731)***	***0***	***0***	***(731)***
Financing and Investment Income & Expenditure				
Interest on Pension Liabilities	(57,366)	(8,295)	(1,621)	(67,282)
Interest on plan Assets	47,014	0	0	47,014
Total Net Interest	***(10,352)***	***(8,295)***	***(1,621)***	***(20,268)***
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	***(39,819)***	***(11,413)***	***(1,621)***	***(52,853)***
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
Re-measurement Assets	111,577	0	0	111,577
Experience Gain / (Losses)	0	6,556	(59)	6,497
Actuarial Gains and (losses) arising on changes in financial assumptions	(214,589)	(32,532)	(3,064)	(250,185)
Actuarial Gains and (losses) arising on changes in demographic assumptions	0	0	0	0
Total Re-measurement recognised in Other Comprehensive Income and Expenditure	***(103,012)***	***(25,976)***	***(3,123)***	***(132,111)***
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	***(142,831)***	***(37,389)***	***(4,744)***	***(184,964)***
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	39,819	11,413	1,621	52,853
Actual Amount Charged against the General Fund Balance for pensions in the year				
Employers' Contributions Payable to the Scheme	(33,720)	(6,131)		
Retirement Benefits Payable to Pensioners			(3,382)	
Total Employers Contributions and Retirement Benefits Payable				(43,233)

38. Defined Benefit Pension Schemes continued
38.1 Transactions Relating to Retirement Benefits – 2013/14

	LGPS	Firefighters	Teachers	Total
2013/14	**£000**	**£000**	**£000**	**£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 / (Losses)	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)

38. Defined Benefit Pension Schemes continued

38.2 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	
	2013/14 £000	2014/15 £000
Present Value of Funded Liabilities - CLGPS	(1,293,477)	(1,537,778)
Present Value of Unfunded Liabilities - Firefighters	(187,357)	(218,615)
Present Value of Unfunded Liabilities – Teachers	(39,398)	(40,760)
Total Present Value of Liabilities	**(1,520,232)**	**(1,797,153)**
Fair value of Employer Assets	1,019,100	1,175,383
Net Liability Arising from Defined Benefit Obligation	**(501,132)**	**(621,770)**

38.3 Reconciliation of Present Value of Scheme Liabilities

	LGPS		Firefighters		Teachers		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Opening 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)
Current Service Cost	(34,428)	(28,076)	(3,795)	(3,118)	0	0	(38,223)	(31,194)
Interest Cost	(56,172)	(57,366)	(8,087)	(8,295)	(1,520)	(1,621)	(65,779)	(67,282)
Contributions by Scheme Participants	(9,303)	(9,690)	(1,100)	(1,128)	0	0	(10,403)	(10,818)
Remeasurement (Gains)/ Losses:								
Actuarial Gains / Losses - Experience	28,047	0	0	6,556	258	(59)	28,305	6,497
Actuarial Gains / Losses arising from changes in financial assumptions	117,600	(214,589)	8,132	(32,532)	1,991	(3,064)	127,723	(250,185)
Actuarial Gains / Losses arising from changes in demographic assumptions	(24,866)	0	(2,697)	0	(730)	0	(28,293)	0
Benefits Paid	41,636	43,944	6,836	7,259	3,366	3,382	51,838	54,585
Past Service Cost	(427)	(867)	0	0	0	0	(427)	(867)
Curtailments - Liabilities	(3,597)	(1,740)	0	0	0	0	(3,597)	(1,740)
Settlements - Liabilities	2,223	2,990	0	0	0	0	2,223	2,990
Prepayment	0	21,093	0	0	0	0	0	21,093
Closing Present Value of Scheme Liabilities	**(1,293,477)**	**(1,537,778)**	**(187,357)**	**(218,615)**	**(39,398)**	**(40,760)**	**(1,520,232)**	**(1,797,153)**

38. Defined Benefit Pension Schemes continued

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

Fair Value of CLGPS Scheme Assets	**2013/14 £000**	**2014/15 £000**
Opening Fair Value of Scheme Assets	957,895	1,019,100
Interest Income	40,271	47,014
Remeasurement Gain/ Loss:		
Return on Scheme Assets, excluding the amount included in the net interest expense	20,188	111,577
Employer Contributions	34,682	33,720
Contributions by Scheme Participants	9,303	9,690
Benefits Paid	(41,636)	(43,944)
Administration Expenses	(743)	(731)
Settlements	(860)	(1,043)
Closing Fair Value of Scheme Assets	**1,019,100**	**1,175,383**

Local Government Pension Scheme Assets comprised:

	2013/14 £000	**2014/15 £000**
Cash and Cash Equivalents	**60,126**	**41,139**
Equity Instruments:		
UK Quoted	142,675	161,025
UK Unquoted	1,019	0
Global Quoted	165,094	213,920
UK Equity Pooled	123,311	58,769
Overseas Equity Pooled	156,941	186,886
Sub Total Equity	**589,040**	**620,600**
Bonds:		
UK Corporate Bonds	70,318	82,277
Overseas Corporate Bonds	4,076	4,702
UK Corporate Bonds Pooled	39,745	0
UK Government Indexed Pooled	158,980	216,270
Sub Total Bonds	**273,119**	**303,249**
Property:		
UK	70,318	84,628
Property Funds	2,038	39,963
Sub Total Property	**72,356**	**124,591**
Other Investment Funds:		
Hedge Funds	2,038	1,175
Private Equity Funds	16,306	19,982
Infrastructure Funds	6,115	59,945
Real Estate Debt Funds	0	4,702
Sub Total Other Investment Funds	**24,459**	**85,804**
Total Assets	**1,019,100**	**1,175,383**

38. 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 2014	31st March 2015	31st March 2014	31st March 2015	31st March 2014	31st March 2015
Mortality Assumptions:						
Longevity at 60 for current pensioners:						
Men	-	-	28.0	28.1	-	-
Women	-	-	30.5	30.6	-	-
Longevity at 60 for future pensioners:						
Men	-	-	30.4	30.6	-	-
Women	-	-	33.0	33.1	-	-
Longevity at 65 for current pensioners:						
Men	23.0	23.0	-	-	23.0	23.0
Women	25.5	25.6	-	-	25.5	25.6
Longevity at 65 for future pensioners:						
Men	25.7	25.8	-	-	-	-
Women	28.7	28.8	-	-	-	-
Rate of CPI inflation	2.4%	2.0%	2.4%	2.0%	2.4%	2.0%
Rate of increase in salaries**	3.9%	3.5%	3.9%	3.5%	-	-
Rate of increase in pensions	2.4%	2.0%	2.4%	2.0%	2.4%	2.0%
Rate for discounting scheme liabilities	4.5%	3.3%	4.5%	3.2%	4.3%	3.1%

** An adjustment has been made for short term public sector pay restraint in line with the most recent actuarial valuation.

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.

38. Defined Benefit Pension Schemes continued

Sensitivity Analysis

All Pension Schemes	Liabilities £000	Assets £000	Net Deficit at 31st March 2015 £000	Projected Service Cost for Next Year £000	Projected Net Interest Cost for Next Year £000
As at 31st March 2015	1,797,153	(1,175,383)	621,770	39,896	20,241
Effect of increase in discount rate of 0.1% pa	(32,759)	0	(32,759)	(1,221)	(486)
Effect of increase in inflation of 0.1% pa	33,386	0	33,368	1,269	1,132
Effect of increase in pay growth of 0.1% pa	6,815	0	6,815	43	259
Effect of increase in life expectancy of 1 year	36,406	0	36,406	864	1,228

Impact on the Council's Cash Flows

One of the objectives of CLGPS is to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the Fund's Actuary to achieve a funding level of 100% over 19 years from 1st April 2014. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

The pension contributions expected to be made by the Council in the year to 31st March 2016 are:

- Local Government Pension Scheme £31.853m.
- Teachers Discretionary Benefits Scheme £3.382m.
- Firefighters Pension Scheme £6.099m.

39. 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 2015 are shown in Notes 32 and 34.

39. Related Parties continued

Members

Members of the Council have direct control over the council's financial and operating policies. The total of Members' Allowances paid in 2014/15 is shown in Note 12. Members declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the Council outside of their roles as elected councillors. Contracts were entered into in full compliance with the Council's standing orders. During 2014/15 the following significant amounts were paid:

- Works and services to the value of £34,411 were commissioned from Markley Transport and Carrs Coaches in which Councillor AJ Markley has an interest, there was a nil balance owed to the company at 31st March 2015.

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

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:

- A Jones – A family member is a Director of AB Fire Safety Ltd, payments of £11,050 were made for services during the year and there was a nil balance owed to the company at 31st March 2015.

39. Related Parties continued

Other Public Bodies

Pooled Funds

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

NW FiReControl Limited

NW Fire Control Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. The Company has four members - Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During May 2014 all four services transferred their Control Room functions into the regionalised service provided by NW Fire Control Ltd. The cost of the service is charged out to the four FRAs on an agreed pro rata basis agreed by a Service Level Agreement. The implementation phase continued to be funded by a section 31 grant from the Department for Communities and Local Government plus an ongoing grant to fund 66% of the lease costs for the building. 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. There have also been contributions to the project from the four fire authorities.

A detailed assessment for Group Accounting requirements has taken place during 2014/15 in respect of NW Fire Control Ltd. in accordance with the Code of Practice.

It has been determined that the company is governed by Joint Control as unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2014/15 having considered both qualitative and quantitative factors, including the following:

- The 25% share of assets, liabilities, income and expenditure are not material against the balances of the Council.
- Exclusion of the values would not affect the true and fair concept of the financial statements.
- The joint control centre was set up to generate savings for the FRAs not because they could not provide the service. There is a Standby Control Room at Stretford Fire Station as Business Continuity for NW Fire Control Ltd.
- There are no concerns regarding commercial risk.
- No assets have been transferred from the FRAs to NW Fire Control Ltd.
- The inclusion of Company figures into Group Accounting would not add value to the reader of the Statement of Accounts

39. Related Parties continued

NW FiReControl Limited continued

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

Accounts Information	Year-Ended 2013/14 £000s	Year-Ended 2014/15 £000s
Total Assets Less Current Liabilities	193	217
Net Assets	136	(2,202)
Profits Before Taxation	63	2
Profits After Taxation	48	(5)
Debtor Balance	0	0
Creditor Balance	0	7
Invoices Raised By NW Fire Control to CCC	0	242
Invoices Raised by CCC to NW Fire Control	0	7

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31st December 2015 for the final audited 2014/15 accounts.

Entities Controlled or Significantly Influenced by the Council

One of the Council's key strategic objectives is to promote thriving communities by championing local economies and creating the right opportunities and environment for investment. Council funds are rarely available for such ventures and the Council believes that supporting 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.

39. Related Parties continued

Entities Controlled or Significantly Influenced by the Council continued

			2013/14		2014/15	
Company Name	**Nature of Business**	**Shareholding %**	**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%	2,007	3,190	1,998	3,188
Cumbria Waste Management Ltd	Waste disposal service	100%	1,548	7,192	841	6,282
Trotters Dry Waste Ltd	Waste disposal service	100%	(18)	(531)	117	(414)
Cumbria Waste Recycling Service	Waste disposal service	100%	730	3,946	323	3,969
Lakeland Waste Management Ltd	Waste disposal service	50%	65	2,088	(413)	1,675
Orian Solutions Ltd	Catering / Cleaning Services	100%	107	797	1,076	594
		Total	**4,439**	**16,682**	**3,942**	**15,294**

In 2014/15 Cumbria County Holdings Ltd paid a dividend of £2.000m to the Council (2013/14 £2.000m).

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.

				2013/14		2014/15	
Company Name	**Nature of Business**		**Share holding %**	**Profit / (Loss) after Tax £000**	**Net Assets / (Liabilities) £000**	**Profit / (Loss) after Tax £000**	**Net Assets / (Liabilities) £000**
Invest in Cumbria Ltd	promote Cumbria and to attract new investment	Company limited by guarantee	100%	28	224	(34)	48
Traveline Cumbria Ltd (Note 1)	travel enquiry call centre	Company limited by guarantee	49%	(55)	31	37	68

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

39. Related Parties continued

In addition to direct shareholdings on the previous page 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.

During 2014/15 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	943	943	293	0
Lakeland Waste Management Ltd	0	88	88	11	0
Cumbria Waste Recycling	0	201	201	24	0
Trotters Dry Waste Ltd	0	9	9	1	0
Orian Solutions Ltd	0	8,453	8,453	974	12
Invest in Cumbria Ltd	0	52	52	0	0
Traveline Cumbria Ltd	0	39	39	0	0
Energy Coast West Cumbria Ltd	0	37	37	0	9
Maryport Harbour & Marina Ltd	10	0	10	0	0
	10	**9,822**	**9,832**	**1,303**	**21**

40. Events After the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue by the Assistant Director – Finance on 26th June 2015.

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

41. Contingent Liabilities

Equal Pay

There has been significant movement forward in resolving the outstanding equal pay claims against the Council. A framework agreement has been reached with the unions resulting in the settlement of a number of outstanding claims including a commercial settlement for the Teaching Assistants.

All equal pay settlements to date have covered the period up to 30th September 2011 when Single Status was implemented. Equal pay claims can still be made against the Council in the future but any backdating would be limited to the date of Single Status implementation in 2011.

A provision of £0.190m has been established (note 33) for the remaining 97 outstanding claims where the Council has made an offer to the claimants but these have not yet to be accepted and 135 Teaching Assistants commercial settlements.

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 £8.015m (2013/14 £8.244m).

41. Contingent Liabilities continued

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.

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 was notified in May 2013 resulting in an initial payment (including pre 2013/14 claims) of £0.781m in 2013/14. In 2014/15 the 15% levy equated to £0.089m including a provision of £0.072m for the Council.

Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements came into effect on 1st April 2013. The Council, acting as agent on behalf of the major preceptors, central government and themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list. The overall provision for appeals outstanding at 31st March 2015 has been assessed as £41.221m, of which the Council share is £4.122m. Local businesses can still appeal against the rateable value on the 2010 Rating List until 31 March 2017 although changes to the regulations have now limited any backdating of repayments relating to those appeals to the 1 April 2015. 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.

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

Prior period adjustments have been made to the Council's 2013/14 published financial statements in relation to the following:

Accounting for Schools

Following the introduction of new accounting standards on group accounts and consolidation, the Code of Practice requirements in relation to accounting for schools have changed. All maintained schools are now considered to be entities controlled by the Council. As a result, all income, expenditure, assets and liabilities relating to each school is consolidated in to the Council's accounts.

As a result, the recognition of land and building single entity assets used by each school has been reviewed to determine whether they should be accounted for on the Council's Balance Sheet. The Council has completed a school by school assessment across all maintained schools to identify what arrangements in respect of ownership of these assets are in place and thus the required accounting treatment. The following arrangements were identified:

- The Council directly own the assets
- The school or the school Governing Body own the assets
- A third party such as a religious body or Charitable Trust own the assets.
- The Council, schools or school Governing Body have the rights to use the assets granted to them under licence.

As a result of this assessment, the land and building assets of 49 Voluntary Controlled schools have been taken off the Council's Balance Sheet as they are owned by the Diocese. The Diocese has granted a licence to these schools to use the land and building assets but this does not result in a transfer of rights. The land and building assets used by 12 Foundation schools have been brought on to the Council's Balance Sheet as the Governing Body for each school own the assets.

The Council's Core Statements and relevant notes have been restated to reflect these changes.

Accounting for Schools Transferring to Academy Status

The new accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party usually a Charitable Trust. As a result the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement (CIES). LAAP Bulletin 103 issued by CIPFA clarifies that the resulting gain or loss on transfer is recognised within the Financing and Investment Income and Expenditure line on the CIES. This gain or loss on disposal has previously been recognised in the Other Operating Expenditure line on the CIES. The Council's Core Statements and relevant notes have been restated to reflect this change.

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

Restated Comprehensive Income and Expenditure Statement

Original 2013/14					Restated 2013/14			
Original Gross Expenditure £000	Gross Income £000	Original Net Expenditure £000	VC / Foundation Schools Adjustments	P/L on disposal - Academies	Restated Gross Expenditure £000	Gross Income £000	Restated Net Expenditure £000	Service
								Services:
3,013	(1,398)	1,615	0	0	3,013	(1,398)	1,615	Central Services to the Public
9,587	(633)	8,954	0	0	9,587	(633)	8,954	Cultural and Related Services
36,641	(1,086)	35,555	0	0	36,641	(1,086)	35,555	Environmental and Regulatory Services
15,831	(4,771)	11,060	0	0	15,831	(4,771)	11,060	Planning Services
60,425	(6,599)	53,826	0	0	60,425	(6,599)	53,826	Highways and Transport Services
416,805	(299,908)	116,897	580	0	417,230	(299,753)	117,477	Education and Childrens' Services
204,288	(54,162)	150,126	0	0	204,288	(54,162)	150,126	Adult Social Care
22,794	(336)	22,458	0	0	22,794	(336)	22,458	Fire & Rescue Services
12,943	(12,943)	0	0	0	12,943	(12,943)	0	Public Health
14,596	(7,128)	7,468	0	0	14,596	(7,128)	7,468	Corporate and Democratic Core
4,024	0	4,024	0	0	4,024	0	4,024	Non Distributed Costs
860	(2,223)	(1,363)	0	0	860	(2,223)	(1,363)	Exceptional Items - IAS19 Settlements
801,807	(391,187)	410,620	580	0	802,232	(391,032)	411,200	**Cost of Services**
44,021	0	44,021	24	(40,006)	4,039	0	4,039	Other Operating Expenditure
57,833	(5,161)	52,672	0	40,006	97,839	(5,161)	92,678	Financing and Investment Income and Expenditure
0	(457,736)	(457,736)	(155)	0	0	(457,891)	(457,891)	Taxation and Non Specific Grant Income
903,661	**(854,084)**	**49,577**	**449**	**0**	**904,110**	**(854,084)**	**50,026**	**(Surplus)/Deficit on Provision of Services**
		2,091	(402)	0			1,689	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets
		(12)	0	0			(12)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets
		(147,923)	0	0			(147,923)	Remeasurements of the net defined benefit liability (asset)
		(145,844)					**(146,246)**	**Other Comprehensive Income and Expenditure**
		(96,267)	**47**	**0**			**(96,220)**	**Total Comprehensive Income and Expenditure**

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

Original 2013/14 Movement in Reserves Statement

The adjustments to the Movement in Reserves Statement required as a result of the changes in accounting for the Schools non current assets are shown in the final column and the resulting restated Movement in Reserves Statement is shown on the next page.

Restated 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	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable reserves £000	Total Reserves £000	VC / Foundation Schools Adjustments
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	(625,704)	(533)	2,614	(10,269)	1,008	126,601	
Restatement 1st April 2013														0	0	(23,180)
Restated Balance as at 1st April 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	(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	(49,577)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(2,091)	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**	**147,923**	**12**	**0**	**0**	**145,844**	**96,267**	
Adjustments between accounting basis and funding basis under regulations (Note 9)																
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	(31,294)	0	573
Depreciation and impairment of Intangible assets	3,966	0	0	0	0	0	3,966	0	(3,966)	0	0	0	0	(3,966)	0	
Net Revaluation (Gains) and Losses on Property, Plant & Equipment	15,299	0	0	0	0	0	15,299		(15,299)	0	0	0	0	(15,299)	0	7
Revenue Expenditure Funded from Capital Under Statute	6,612	0	0	0	0	0	6,612	0	(6,612)	0	0	0	0	(6,612)	0	(155)
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	6,612	0	155
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	(46,836)	0	24
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	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	2,338	0	
Other adjustments																
Collection fund adjustment account	2,157	0	0	0	0	0	2,157	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	2,064	2,064	0	
Employers contributions payable to pension funds	(43,784)	0	0	0	0	0	(43,784)	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	(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	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	44,546	0	(155)
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	62
Difference between current value and historis cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,007)	3,007	0	0	0	0	0	0	
Adjustments between accounting basis and funding basis under regulations (Note 9)	**54,041**	**0**	**0**	**1,631**	**(575)**	**0**	**55,097**	**(9,206)**	**(22,447)**	**(23,351)**	**0**	**(2,157)**	**2,064**	**(55,097)**	**0**	511
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(11,297)**	**(22,447)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,747**	**96,267**	
Transfers (to) Earmarked Reserves	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0	
Transfers from Earmarked Reserves	29,457	(29,457)	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	
Increase/(Decrease) in 2013/14	**0**	**2,836**	**0**	**1,631**	**1,053**	**0**	**5,520**	**(11,297)**	**(22,447)**	**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**	**(501,132)**	**(521)**	**457**	**(8,205)**	**91,755**	**222,868**	

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

Restated 2013/14 Movement in Reserves Statement

Restated 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	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	(625,704)	(533)	2,614	(10,269)	1,008	126,601
Restatement 1st April 2013								(8,748)	(14,432)					(23,180)	(23,180)
Restated Balance as at 1st April 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	135,792	475,928	(625,704)	(533)	2,614	(10,269)	(22,172)	103,421
Movement in Reserves during 2013/14															
Surplus/(deficit) on the provision of services	(50,026)	0	0	0	0	0	(50,026)	0	0	0	0	0	0	0	(50,026)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(1,689)	0	147,923	12	0	0	146,246	146,246
Total Comprehensive Income and Expenditure	**(50,026)**	**0**	**0**	**0**	**0**	**0**	**(50,026)**	**(1,689)**	**0**	**147,923**	**12**	**0**	**0**	**146,246**	**96,220**
Adjustments between accounting basis and funding basis under regulations (Note 9)															
Reversal of items debited / credited to CI&E statement															
Depreciation of non current assets	31,867	0	0	0	0	0	31,867	0	(31,867)	0	0	0	0	(31,867)	0
Depreciation and impairment of Intangible assets	3,966	0	0	0	0	0	3,966	0	(3,966)	0	0	0	0	(3,966)	0
Net Revaluation (Gains) and Losses on Property, Plant & Equipment	15,306	0	0	0	0	0	15,306		(15,306)	0	0	0	0	(15,306)	0
Revenue Expenditure Funded from Capital Under Statute	6,457	0	0	0	0	0	6,457	0	(6,457)	0	0	0	0	(6,457)	0
Grants on Revenue expenditure funded from capital under statute	(6,457)	0	0	0	0	0	(6,457)	0	6,457	0	0	0	0	6,457	0
Net (Gains) and losses on disposal of non current assets	42,443	0	0	4,417	0	0	46,860	0	(46,860)	0	0	0	0	(46,860)	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	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	2,338	0
Other adjustments															
Collection fund adjustment account	2,157	0	0	0	0	0	2,157	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	2,064	2,064	0
Employers contributions payable to pension funds	(43,784)	0	0	0	0	0	(43,784)	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	(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	2,786	0
Capital Grants Unapplied - used in financing	(44,126)	0	0	0	(575)	0	(44,701)	0	44,701	0	0	0	0	44,701	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(6,137)	6,137	0	0	0	0	0	0
Difference between current value and historis cost depreciation on revalued assets	0	0	0	0	0	0	0	(3,007)	3,007	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (Note 9)	**54,490**	**0**	**0**	**1,631**	**(575)**	**0**	**55,546**	**(9,144)**	**(22,958)**	**(23,351)**	**0**	**(2,157)**	**2,064**	**(55,546)**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**
Transfers (to) Earmarked Reserves	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	29,457	(29,457)	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
Increase/(Decrease) in 2013/14	**0**	**2,836**	**0**	**1,631**	**1,053**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**
Balance at 31st March 2014	**15,133**	**95,900**	**5,324**	**9,027**	**2,916**	**2,813**	**131,113**	**124,960**	**452,969**	**(501,132)**	**(521)**	**457**	**(8,205)**	**68,528**	**199,641**

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

Balance Sheet Restatement

31st March 2013 Original Balance Sheet £000	1st April 2013 Restated £000	31st March 2014 Original Balance Sheet £000	1st April 2013 VC / Foundation Schools Adjustments £000	31st March 2014 VC / Foundation Schools Adjustments £000	31st March 2014 Restated £000	
						Long Term Assets:
						Property, Plant and Equipment
661,720	638,854	595,271	(22,866)	56	572,461	Other Land and Buildings
23,037	22,723	24,865	(314)	(103)	24,448	Vehicles, Plant, Furniture and Equipment
405,157	405,157	422,710	0	0	422,710	Infrastructure
59	59	59	0	0	59	Community Assets
15,707	15,707	3,318	0	0	3,318	Assets Under Construction
18,625	18,625	42,074	0	0	42,074	Surplus Properties Not Held For Sale
1,124,305	1,101,125	1,088,297	(23,180)	(47)	1,065,070	**Total Property, Plant and Equipment**
533	533	533	0	0	533	Heritage Assets
185	185	185	0	0	185	Investment Properties
6,475	6,475	2,920	0	0	2,920	Intangible Assets
2,813	2,813	3,183	0	0	3,183	Long Term Investments
8,222	8,222	8,157	0	0	8,157	Long Term Debtors
1,142,533	1,119,353	1,103,275	(23,180)	(47)	1,080,048	**Total Long Term Assets**
						Current Assets:
579	579	600	0	0	600	Current Assets Held for Sale
1,005	1,005	1,434	0	0	1,434	Inventories
50,409	50,409	45,359	0	0	45,359	Short Term Debtors and Prepayments
75,694	75,694	55,178	0	0	55,178	Short Term Investments
58,051	58,051	106,063	0	0	106,063	Cash and Cash Equivalents
185,738	185,738	208,634	0	0	208,634	**Total Current Assets**
						Current Liabilities:
(4,673)	(4,673)	(12,166)	0	0	(12,166)	Short Term Borrowings
0	0	(368)	0	0	(368)	Short Term PFI Liability
(72,678)	(72,678)	(73,766)	0	0	(73,766)	Short Term Creditors
(11,856)	(11,856)	(12,572)	0	0	(12,572)	Revenue Grants Receipts in Advance
(3,206)	(3,206)	(3,896)	0	0	(3,896)	Short Term Provisions
(6,842)	(6,842)	(4,047)	0	0	(4,047)	Bank Overdraft
(99,255)	(99,255)	(106,815)	0	0	(106,815)	**Total Current Liabilities**
						Long Term Liabilities:
(315,939)	(315,939)	(308,413)	0	0	(308,413)	Long Term Borrowings
(4,003)	(4,003)	(3,699)	0	0	(3,699)	Long Term Creditors
(113,913)	(113,913)	(117,519)	0	0	(117,519)	Long Term PFI Liability
(36,192)	(36,192)	(42,509)	0	0	(42,509)	Capital Grants Receipts in Advance
(6,664)	(6,664)	(8,954)	0	0	(8,954)	Long Term Provisions
(625,704)	(625,704)	(501,132)	0	0	(501,132)	Pensions Liability
(1,102,415)	(1,102,415)	(982,226)	0	0	(982,226)	**Total Long Term Liabilities**
126,601	**103,421**	**222,868**	**(23,180)**	**(47)**	**199,641**	**Net Assets / (Liabilities)**
						Usable Reserves
15,133	15,133	15,133	0	0	15,133	General Fund Balance
93,064	93,064	95,900	0	0	95,900	Earmarked Reserves
5,324	5,324	5,324	0	0	5,324	Earmarked Capital Reserve
7,396	7,396	9,027	0	0	9,027	Usable Capital Receipts Reserve
1,863	1,863	2,916	0	0	2,916	Capital Grants and Contributions Unapplied Reserve
2,813	2,813	2,813	0	0	2,813	Long Term Investment Reserve
125,593	125,593	131,113	0	0	131,113	
						Unusable Reserves
144,540	135,792	133,243	(8,748)	465	124,960	Revaluation Reserve
490,360	475,928	467,913	(14,432)	(512)	452,969	Capital Adjustment Account
(625,704)	(625,704)	(501,132)	0	0	(501,132)	Pensions Reserve
(533)	(533)	(521)	0	0	(521)	Financial Instruments Adjustment Account
2,614	2,614	457	0	0	457	Collection Fund Adjustment Account
(10,269)	(10,269)	(8,205)	0	0	(8,205)	Accumulated Absences Account
1,008	(22,172)	91,755	(23,180)	(47)	68,528	
126,601	**103,421**	**222,868**	**(23,180)**	**(47)**	**199,641**	**Total Reserves**

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

Cash Flow Statement Restatement

Original 2013/14		VC / Foundation Schools Adjustments	Restated 2013/14		
£000	£000	£000	£000	£000	
	(49,577)	(449)		(50,026)	Net Surplus/(Deficit) on the Provision of Services
					Adjust net surplus or (deficit) on provision of services for non cash movements
31,293		573	31,866		Depreciation
3,966			3,966		Amortisation
15,299		7	15,306		Net Revaluations downwards
(12)			(12)		Adjustments for effective interest rates
(7)			(7)		Increase/(Decrease) in Interest Creditors
(645)			(645)		Increase/(Decrease) in Creditors
366			366		Increase/(Decrease) in Interest and Dividend Debtors
(2,646)			(2,646)		(Increase)/Decrease in Debtors
(429)			(429)		(Increase)/Decrease in Inventories
23,351			23,351		Pension Liability
2,980			2,980		Contributions to Provisions
0			0		Movement in Investment Property values
46,836		24	46,860		Carrying Amount of non current assets sold
	120,352	**604**		**120,956**	
					Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities
(45,586)		(155)	(45,741)		Capital grants credited to surplus or (deficit) on the provision of services
(4,417)			(4,417)		Proceeds from the sale of property, plant and equipment, investment properties or intangible assets
	(50,003)	**(155)**		**(50,158)**	
	20,772	**0**		**20,772**	**Net Cashflows from Operating Activities *****
					Net Cashflows from Investing Activities
(54,110)			(54,110)		Purchase of PPE, Investment property and intangible assets
(358,370)			(358,370)		Purchase of short term and long term investments
(340)			(340)		New Long Term Loan
4,417			4,417		Proceeds from the sale of PPE, Investment property and intangible assets
378,150			378,150		Proceeds from short term and long term investments
60,017			60,017		Other receipts from investing activities
	29,764	**0**		**29,764**	
					Net Cashflows from Financing Activities
285			285		Payments for the reduction on PFI liability
(14)			(14)		Payment for the reduction of long term borrowing
	271	0		271	Net cashflows from Financing Activities
	50,807	0		50,807	**Net Increase or (Decrease) in Cash and Cash Equivalents**
	51,209	0		51,209	Cash and Cash Equivalents at the Beginning of the Reporting Period
	102,016	**0**		**102,016**	**Cash and Cash Equivalents at the End of the Reporting Period (Note 30)**

The changes identified on the previous pages are reflected in the comparator information in the relevant notes (Notes 4, 6, 7, 8, 9, 17, 18, 21, 36) and the Group Accounts (section 7).

43. 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 Trust Funds and Accountable Bodies are not included in either the Council's single entity or the group accounts as the Council acts as an agent for these transactions.

43.1 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:

Trust Funds	Balance at 31st March 2014 £000	Receipts £000	Payments £000	Balance at 31st March 2015 £000
Holehird Trust	866	80	(149)	797
Archives Trusts	528	8	(16)	520
Education Trusts	463	30	(5)	488
Social Services Trusts	11	0	(2)	9
	1,868	**118**	**(172)**	**1,814**

43.2 Accountable Body Funds

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

43. Trust Funds and Accountable Body Funds continued

43.2 Accountable Body Funds continued

The cash balance of the fund at 31st March 2015 is £12.432m. Additionally, there is one debtor of £0.126m giving a total balance of £12.558m. 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 31/3/13 £000	2013/14 Receipts £000	2013/14 Payments £000	Balance at 31/3/14 £000	2014/15 Receipts £000	2014/15 Payments £000	Balance at 31/3/15 £000
13,409	2,365	(2,927)	12,847	1,662	(1,950)	12,558

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 2014/15 relate to the interest (revenue) and principal (capital) repayments received during the year from these loans. As at 31st March 2015 there were loans outstanding amounting to £2.1m.

	Balance at 31/3/13 £000	2013/14 Receipts £000	2013/14 Payments £000	Balance at 31/3/14 £000	2014/15 Receipts £000	2014/15 Payments £000	Balance at 31/3/15 £000
Revenue	445	5	(62)	388	32	(55)	365
Capital	5,947	148	(1,526)	4,569	533	(1,092)	4,010
Total	**6,392**	**153**	**(1,588)**	**4,957**	**565**	**(1,147)**	**4,375**

The Council is also Accountable Body for the following:

- Rural Growth Network Pilot – balance at 31st March 2015 £1.762m
- Regional Growth Fund round 3 – balance at 31st March 2015 £1.912m
- Regional Growth Fund round 4 – balance at 31st March 2015 0.486m
- 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 2015.

7.2 Group Boundary

During 2014/15 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 2013/14 the Group accounts included Cumbria County Holdings Ltd (CCHL) and its subsidiaries Cumbria Waste Management Ltd (CWM) and Orian Solutions Ltd.

CWM itself has 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.

The results of the companies are summarised in Note 39 on page 145.

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 39).

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.

7.3 Minority Interest continued

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 2014/15 is £8.015m (2013/14 £8.244m). The Council has treated this exposure as a contingent liability (Section 6, note 41).

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.

7.5 GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR TO 31st MARCH 2015

The 2013/14 Comprehensive Income and Expenditure Account has been restated to reflects the changes in schools, details of the restatement are in note 7.24.

Restated 2013/14					2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note to the Accounts	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Services:				
3,013	(1,398)	1,615	Central Services to the Public		2,767	(1,540)	1,227
9,587	(633)	8,954	Cultural and Related Services		11,998	(520)	11,478
63,287	(22,241)	41,046	Environmental and Regulatory Services		62,878	(23,267)	39,611
15,831	(4,771)	11,060	Planning Services		18,824	(11,398)	7,426
59,440	(6,599)	52,841	Highways and Transport Services		61,338	(8,153)	53,185
410,941	(300,063)	110,878	Education and Childrens' Services		469,060	(304,013)	165,047
204,184	(54,162)	150,022	Adult Social Care		198,698	(58,593)	140,105
22,683	(336)	22,347	Fire & Rescue Services		19,972	(222)	19,750
12,943	(12,943)	0	Public Health Services		15,403	(15,403)	0
13,716	(7,128)	6,588	Corporate and Democratic Core		6,630	(4,183)	2,447
4,884	(2,223)	2,661	Non Distributed Costs		3,650	(2,990)	660
820,509	(412,497)	408,012	**Cost of Services**	7.11 & 7.12	871,218	(430,282)	440,936
4,039	0	4,039	Other Operating Expenditure	7.13	2,861	0	2,861
97,525	(3,269)	94,256	Financing and Investment Income and Expenditure	7.14	65,422	(3,098)	62,324
0	(457,891)	(457,891)	Taxation and Non Specific Grant Income	7.15	0	(449,889)	(449,889)
922,073	(873,657)	**48,416**	**(Surplus) / Deficit on Provision of Services**		939,501	(883,269)	**56,232**
		712	Taxation of Subsidiaries				(82)
		49,128	**Group (Surplus) / Deficit**				**56,150**
		1,689	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				23,072
		(12)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				(14)
		(147,923)	Remeasurement of net defined benefit liability (asset)				133,562
		(146,246)	**Other Comprehensive Income and Expenditure**				**156,620**
		(97,118)	**Total Comprehensive Income and Expenditure**				**212,770**

Restated 2013/14				2014/15		
Authority £000	Minority Interest £000	Total £000	Analysis of minority interests shares in the group	Authority £000	Minority Interest £000	Total £000
48,928	200	49,128	(Surplus) or deficit on the provision of services	55,526	624	56,150
(146,246)	0	(146,246)	Other Comprehensive Income and Expenditure	156,620	0	156,620
(97,318)	200	(97,118)		212,146	624	212,770

7.6 GROUP MOVEMENT IN RESERVES STATEMENT

The 2013/14 Group Movement in Reserves Statement has been restated to reflect the changes in schools, details of the restatement are in note 7.24.

Restated 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	Authority's share of reserves of subsidiaries £000	Minority Interest £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)	1,007	126,600	8,866	439	135,906
Restatement 1/4/13							0	(8,748)	(14,432)						(23,180)	(23,180)			(23,180)
Restated Balance as at 1st April 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	135,792	475,928	0	(625,704)	(533)	2,614	(10,269)	(22,172)	103,421	8,866	439	112,726
Movement in Reserves during 2013/14																			
Surplus or (deficit) on the provision of services	(41,788)	0	0	0	0	0	(41,788)	0	0	0	0	0	0	0	0	(41,788)	(7,141)	(200)	(49,129)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(1,689)	0	0	147,923	12	0	0	146,246	146,246	0	0	146,246
Total Comprehensive Income and Expenditure	**(41,788)**	**0**	**0**	**0**	**0**	**0**	**(41,788)**	**(1,689)**	**0**	**0**	**147,923**	**12**	**0**	**0**	**146,246**	104,458	**(7,141)**	**(200)**	**97,117**
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	(50,026)	0	0	0	0	0	(50,026)	(1,689)	0	0	147,923	12	0	0	146,246	96,220	1,097	(200)	97,117
Adjustments between accounting basis and funding basis under regulations	54,490	0	0	1,631	(575)	0	55,546	(9,144)	(22,958)	0	(23,351)	0	(2,157)	2,064	(55,546)	0	0	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(10,833)**	**(22,958)**	**0**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	96,220	**1,097**	**(200)**	**97,117**
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**	**(10,833)**	**(22,958)**	**0**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	96,220	**1,097**	**(200)**	**97,117**
Balance at 31st March 2014	**15,133**	**95,900**	**5,324**	**9,027**	**2,916**	**2,813**	**131,113**	**124,960**	**452,970**	**0**	**(501,132)**	**(521)**	**457**	**(8,205)**	**68,528**	**199,641**	**9,963**	**239**	**209,843**
Movement in Reserves during 2014/15																			
Surplus or (deficit) on the provision of services	(48,676)	0	0	0	0	0	(48,676)	0	0	0	0	0	0	0	0	(48,676)	(6,850)	(624)	(56,150)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(23,072)	0	0	(132,111)	14	0	0	(155,169)	(155,169)	(1,451)	0	(156,620)
Total Comprehensive Income and Expenditure	**(48,676)**	**0**	**0**	**0**	**0**	**0**	**(48,676)**	**(23,072)**	**0**	**0**	**(132,111)**	**14**	**0**	**0**	**(155,169)**	**(203,845)**	**(8,301)**	**(624)**	**(212,770)**
Adjustments between Group Accounts and authority accounts	**(7,599)**	**0**	**0**	**0**	**0**	**0**	(7,599)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	(7,599)	**7,599**	**0**	0
Net Increase / Decrease before transfers	**(56,275)**	**0**	**0**	**0**	**0**	**0**	**(56,275)**	**(23,072)**	**0**	**0**	**(132,111)**	**14**	**0**	**0**	**(155,169)**	**(211,444)**	**(702)**	**(624)**	**(212,770)**
Adjustments between accounting basis and funding basis under regulations	53,292	0	0	1,796	(1,092)	0	53,996	(4,660)	(40,067)	0	(9,620)	0	424	(73)	(53,996)	0	0	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(2,983)**	**0**	**0**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**0**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**	**(702)**	**(624)**	**(212,770)**
Transfers (to)/from Earmarked Reserves	3,071	(3,077)	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2014/15	**88**	**(3,077)**	**6**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**0**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**	**(702)**	**(624)**	**(212,770)**
Balance at 31st March 2015	**15,221**	**92,823**	**5,330**	**10,823**	**1,824**	**2,813**	**128,834**	**97,228**	**412,903**	**0**	**(642,863)**	**(507)**	**881**	**(8,278)**	**(140,636)**	**(11,802)**	**9,262**	**(385)**	**(2,925)**

7.7 GROUP BALANCE SHEET as at 31st March 2015

The 2013/14 Group Balance Sheet has been restated to reflect the changes in schools, details of the restatement are in note 7.24.

Restated 1st April 2013 £000	Restated 31st March 2014 £000		Notes to the Accounts	31st March 2015 £000
		Long Term Assets:		
		Property, Plant and Equipment		
645,813	578,423	Other Land and Buildings		493,825
25,785	27,472	Vehicles, Plant, Furniture and Equipment		28,829
405,157	422,710	Infrastructure		450,205
59	59	Community Assets		65
15,707	3,318	Assets Under Construction		11,822
18,625	42,074	Surplus Properties Not Held For Sale		17,030
1,111,146	1,074,056	**Total Property, Plant and Equipment**	7.16	1,001,776
533	533	Heritage Assets		543
185	185	Investment Properties		225
6,511	2,258	Intangible Assets	7.17	986
8,222	8,157	Long Term Debtors		7,950
1,126,597	1,085,189	**Total Long Term Assets**		1,011,480
		Current Assets:		
579	600	Current Assets Held for Sale		2,866
1,005	1,495	Inventories		1,142
58,750	53,294	Short Term Debtors	7.18	70,011
75,694	55,178	Short Term Investments	7.19	77,502
67,217	118,391	Cash and Cash Equivalents		46,877
203,245	228,958	**Total Current Assets**		198,398
		Current Liabilities:		
(4,673)	(12,166)	Short Term Borrowings		(10,110)
0	(368)	Short Term PFI Liability		(419)
(76,491)	(79,432)	Short Term Creditors	7.20	(78,004)
(11,856)	(12,572)	Revenue grants received in Advance		(13,485)
(3,610)	(3,910)	Short Term Provisions	7.21	(1,851)
(6,842)	(4,047)	Bank Overdraft		(2,386)
(103,472)	(112,495)	**Total Current Liabilities**		(106,255)
		Long Term Liabilities:		
(315,939)	(308,413)	Long Term Borrowings		(302,886)
(4,003)	(3,699)	Long Term Creditors		(4,310)
(552)	(783)	Long Term Finance Lease Liability		(1,158)
(113,913)	(117,519)	Long Term PFI Liability		(117,618)
(36,192)	(42,509)	Capital Grants Receipts in Advance		(37,456)
(16,517)	(17,190)	Long Term Provisions	7.21	(19,669)
(626,528)	(501,696)	Net Pensions Liability		(623,451)
(1,113,644)	(991,809)	**Total Long Term Liabilities**		(1,106,548)
112,726	**209,843**	**Net Assets / (Liabilities)**		**(2,925)**
		Usable Reserves		
15,133	15,133	General Fund Balance		15,221
8,866	9,963	Profit and Loss Reserve		9,262
93,064	95,900	Earmarked Reserves		92,823
5,324	5,324	Earmarked Capital Reserve		5,330
7,396	9,027	Usable Capital Receipts Reserve		10,823
1,863	2,916	Capital Grants & Contributions Unapplied Reserve		1,824
2,813	2,813	Long Term Investment Reserve		2,813
134,459	141,076			138,096
		Unusable Reserves		
135,792	124,960	Revaluation Reserve		97,228
475,928	452,969	Capital Adjustment Account		412,903
(625,704)	(501,132)	Pensions Reserve		(642,863)
(533)	(521)	Financial Instruments Adjustment Account		(507)
2,614	457	Collection Fund Adjustment Account		881
(10,269)	(8,205)	Accumulated Absences Account		(8,278)
439	239	Minority Interest		(385)
(21,733)	68,767			(141,021)
112,726	**209,843**	**Total Reserves**	7.22	**(2,925)**

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	Total Impact on Group Reserves £000
Dividends received from subsidiaries	2,000	(2,000)	0
Purchase of goods and services from subsidiaries	(9,599)	9,599	0
Total adjustments between Group accounts and Council accounts for 2014/15	**(7,599)**	**7,599**	0

7.9 GROUP CASH FLOW STATEMENT

The 2013/14 Group Cash Flow Statement has been restated to reflect the changes in schools, details of the restatement are in note 7.24.

Restated 2013/14			2014/15	
£000	£000		£000	£000
	(49,128)	Net Surplus/(Deficit) on the Provision of Services		(56,150)
		Adjust net surplus or (deficit) on provision of services for non cash movements		
33,315		Depreciation	34,745	
3,950		Amortisation	1,462	
15,306		Revaluations downwards	64,479	
(12)		Adjustments for effective interest rates	(14)	
(7)		Increase/(Decrease) in Interest Creditors	(56)	
1,208		Increase/(Decrease) in Creditors	204	
366		Increase/(Decrease) in Interest and Dividend Debtors	(96)	
(2,240)		(Increase)/Decrease in Debtors	(17,777)	
(490)		(Increase)/Decrease in Inventories	353	
23,090		Pension Liability	(11,473)	
973		Contributions to Provisions	420	
0		Movement in Investment Property values	(40)	
48,748		Carrying Amount of non current assets sold	20,044	
	124,207			92,251
		Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities		
(45,741)		Capital grants credited to surplus or (deficit) on the provision of services	(50,283)	
(4,417)		Proceeds from the sale of property, plant and equipment, investment properties or intangible assets	(5,349)	
	(50,158)			(55,632)
	24,921	**Net Cashflows from Operating Activities *****		(19,531)
		Net Cashflows from Investing Activities		
(55,467)		Purchase of PPE, Investment property and intangible assets	(72,633)	
(358,000)		Purchase of short term and long term investments	(160,428)	
(340)		Other Payments from investing activities	(10)	
4,417		Proceeds from the sale of PPE, Investment property and intangible assets	5,349	
378,150		Proceeds from short term and long term investments	138,200	
60,017		Other receipts from investing activities - Capital Grants	46,562	
	28,777			(42,960)
		Net Cashflows from Financing Activities		
285		Payments for the reduction on PFI liability	150	
(14)		Payment for the reduction of long term borrowing	(7,512)	
	271			(7,362)
	53,969	**Net Increase or (Decrease) in Cash and Cash Equivalents**		(69,853)
	60,375	Cash and Cash Equivalents at the Beginning of the Reporting Period		114,344
	114,344	**Cash and Cash Equivalents at the End of the Reporting Period**		**44,491**

*** The Net Cashflows from Operating Activities in 2014/15 include interest received of £1.058m (2013/14 £1.408m), Income tax refunded of £0.82m (2013/14 income tax paid of £0.712m) and interest paid of £29.480m (2013/14 £29.377m).

NOTES TO THE GROUP ACCOUNTS

7.10 Movement in Reserves Statement

7.10.1 Movement in Reserves Statement 2014/15

	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	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 2014	15,133	95,900	5,324	9,027	2,916	2,813	131,113	124,960	452,969	(501,132)	(521)	457	(8,205)	68,528	199,642	9,963	239	209,843
Movement in Reserves during 2014/15																		
Surplus/(deficit) on the provision of services	(48,676)	0	0	0	0	0	(48,676)	0	0	0	0	0	0	0	(48,676)	(6,850)	(624)	(56,150)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(23,072)	0	(132,111)	14	0	0	(155,169)	(155,169)	(1,451)	0	(156,620)
Total Comprehensive Income and Expenditure	**(48,676)**	**0**	**0**	**0**	**0**	**0**	**(48,676)**	**(23,072)**	**0**	**(132,111)**	**14**	**0**	**0**	**(155,169)**	**(203,845)**	**(8,301)**	**(624)**	**(212,770)**
Adjustments between group accounts and authority accounts	(7,599)	0	0	0	0	0	(7,599)	0	0	0	0	0	0	0	(7,599)	7,599	0	0
Net Increase/ Decrease before transfers	(56,275)	0	0	0	0	0	(56,275)	(23,072)	0	(132,111)	14	0	0	(155,169)	(211,444)	(702)	(624)	(212,770)
Adjustments between accounting basis and funding basis under regulations																		
Reversal of items debited / credited to CI&E statement																		
Depreciation of non current assets	31,874	0	0	0	0	0	31,874	0	(31,874)	0	0	0	0	(31,874)	0	0	0	0
Depreciation and impairment of intangible assets	2,124	0	0	0	0	0	2,124		(2,124)				0	(2,124)	0	0	0	0
Revaluation Losses on Property, Plant & Equipment	64,439	0	0	0	0	0	64,439	0	(64,439)	0	0	0	0	(64,439)	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	14,655	0	0	0	0	0	14,655	0	(14,655)	0	0	0	0	(14,655)	0	0	0	0
Grants on revenue expenditure funded from capital under statute	(14,655)	0	0	0	0	0	(14,655)	0	14,655	0	0	0	0	14,655	0	0	0	0
Gains and losses on disposal of fixed assets	14,467	0	0	5,349	0	0	19,816	0	(19,816)	0	0	0	0	(19,816)	0	0	0	0
Insertion of items not debited / credited to CI&E statement																		
Minimum Revenue Provision	(16,032)	0	0	0	0	0	(16,032)	0	16,032	0	0	0	0	16,032	0	0	0	0
Capital expenditure charged to the general fund balance	(2,511)	0	0	0	0	0	(2,511)	0	2,511	0	0	0	0	2,511	0	0	0	0
Other adjustments																		
Collection fund adjustment account	(424)	0	0	0	0	0	(424)	0	0	0	0	424	0	424	0	0	0	0
Accumulated Absences Adjustment	73	0	0	0	0	0	73	0	0	0	0	0	(73)	(73)	0	0	0	0
Employers contributions payable to pension funds	(43,233)	0	0	0	0	0	(43,233)	0	0	43,233	0	0	0	43,233	0	0	0	0
IAS 19 retirement benefit charges	52,853	0	0	0	0	0	52,853	0	0	(52,853)	0	0	0	(52,853)	0	0	0	0
Receipts used in financing	0	0	0	(3,553)		0	(3,553)	0	3,553	0	0	0	0	3,553	0	0	0	0
CGUA used in financing	(50,338)	0	0	0	(1,092)	0	(51,430)	0	51,430	0	0	0	0	51,430	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(2,078)	2,078	0	0	0	0	0	0	0	0	0
Difference between current value and historis cost depreciation on revalued assets	0	0	0	0	0	0	0	(2,582)	2,582	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	**53,292**	**0**	**0**	**1,796**	**(1,092)**	**0**	**53,996**	**(4,660)**	**(40,067)**	**(9,620)**	**0**	**424**	**(73)**	**(53,996)**	**0**	**0**	**0**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(2,983)**	**0**	**0**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**	**(702)**	**(624)**	**(212,770)**
Transfers to Earmarked Reserves	(16,460)	16,454	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	19,531	(19,531)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2014/15	**88**	**(3,077)**	**6**	**1,796**	**(1,092)**	**0**	**(2,279)**	**(27,732)**	**(40,067)**	**(141,731)**	**14**	**424**	**(73)**	**(209,165)**	**(211,444)**	**(702)**	**(624)**	**(212,770)**
Balance at 31st March 2015	**15,221**	**92,823**	**5,330**	**10,823**	**1,824**	**2,813**	**128,834**	**97,228**	**412,903**	**(642,863)**	**(507)**	**881**	**(8,278)**	**(140,636)**	**(11,802)**	**9,262**	**(385)**	**(2,925)**

7.10.2 Movement in Reserves Statement 2013/14

The 2013/14 Group Movement in Reserves Statement has been restated to reflects the changes in schools, details of the restatement are in note 7.24.

Restated 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	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	(625,704)	(533)	2,614	(10,269)	1,008	126,602	8,866	439	135,906
Restatement 1/4/13							0	(8,748)	(14,432)					(23,180)	(23,180)	0	0	(23,181)
Restated Balance as at 1st April 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	135,792	475,928	(625,704)	(533)	2,614	(10,269)	(22,172)	103,422	8,866	439	112,725
Movement in Reserves during 2013/14																		
Surplus/(deficit) on the provision of services	(41,788)	0	0	0	0	0	(41,788)	0	0	0	0	0	0	0	(41,788)	(7,141)	(200)	(49,129)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(1,689)	0	147,923	12	0	0	146,246	146,246	0	0	146,246
Total Comprehensive Income and Expenditure	**(41,788)**	**0**	**0**	**0**	**0**	**0**	**(41,788)**	**(1,689)**	**0**	**147,923**	**12**	**0**	**0**	**146,246**	**104,458**	**(7,141)**	**(200)**	**97,117**
Adjustments between group accounts and authority accounts	(8,238)	0	0	0	0	0	(8,238)	0	0	0	0	0	0	0	(8,238)	8,238	0	0
Net Increase/ Decrease before transfers	(50,026)	0	0	0	0	0	(50,026)	(1,689)	0	147,923	12	0	0	146,246	96,220	1,097	(200)	97,117
Adjustments between accounting basis and funding basis under regulations																		
Reversal of items debited / credited to CI&E statement																		
Depreciation of non current assets	31,867	0	0	0	0	0	31,867	0	(31,867)	0	0	0	0	(31,867)	0	0	0	0
Depreciation and impairment of intangible assets	3,966	0	0	0	0	0	3,966		(3,966)				0	(3,966)	0	0	0	0
Revaluation Losses on Property, Plant & Equipment	15,306	0	0	0	0	0	15,306	0	(15,306)	0	0	0	0	(15,306)	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	6,457	0	0	0	0	0	6,457	0	(6,457)	0	0	0	0	(6,457)	0	0	0	0
Grants on revenue expenditure funded from capital under statute	(6,457)	0	0	0	0	0	(6,457)	0	6,457	0	0	0	0	6,457	0	0	0	0
Gains and losses on disposal of fixed assets	42,443	0	0	4,417	0	0	46,860	0	(46,860)	0	0	0	0	(46,860)	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	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	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	(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	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	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	(67,135)	0	0	0	(67,135)	0	0	0	0
Receipts used in financing	0	0	0	(2,786)	0	0	(2,786)	0	2,786	0	0	0	0	2,786	0	0	0	0
CGUA used in financing	(44,126)	0	0	0	(575)	0	(44,701)	0	44,701	0	0	0	0	44,701	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(6,137)	6,137	0	0	0	0	0	0	0	0	0
Difference between current value and historis 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
Adjustments between accounting basis and funding basis under regulations	**54,490**	**0**	**0**	**1,631**	**(575)**	**0**	**55,546**	**(9,144)**	**(22,958)**	**(23,351)**	**0**	**(2,157)**	**2,064**	**(55,546)**	**0**	**0**	**0**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**	**1,097**	**(200)**	**97,117**
Transfers to Earmarked Reserves	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	29,457	(29,457)	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
Increase/(Decrease) in 2013/14	**0**	**2,836**	**0**	**1,631**	**1,053**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**	**1,097**	**(200)**	**97,117**
Balance at 31st March 2014	**15,133**	**95,900**	**5,324**	**9,027**	**2,916**	**2,813**	**131,113**	**124,960**	**452,969**	**(501,132)**	**(521)**	**457**	**(8,205)**	**68,528**	**199,641**	**9,963**	**239**	**209,843**

7.11 Segmental Reporting

7.11.1 Segmental Reporting 2014/15

Directorate income and expenditure 2014/15	Children's Services £000	Health & Care Services £000	Environment & Community Services £000	Fire & Rescue Service £000	Local Committees £000	Resources £000	Other Corporate / Miscellaneous £000	Total £000
Fees and charges	(16,265)	(59,179)	(11,222)	(65)	(63)	(5,860)	(333)	(92,987)
Other income	(4,035)	(11,063)	(1,417)	(82)	(31)	(1,028)	94	(17,562)
Internal income	(837)	(239)	(16,765)	0	0	(5,128)	(829)	(23,798)
Interest & Investment Income	(55)	0	(1)	0	0	(53)	(2,984)	(3,093)
Service Specific Grant income	(274,091)	(14,966)	(5,937)	(76)	(51)	(3,342)	(1,439)	(299,902)
Total Income	**(295,283)**	**(85,447)**	**(35,342)**	**(223)**	**(145)**	**(15,411)**	**(5,491)**	**(437,342)**
Employee costs	180,887	61,898	32,494	14,232	2,846	26,908	8,229	327,494
Employee Costs of Voluntary Aided and Foundation Schools	62,809	0	0	0	0	0	0	62,809
Interest Payable	0	0	13,813	0	0	1,360	14,109	29,282
Precepts Paid	0	0	0	0	0	0	784	784
Running expenses	140,898	148,067	99,610	4,372	5,571	32,570	(12,006)	419,082
Total Expenditure	**384,594**	**209,965**	**145,917**	**18,604**	**8,417**	**60,838**	**11,116**	**839,451**
Net Expenditure	**89,311**	**124,518**	**110,575**	**18,381**	**8,272**	**45,427**	**5,625**	**402,109**

Reconciliation of directorate income to costs of services in CI&ES	2014/15 £000	£000
Net expenditure in directorate analysis		402,109
Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES		
Trading accounts Port of Workington - included in Environment	(738)	
Precepts - included in Other Corporate	(784)	
Interest and Dividend received	3,040	
Interest paid included in CoS transferred to Financing & Investment Income	(14,109)	
PFI Interest paid included in CoS to Financing & Investment Income	(15,173)	
Investment property income from CoS to Financing & Investment Income	53	
Investment property expenditure from CoS to Financing & Investment Income	(33)	
	0	
		(27,744)
Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES		
PFI Principal (MRP) included in CoS moved to MIRS	150	
Pooled Budget adjustment - Income	11,787	
Pooled Budget adjustment - employee costs	(296)	
Pooled Budget adjustment - running exps	(11,491)	
RCCO included above moved to MIRS	(2,511)	
		(2,361)
Amounts included in Cost of Services not reported to Management		
MRP included above moved to MIRS	(16,182)	
IAS19 Adjustment - past service cost and curtailments	2,607	
IAS19 Adjustment - current service cost	(12,039)	
IAS19 Adjustment - Settlements expenditure	1,043	
IAS19 Adjustment - Settlements income	(2,990)	
Employee benefit accrual	73	
Capital charges	33,998	
Revaluation (gains) / losses	64,479	
REFCUS Expenditure	14,655	
REFCUS Grants	(14,655)	
Net Expenditure of subsidiaries included in CI&ES and not reported to management	(2,057)	
		68,932
Cost of Services in Comprehensive I&E Statement		440,936

7.11.2 Segmental Reporting 2013/14

The 2013/14 Segmental Reporting note has been restated to reflect the changes in respect of schools.

Restated Directorate income and expenditure Reported to Management 2013/14	Children's Services £000	Health & Care Services £000	Environment & Community Services £000	Fire & Rescue Service £000	Local Committees £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(17,768)	(57,947)	(10,538)	(91)	(109)	(5,473)	(995)	(92,921)
Other income	(2,686)	(10,889)	(1,554)	(250)	(61)	(919)	40	(16,319)
Internal income	(1,586)	(159)	(17,619)	0	0	(5,509)	(969)	(25,842)
Interest & Investment Income	(54)	0	(1)	0	0	(53)	(3,245)	(3,353)
Service Specific Grant income	(272,371)	(12,307)	(5,661)	0	0	(3,536)	(673)	(294,548)
Total Income	**(294,465)**	**(81,302)**	**(35,373)**	**(341)**	**(170)**	**(15,490)**	**(5,842)**	**(432,983)**
Employee costs	180,372	62,405	33,749	15,579	106	25,940	9,357	327,508
Employee Costs of Voluntary Aided and Foundation Schools	61,273	0	0	0	0	0	0	61,273
Interest Payable	0	0	13,634	1,321	0	0	14,262	29,217
Precepts Paid	0	0	0	0	0	0	777	777
Running expenses	136,010	150,750	98,816	5,240	13,605	33,084	(10,213)	427,292
Total Expenditure	**377,655**	**213,155**	**146,199**	**22,140**	**13,711**	**59,024**	**14,183**	**846,067**
Net Expenditure	**83,190**	**131,853**	**110,826**	**21,799**	**13,541**	**43,534**	**8,341**	**413,084**

Reconciliation of directorate income to costs of services in CI&E	Restated 2013/14 £000	£000
Net expenditure in directorate analysis		413,084
Amounts included in Directorate Income & Expenditure Reported to Management reported below Cost of Services in CIES		
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)
Amounts included in Directorate Income & Expenditure Reported to Management not reported in CIES		
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)
Amounts included in Cost of Services not reported to Management		
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	35,833	
Revaluation (gains) / losses	15,306	
REFCUS Expenditure	6,457	
REFCUS Grants	(6,457)	
Net Expenditure of subsidiaries included in CI&ES and not reported to management	(3,188)	
		26,629
Cost of Services in Comprehensive I&E Statement		408,012

7.12.1 SUBJECTIVE ANALYSIS 2014/15

Subjective Analysis 2014/15	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	(110,548)	8,020	11,787	(2,990)	(21,994)	(115,725)	(1,884)	(117,609)
Interest and investment income	(3,093)	3,093	0	0	0	0	(1,214)	(1,214)
Income from council tax	0	0	0	0	0	0	(188,272)	(188,272)
Government grants and contributions	(299,902)	0	0	(14,655)	0	(314,557)	(261,617)	(576,174)
Total Income	**(413,543)**	**11,113**	**11,787**	**(17,645)**	**(21,994)**	**(430,282)**	**(452,987)**	**(883,269)**
Employee expenses	327,493	(711)	(296)	(12,331)	13,038	327,193	711	327,904
Employee Costs of Voluntary Aided and Foundation Schools	62,809	0	0	365	0	63,174	0	63,174
Other service expenses (less Internal income)	395,284	(8,080)	(13,852)	2,123	4,690	380,165	1,911	382,076
Depreciation, amortisation and impairment	0	0	0	33,998	2,209	36,207	0	36,207
Revaluation (gains)/losses	0	0	0	64,479	0	64,479	0	64,479
Interest Payable	29,282	(29,282)	0	0	0	0	49,678	49,678
Precepts and levies	784	(784)	0	0	0	0	784	784
IAS19 Administration Expenses	0	0	0	0	0	0	731	731
Gain or loss on disposal of non current assets	0	0	0	0	0	0	14,468	14,468
Total Expenditure	**815,652**	**(38,857)**	**(14,148)**	**88,634**	**19,937**	**871,218**	**68,283**	**939,501**
(Surplus) or deficit on the provision of services	**402,109**	**(27,744)**	**(2,361)**	**70,989**	**(2,057)**	**440,936**	**(384,704)**	**56,232**

(Surplus) or deficit on the provision of services from CI&ES	**440,936**	**(384,704)**	**56,232**

7.12.2 SUBJECTIVE ANALYSIS 2013/14

The 2013/14 Subjective Analysis note has been restated to reflect the changes in respect of schools.

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 £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)	(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	(6,457)	0	**(300,870)**	**(271,546)**	**(572,416)**
Total Income	**(407,141)**	**11,460**	**13,329**	**(8,680)**	**(22,035)**	**(413,067)**	**(461,160)**	**(874,227)**
Employee expenses	327,508	(869)	(2,782)	(1,996)	12,791	**334,652**	**869**	**335,521**
Employee Costs of Voluntary Aided and Foundation Schools	61,273	0	0	(745)	0	**60,528**	**0**	**60,528**
Other service expenses (less Internal income)	401,450	(8,618)	(14,227)	(9,901)	4,623	**373,327**	**2,238**	**375,565**
Depreciation and amortisation	0	0	0	35,833	1,433	**37,266**	**0**	**37,266**
Revaluation (gains)/losses	0	0	0	15,306	0	**15,306**	**0**	**15,306**
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**	**42,525**	**42,525**
Total Expenditure	**820,225**	**(39,481)**	**(17,009)**	**38,497**	**18,847**	**821,079**	**101,564**	**922,643**
(Surplus) or deficit on the provision of services	**413,084**	**(28,021)**	**(3,680)**	**29,817**	**(3,188)**	**408,012**	**(359,596)**	**48,416**
(Surplus) or deficit on the provision of services from CI&ES						**408,012**	**(359,596)**	**48,416**

7.13 Other Operating Expenditure

Restated 2013/14 £000		2014/15 £000
777	Precepts	784
2,519	(Gains)/ Losses on the disposal of non current assets	1,346
743	Pension Administration Costs	731
4,039	**Total**	**2,861**

7.14 Financing and Investing Income and Expenditure

Restated 2013/14 £000		2014/15 £000
29,375	Interest payable and similar charges	29,410
25,037	Pensions interest cost and expected return on pensions assets	20,268
40,006	Loss on Disposal of Academies	13,122
(1,408)	Interest receivable and similar income	(1,154)
(17)	Income and Expenditure in relation to investment properties	(60)
1,263	Net (surplus)/ deficit on trading operations	738
94,256	**Total**	**62,324**

7.15 Taxation and Non Specific Grant Income

Restated 2013/14 £000		2014/15 £000
(186,479)	Council tax income	(188,272)
(16,243)	Non domestic rates	(65,070)
(211,043)	Non ring fenced Government Grants	(146,209)
(44,126)	Capital grants and contributions	(50,338)
(457,891)	**Total**	**(449,889)**

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 2014	623,321	70,454	507,312	59	3,318	43,279	1,247,743	115,356
Additions	15,193	7,012	40,466	0	9,569	95	72,335	0
Disposals	(17,457)	(2,395)	0	0	0	(4,256)	(24,108)	0
Reclassifications	(3,056)	0	0	0	(1,065)	4,121	0	0
Revaluations	(84,380)	0	0	6	0	(24,411)	(108,785)	0
Assets reclassified (to)/from Held for Sale	(4,557)	0	0	0	0	(1,665)	(6,222)	0
At 31st March 2015	**529,064**	**75,071**	**547,778**	**65**	**11,822**	**17,163**	**1,180,963**	**115,356**
Accumulated Depreciation & Impairment								
At 1st April 2014	(44,897)	(42,981)	(84,602)	0	0	(1,205)	(173,685)	(3,508)
Depreciation	(16,005)	(5,227)	(12,971)	0	0	(543)	(34,746)	(3,374)
Disposals	2,406	1,966	0	0	0	121	4,493	0
Reclassifications	592	0	0	0	0	(311)	281	0
Revaluations	22,665	0	0	0	0	1,805	24,470	0
At 31st March 2015	**(35,239)**	**(46,242)**	**(97,573)**	**0**	**0**	**(133)**	**(179,187)**	**(6,882)**
Balance Sheet Amount at 31st March 2015	**493,825**	**28,829**	**450,205**	**65**	**11,822**	**17,030**	**1,001,776**	**108,474**
Balance Sheet amount at 31st March 2014	**578,423**	**27,472**	**422,710**	**59**	**3,318**	**42,074**	**1,074,056**	**111,848**

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 2014	593,134	61,052	507,312	59	3,318	43,279	1,208,154	115,356
Additions	14,577	4,509	40,466	0	9,569	95	69,216	0
Disposals	(17,278)	(1,470)	0	0	0	(4,256)	(23,004)	0
Reclassifications	(3,056)	0	0	0	(1,065)	4,121	0	0
Revaluations	(84,380)	0	0	6	0	(24,411)	(108,785)	0
Assets reclassified (to)/from Held for Sale	(4,557)	0	0	0	0	(1,665)	(6,222)	0
At 31st March 2015	**498,440**	**64,091**	**547,778**	**65**	**11,822**	**17,163**	**1,139,359**	**115,356**
Accumulated Depreciation & Impairment								
At 1 April 2014	(20,672)	(36,603)	(84,602)	0	0	(1,205)	(143,082)	(3,508)
Depreciation	(14,334)	(4,027)	(12,971)	0	0	(543)	(31,875)	(3,374)
Disposals	2,292	1,204	0	0	0	121	3,617	0
Reclassifications	592	0	0	0	0	(311)	281	0
Revaluations	22,665	0	0	0	0	1,805	24,470	0
At 31st March 2015	**(9,457)**	**(39,426)**	**(97,573)**	**0**	**0**	**(133)**	**(146,589)**	**(6,882)**
Balance Sheet Amount at 31st March 2015	**488,983**	**24,665**	**450,205**	**65**	**11,822**	**17,030**	**992,770**	**108,474**
Balance Sheet Amount at 31st March 2014	**572,461**	**24,448**	**422,710**	**59**	**3,318**	**42,074**	**1,065,070**	**111,848**

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 2014	30,187	9,402	0	0	0	0	39,589
Additions	616	2,503	0	0	0	0	3,119
Disposals	(179)	(925)	0	0	0	0	(1,104)
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
At 31st March 2015	**30,624**	**10,980**	**0**	**0**	**0**	**0**	**41,604**
Accumulated Depreciation & Impairment							
At 1st April 2014	(24,225)	(6,378)	0	0	0	0	(30,603)
Depreciation & Impairment	(1,671)	(1,200)	0	0	0	0	(2,871)
Disposals	114	762	0	0	0	0	876
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
At 31st March 2015	**(25,782)**	**(6,816)**	**0**	**0**	**0**	**0**	**(32,598)**
Balance Sheet Amount at 31st March 2015	**4,842**	**4,164**	**0**	**0**	**0**	**0**	**9,006**
Balance Sheet Amount at 31st March 2014	**5,962**	**3,024**	**0**	**0**	**0**	**0**	**8,986**

7.17 Intangible Assets

Intangible Assets	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
	Authority		Subsidiaries		Total	
Balance at Start of Year:						
Gross carrying amount	19,598	20,010	257	(457)	19,855	19,553
Accumulated amortisation	(13,124)	(17,090)	(221)	(205)	(13,345)	(17,295)
Net carrying amount at start of year	6,474	2,920	36	(662)	6,510	2,258
Purchases	412	190	(714)	0	(302)	190
Amortisation for the year	(3,966)	(2,124)	16	662	(3,950)	(1,462)
Net carrying amount at end of year	2,920	986	(662)	0	2,258	986
Comprising:						
Gross carrying amount	20,010	20,200	(457)	(457)	19,553	19,743
Accumulated amortisation	(17,090)	(19,214)	(205)	457	(17,295)	(18,757)
	2,920	986	(662)	0	2,258	986

7.18 Debtors

	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
	Authority		Subsidiaries		Total	
Debtors:						
Central Government	13,000	11,836	9	173	13,009	12,009
Public Corporations	0	1	0	0	0	1
NHS	3,204	13,675	9	2	3,213	13,677
Other Local Authorities	3,796	6,497	157	171	3,953	6,668
Other Entities & Individuals	27,503	29,248	5,490	5,027	32,993	34,275
Less: Provision for Bad Debts	(8,315)	(8,135)	0	0	(8,315)	(8,135)
	39,188	53,122	5,665	5,373	44,853	58,495
Prepayments:						
Other Local Authorities	20	27	0	0	20	27
Other Entities & Individuals	6,120	9,714	2,301	1,775	8,421	11,489
	6,140	9,741	2,301	1,775	8,441	11,516
	45,328	62,863	7,966	7,148	53,294	70,011

7.19 Short Term Investments

	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
	Authority		Subsidiaries		Total	
Short Term Investments						
Deposits with banks and other financial institutions	55,178	75,324	0	2,178	55,178	77,502
	55,178	75,324	0	2,178	55,178	77,502

7.20 Creditors

	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
	Authority		Subsidiaries		Total	
Creditors:						
Central Government	9,114	8,401	2,520	2,907	11,634	11,308
Public Corporations	0	8	0	0	0	8
NHS	1,959	1,374	0	0	1,959	1,374
Other Local Authorities	3,294	3,090	475	473	3,769	3,563
Other Entities & Individuals	58,148	56,631	2,476	2,822	60,624	59,453
	72,515	69,504	5,471	6,202	77,986	75,706
Income in advance:						
Other Entities & Individuals	0	0	1,446	2,298	1,446	2,298
	0	0	1,446	2,298	1,446	2,298
	72,515	69,504	6,917	8,500	79,432	78,004

7.21 Provisions (Short and Long Term)

	Balance at 1st April 2013 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2014 £000	Balance at 1st April 2014 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2015 £000
Authority								
Insurance Fund	5,699	1,540	(963)	6,276	6,276	1,603	(58)	**7,821**
Business Rates	0	2,974	0	2,974	2,974	1,148	0	**4,122**
Equal Pay/Voluntary Redundancy	4,172	1,228	(1,800)	3,600	3,600	1,430	(3,505)	**1,525**
	9,871	**5,742**	**(2,763)**	**12,850**	**12,850**	**4,181**	**(3,563)**	**13,468**
Subsidiaries								
Restoration and aftercare of Landfill Sites	10,248	0	(2,005)	8,243	8,243	0	(228)	**8,015**
Deferred Taxation	8	0	(1)	7	7	30	0	**37**
	10,256	**0**	**(2,006)**	**8,250**	**8,250**	**30**	**(228)**	**8,052**
Total Group	**20,127**	**5,742**	**(4,769)**	**21,100**	**21,100**	**4,211**	**(3,791)**	**21,520**

7.22 Summary of Group Reserves

	Cumbria County Council £000	Cumbria Waste Mgmt Group £000	Inter Group Transactions £000	TOTAL £000
Reserves				
Earmarked Capital Reserve	5,330	0	0	5,330
Usable Capital Receipts Reserve	10,823	0	0	10,823
Capital Grants & Contributions Unapplied Reserve	1,824	0	0	1,824
Long Term Investment Reserve	2,813	0	0	2,813
Revenue - Earmarked	92,823	0	0	92,823
Revenue - General	15,221	8,827	435	24,483
Revaluation Reserve	97,228	3,284	(3,284)	97,228
Capital Adjustment Account	412,903	0	0	412,903
Financial Instruments Adjustment Account	(507)	0	0	(507)
Collection Fund Adjustment Account	881	0	0	881
Pensions	(642,863)	0	0	(642,863)
Accumlated Absences Account	(8,278)	0	0	(8,278)
Minority Interest	0	(385)	0	(385)
TOTAL FUNDS	**(11,802)**	**11,726**	**(2,849)**	**(2,925)**

7.23 Cash and Cash Equivalents

	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
	Authority		Subsidiaries		Total	
Cash and Cash Equivalents						
Bank Current Accounts	16,122	9,106	12,328	11,783	28,450	20,889
Short Term Deposits	89,941	25,988	0	0	89,941	25,988
Cash and Cash Equivalents	106,063	35,094	12,328	11,783	118,391	46,877
Bank Overdraft	(4,047)	(2,386)	0	0	(4,047)	(2,386)
	102,016	32,708	12,328	11,783	114,344	44,491

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

As a consequence of changes in the accounting for schools land and buildings in the Council's single entity accounts, detailed in note 42 on page 149, a prior period adjustment for 2013/14 is required in the group accounts. Thee effect on the Group's primary statements is detailed on the following pages.

The changes are reflected in the Group primary statements, comparator information in the relevant notes (Notes 7.10, 7.11, 7.12, 7.13 and 7.14) and the Council's single entity Accounts.

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

Restated Comprehensive Income and Expenditure Statement

Original 2013/14			Changes To 2013/14			Restated 2013/14			
Original Gross Expenditure £000	Gross Income £000	Original Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service
									Services:
3,013	(1,398)	1,615	0	0	0	3,013	(1,398)	1,615	Central Services to the Public
9,587	(633)	8,954	0	0	0	9,587	(633)	8,954	Cultural and Related Services
63,287	(22,241)	41,046	0	0	0	63,287	(22,241)	41,046	Environmental and Regulatory Services
15,831	(4,771)	11,060	0	0	0	15,831	(4,771)	11,060	Planning Services
59,440	(6,599)	52,841	0	0	0	59,440	(6,599)	52,841	Highways and Transport Services
410,206	(299,908)	110,298	735	(155)	580	410,941	(300,063)	110,878	Education and Childrens' Services
204,184	(54,162)	150,022	0	0	0	204,184	(54,162)	150,022	Adult Social Care
22,683	(336)	22,347	0	0	0	22,683	(336)	22,347	Fire & Rescue Services
12,943	(12,943)	0	0	0	0	12,943	(12,943)	0	Public Health Services
13,716	(7,128)	6,588	0	0	0	13,716	(7,128)	6,588	Corporate and Democratic Core
4,884	(2,223)	2,661	0	0	0	4,884	(2,223)	2,661	Non Distributed Costs
819,774	(412,342)	407,432	735	(155)	580	820,509	(412,497)	408,012	**Cost of Services**
44,021	0	44,021	(39,982)	0	(39,982)	4,039	0	4,039	Other Operating Expenditure
57,519	(3,269)	54,250	40,006	0	40,006	97,525	(3,269)	94,256	Financing and Investment Income and Expenditure
0	(457,736)	(457,736)	0	(155)	(155)	0	(457,891)	(457,891)	Taxation and Non Specific Grant Income
		47,967			**449**			**48,416**	**(Surplus) / Deficit on Provision of Services**
		712			0			712	Taxation of Subsidiaries
		48,679			**449**			**49,128**	**Group (Surplus) / Deficit**
		2,091			(402)			1,689	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets
		(12)			0			(12)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets
		(147,923)			0			(147,923)	Remeasurement of net defined benefit liability (asset)
		(145,844)			**(402)**			**(146,246)**	**Other Comprehensive Income and Expenditure**
		(97,165)			**47**			**(97,118)**	**Total Comprehensive Income and Expenditure**

Original 2013/14			Changes to 2013/14			Restated 2013/14			
Authority £000	Minority Interest £000	Total £000	Authority £000	Minority Interest £000	Total £000	Authority £000	Minority Interest £000	Total £000	Analysis of minority interests shares in the group
48,479	200	48,679	449	0	449	48,928	200	49,128	(Surplus) or deficit on the provision of services
(145,844)	0	(145,844)	(402)	0	(402)	(146,246)	0	(146,246)	Other Comprehensive Income and Expenditure
(97,365)	200	(97,165)	47	0	47	(97,318)	200	(97,118)	

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

Original 2013/14 Movement in Reserves Statement

The adjustments to the Movement in Reserves Statement required as a result of the changes in accounting for the Schools non current assets are shown in the final column and the resulting restated Movement in Reserves Statement is shown on the next page.

Original 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	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	VC / Foundation Schools Adjustments
Balance at 31st March 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	(625,704)	(533)	2,614	(10,269)	1,008	126,602	8,866	439	135,906	
Restatement 1/4/13							0							0	0	0	0	0	(23,180)
Restated Balance as at 1st April 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	144,540	490,360	(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	(41,339)	(7,141)	(200)	(48,680)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(2,091)	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**	**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	(8,238)	8,238	0	0	
Net Increase/ Decrease before transfers	(49,577)	0	0	0	0	0	(49,577)	(2,091)	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	(31,294)	0	0	0	0	573
Depreciation and impairment of intangible assets	3,966	0	0	0	0	0	3,966		(3,966)				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	(15,299)	0	0	0	0	7
Revenue Expenditure Funded from Capital Under Statute	6,612	0	0	0	0	0	6,612	0	(6,612)	0	0	0	0	(6,612)	0	0	0	0	(155)
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	6,612	0	0	0	0	155
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	(46,836)	0	0	0	0	24
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	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	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	(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	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	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	(67,135)	0	0	0	(67,135)	0	0	0	0	
Receipts used in financing	0	0	0	(2,786)	0	0	(2,786)	0	2,786	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	44,546	0	0	0	0	(155)
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	62
Difference between current value and historis 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	
Adjustments between accounting basis and funding basis under regulations	**54,041**	**0**	**0**	**1,631**	**(575)**	**0**	**55,097**	**(9,206)**	**(22,447)**	**(23,351)**	**0**	**(2,157)**	**2,064**	**(55,097)**	**0**	**0**	**0**	**0**	**511**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(11,297)**	**(22,447)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,747**	**96,267**	**1,097**	**(200)**	**97,164**	
Transfers to Earmarked Reserves	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Transfers from Earmarked Reserves	29,457	(29,457)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Transfers (to)/from Earmarked Capital Reserves	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	
Increase/(Decrease) in 2013/14	**0**	**2,836**	**0**	**1,631**	**1,053**	**0**	**5,520**	**(11,297)**	**(22,447)**	**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**	**(501,132)**	**(521)**	**457**	**(8,205)**	**91,755**	**222,868**	**9,963**	**239**	**233,070**	

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

Restated 2013/14 Movement in Reserves Statement

Restated 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	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	(625,704)	(533)	2,614	(10,269)	1,008	126,602	8,866	439	135,906
Restatement 1/4/13							0	(8,748)	(14,432)					(23,180)	(23,180)	0	0	(23,181)
Restated Balance as at 1st April 2013	15,133	93,064	5,324	7,396	1,863	2,813	125,593	135,792	475,928	(625,704)	(533)	2,614	(10,269)	(22,172)	103,422	8,866	439	112,725
Movement in Reserves during 2013/14																		
Surplus/(deficit) on the provision of services	(41,788)	0	0	0	0	0	(41,788)	0	0	0	0	0	0	0	(41,788)	(7,141)	(200)	(49,129)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(1,689)	0	147,923	12	0	0	146,246	146,246	0	0	146,246
Total Comprehensive Income and Expenditure	**(41,788)**	**0**	**0**	**0**	**0**	**0**	**(41,788)**	**(1,689)**	**0**	**147,923**	**12**	**0**	**0**	**146,246**	**104,458**	**(7,141)**	**(200)**	**97,117**
Adjustments between group accounts and authority accounts	(8,238)	0	0	0	0	0	(8,238)	0	0	0	0	0	0	0	(8,238)	8,238	0	0
Net Increase/ Decrease before transfers	(50,026)	0	0	0	0	0	(50,026)	(1,689)	0	147,923	12	0	0	146,246	96,220	1,097	(200)	97,117
Adjustments between accounting basis and funding basis under regulations																		
Reversal of items debited / credited to CI&E statement																		
Depreciation of non current assets	31,867	0	0	0	0	0	31,867	0	(31,867)	0	0	0	0	(31,867)	0	0	0	0
Depreciation and impairment of intangible assets	3,966	0	0	0	0	0	3,966		(3,966)				0	(3,966)	0	0	0	0
Revaluation Losses on Property, Plant & Equipment	15,306	0	0	0	0	0	15,306	0	(15,306)	0	0	0	0	(15,306)	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	6,457	0	0	0	0	0	6,457	0	(6,457)	0	0	0	0	(6,457)	0	0	0	0
Grants on revenue expenditure funded from capital under statute	(6,457)	0	0	0	0	0	(6,457)	0	6,457	0	0	0	0	6,457	0	0	0	0
Gains and losses on disposal of fixed assets	42,443	0	0	4,417	0	0	46,860	0	(46,860)	0	0	0	0	(46,860)	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	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	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	(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	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	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	(67,135)	0	0	0	(67,135)	0	0	0	0
Receipts used in financing	0	0	0	(2,786)	0	0	(2,786)	0	2,786	0	0	0	0	2,786	0	0	0	0
CGUA used in financing	(44,126)	0	0	0	(575)	0	(44,701)	0	44,701	0	0	0	0	44,701	0	0	0	0
Write off revaluation gains previously recognised on non current assets now disposed	0	0	0	0	0	0	0	(6,137)	6,137	0	0	0	0	0	0	0	0	0
Difference between current value and historis 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
Adjustments between accounting basis and funding basis under regulations	**54,490**	**0**	**0**	**1,631**	**(575)**	**0**	**55,546**	**(9,144)**	**(22,958)**	**(23,351)**	**0**	**(2,157)**	**2,064**	**(55,546)**	**0**	**0**	**0**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,464**	**0**	**0**	**1,631**	**(575)**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**	**1,097**	**(200)**	**97,117**
Transfers to Earmarked Reserves	(32,293)	32,293	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Earmarked Reserves	29,457	(29,457)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Earmarked Capital Reserves	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
Increase/(Decrease) in 2013/14	**0**	**2,836**	**0**	**1,631**	**1,053**	**0**	**5,520**	**(10,833)**	**(22,958)**	**124,572**	**12**	**(2,157)**	**2,064**	**90,700**	**96,220**	**1,097**	**(200)**	**97,117**
Balance at 31st March 2014	**15,133**	**95,900**	**5,324**	**9,027**	**2,916**	**2,813**	**131,113**	**124,960**	**452,969**	**(501,132)**	**(521)**	**457**	**(8,205)**	**68,528**	**199,641**	**9,963**	**239**	**209,843**

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

Balance Sheet Restatement

Original 1st April 2013 £000	Changes 1st April 2013 £000	Restated 1st April 2013 £000	Original 31st March 2014 £000	Changes 31st March 2014 £000	Restated 31st March 2014 £000	
						Long Term Assets:
						Property, Plant and Equipment
668,679	(22,866)	645,813	601,233	(22,810)	578,423	Other Land and Buildings
26,099	(314)	25,785	27,889	(417)	27,472	Vehicles, Plant, Furniture and Equipment
405,157	0	405,157	422,710	0	422,710	Infrastructure
59	0	59	59	0	59	Community Assets
15,707	0	15,707	3,318	0	3,318	Assets Under Construction
18,625	0	18,625	42,074	0	42,074	Surplus Properties Not Held For Sale
1,134,326	(23,180)	1,111,146	1,097,283	(23,227)	1,074,056	**Total Property, Plant and Equipment**
533	0	533	533	0	533	Heritage Assets
185	0	185	185	0	185	Investment Properties
6,511	0	6,511	2,258	0	2,258	Intangible Assets
0	0	0	0	0	0	Long Term Investments
8,222	0	8,222	8,157	0	8,157	Long Term Debtors
1,149,777	(23,180)	1,126,597	1,108,416	(23,227)	1,085,189	**Total Long Term Assets**
						Current Assets:
579	0	579	600	0	600	Current Assets Held for Sale
1,005	0	1,005	1,495	0	1,495	Inventories
58,750	0	58,750	53,294	0	53,294	Short Term Debtors
75,694	0	75,694	55,178	0	55,178	Short Term Investments
67,217	0	67,217	118,391	0	118,391	Cash and Cash Equivalents
203,245	0	203,245	228,958	0	228,958	**Total Current Assets**
						Current Liabilities:
(4,673)	0	(4,673)	(12,166)	0	(12,166)	Short Term Borrowings
0	0	0	(368)	0	(368)	Short Term PFI Liability
(76,491)	0	(76,491)	(79,432)	0	(79,432)	Short Term Creditors
(11,856)	0	(11,856)	(12,572)	0	(12,572)	Revenue grants received in Advance
(3,610)	0	(3,610)	(3,910)	0	(3,910)	Short Term Provisions
(6,842)	0	(6,842)	(4,047)	0	(4,047)	Bank Overdraft
(103,472)	0	(103,472)	(112,495)	0	(112,495)	**Total Current Liabilities**
						Long Term Liabilities:
(315,939)	0	(315,939)	(308,413)	0	(308,413)	Long Term Borrowings
(4,003)	0	(4,003)	(3,699)	0	(3,699)	Long Term Creditors
(552)	0	(552)	(783)	0	(783)	Long Term Finance Lease Liability
(113,913)	0	(113,913)	(117,519)	0	(117,519)	Long Term PFI Liability
(36,192)	0	(36,192)	(42,509)	0	(42,509)	Capital Grants Receipts in Advance
(16,517)	0	(16,517)	(17,190)	0	(17,190)	Long Term Provisions
(626,528)	0	(626,528)	(501,696)	0	(501,696)	Net Pensions Liability
(1,113,644)	0	(1,113,644)	(991,809)	0	(991,809)	**Total Long Term Liabilities**
135,906	**(23,180)**	**112,726**	**233,070**	**(23,227)**	**209,843**	**Net Assets**
						Usable Reserves
15,133	0	15,133	15,133	0	15,133	General Fund Balance
8,866	0	8,866	9,963	0	9,963	Profit and Loss Reserve
93,064	0	93,064	95,900	0	95,900	Earmarked Reserves
5,324	0	5,324	5,324	0	5,324	Earmarked Capital Reserve
7,396	0	7,396	9,027	0	9,027	Usable Capital Receipts Reserve
1,863	0	1,863	2,916	0	2,916	Capital Grants & Contributions Unapplied Reserve
2,813	0	2,813	2,813	0	2,813	Long Term Investment Reserve
134,459	0	134,459	141,076	0	141,076	
						Unusable Reserves
144,540	(8,748)	135,792	133,243	(8,283)	124,960	Revaluation Reserve
0	0	0	0	0	0	Share capital
490,360	(14,432)	475,928	467,913	(14,944)	452,969	Capital Adjustment Account
0	0	0	0	0	0	Deferred Capital Receipts
(625,704)	0	(625,704)	(501,132)	0	(501,132)	Pensions Reserve
(533)	0	(533)	(521)	0	(521)	Financial Instruments Adjustment Account
2,614	0	2,614	457	0	457	Collection Fund Adjustment Account
(10,269)	0	(10,269)	(8,205)	0	(8,205)	Accumulated Absences Account
439	0	439	239	0	239	Minority Interest
1,447	(23,180)	(21,733)	91,994	(23,227)	68,767	
135,906	**(23,180)**	**112,726**	**233,070**	**(23,227)**	**209,843**	

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

Cash Flow Statement Restatement

Original 2013/14		Council Restatement	Restated 2013/14		
£000	£000	£000	£000	£000	
	(48,679)	(449)		(49,128)	Net Surplus/(Deficit) on the Provision of Services
					Adjust net surplus or (deficit) on provision of services for non cash movements
32,742		573	33,315		Depreciation
3,950		0	3,950		Amortisation
15,299		7	15,306		Revaluations downwards
(12)		0	(12)		Adjustments for effective interest rates
(7)		0	(7)		Increase/(Decrease) in Interest Creditors
1,208		0	1,208		Increase/(Decrease) in Creditors
366		0	366		Increase/(Decrease) in Interest and Dividend Debtors
(2,240)		0	(2,240)		(Increase)/Decrease in Debtors
(490)		0	(490)		(Increase)/Decrease in Inventories
23,090		0	23,090		Pension Liability
973		0	973		Contributions to Provisions
0		0	0		Movement in Investment Property values
48,724		24	48,748		Carrying Amount of non current assets sold
	123,603	604		124,207	
					Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities
(45,586)		(155)	(45,741)		Capital grants credited to surplus or (deficit) on the provision of services
(4,417)		0	(4,417)		Proceeds from the sale of property, plant and equipment, investment properties or intangible assets
	(50,003)	(155)		(50,158)	
	24,921			24,921	**Net Cashflows from Operating Activities *****
					Net Cashflows from Investing Activities
(55,467)			(55,467)		Purchase of PPE, Investment property and intangible assets
(358,000)			(358,000)		Purchase of short term and long term investments
(340)			(340)		Other Payments from investing activities
4,417			4,417		Proceeds from the sale of PPE, Investment property and intangible assets
378,150			378,150		Proceeds from short term and long term investments
60,017			60,017		Other receipts from investing activities - Capital Grants
	28,777	0		28,777	
					Net Cashflows from Financing Activities
285			285		Payments for the reduction on PFI liability
(14)			(14)		Payment for the reduction of long term borrowing
	271	0		271	
	53,969	0		53,969	**Net Increase or (Decrease) in Cash and Cash Equivalents**
	60,375	0		60,375	Cash and Cash Equivalents at the Beginning of the Reporting Period
	114,344	**0**		**114,344**	**Cash and Cash Equivalents at the End of the Reporting Period**

The Firefighters' Pension Scheme Accounts

Table 1 – Firefighters' Pension Scheme Accounts 2014/15

£000	£000			£000	£000
		FUND ACCOUNT			
		Contributions Receivable			
(1,639)			From Employer Normal	(1,509)	
(1,093)			From Members	(1,124)	
	(2,732)				(2,633)
		Transfers In			
(6)			Individual transfers from other Schemes	(31)	
			Other	(199)	
	(6)				(230)
	(2,738)	**Total income**			(2,863)
		Benefits Payable			
3,582			Pensions	3,863	
1,490			Ill Health and Injury	1,436	
1,211			Lump Sums	1,360	
377			Lump Sum Death Benefits & Widows Pensions	386	
	6,660				7,045
		Payments to and on account of leavers			
0			Individual transfers out of the Schemes	11	
	0				11
	6,660	**Total Expenditure**			**7,056**
	3,922	**Net amount receivable/payable before top-up from Government**			**4,193**
	3,922	**Top-up receivable/(payable) from Government**			**4,099**
	0	**Reimbursement due in respect of Injury pension**			**94**
	0	**Net amount receivable/(payable) for the year**			**0**
		NET ASSETS STATEMENT			
		Current Assets			
1,027			Pension top-up receivable from Government	1,208	
0			Injury Payment receivable	94	
472			Prepaid Pensions	507	
	1,498				1,809
		Current Liabilities			
(1,498)			Other current assets and liabilities	(1,809)	
	(1,498)				(1,809)
	0				**0**

Notes to the Firefighters' Pension Scheme Financial Statements

1. Basis of Preparation

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

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

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amounts receivable from the Council and the pensionable employees. The employer's contributions are made at the rates determined by the Government Actuaries Department, at a nationally applied rate of 21.3% for the 1992 Firefighters' Pension Scheme and the Modified Scheme, 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.

Benefits and Refunds

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

Transfer Values

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

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

3. Fund's Operation

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

Notes to the Firefighters' Pension Scheme Financial Statements continued

3. Fund's Operation continued

The Council administers and pay firefighters' pensions, from a separate local firefighters' pension fund. Employee contributions, employer's contributions and transfer values received are paid into the pension fund from which pension payments and other benefits are paid. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by Government. Therefore the fund is balanced to nil each year by receipt of pension top up grant or by paying the surplus back to Central Government. The underlying principle is that the employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while Central Government will meet the costs of retirement pensions in payment, net of employee and employer contributions.

The fund has no investment assets.

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The long term pensions obligations is included in the Council's pensions liability (and pensions reserve) in the Balance Sheet. The liability for the Firefighters pensions scheme at 31st March 2015 was £218.615m (31st March 2014 £187.357m) Further details can be found in notes 37 and 38 to the Council's Statement of Accounts.

Academy
A publicly funded school that is directly funded by the Department for Education and is independent of local authority control.

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 then 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.

Community School
A local authority maintained and funded school. The local authority employs the school's staff, is responsible for the school's admissions and owns the school's estate.

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.

Foundation School
A local authority maintained and funded school in which the governing body has greater freedom in the running of the school than in community schools. Foundation schools were set up under the School Standards and Framework Act 1998 to replace grant-maintained schools. The governing body employs the staff and has responsibility for admissions to the school, subject to rules imposed by central government.

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 non current 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.

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.

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 Current Assets
Non current assets are tangible assets (i.e. assets with physical substance) intended to be used during more than on period.

Non Domestic Rates (Business 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.

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.

Property, Plant and Equipment (PPE)
PPE are tangible non current 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.

Pupil Referral Unit (PRU)
An establishment maintained and funded by the local authority, which is specifically organised to provide education for children who are excluded, sick, or otherwise unable to attend a mainstream or special maintained school.

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. Also known as capital expenditure charged to General Fund Balance.

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 2014/15. 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.

Voluntary Aided School
(VA school) is a local authority maintained and funded school in which a foundation or trust (usually a religious organisation), contributes to building costs and has a substantial influence in the running of the school. The governing body employs the staff and has responsibility for admissions to the school, subject to rules imposed by central government.

Voluntary Controlled School
(VC school) is a local authority maintained and funded school in which a foundation or trust (usually a Christian denomination) has some formal influence in the running of the school. Such schools have less autonomy than voluntary aided schools**,** in which the foundation pays part of any building costs. The local authority employs the staff and has responsibility for admissions to the school.

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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 Cumbria County Council's Accounts, in keeping with its significance and because, although the County Council is the administering authority, the Fund covers both County Council employees and those of other scheduled, resolution and admitted bodies. These Accounts (financial statements and certain sections) are summarised to form part of Cumbria County Council's Annual Accounts.

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2014/15 and the position at the year-end date, 31st March 2015. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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'.

The Code of Practice does not currently define what constitutes administrative expenses nor does it require any breakdown of these costs. In the interests of greater transparency and comparability CIPFA issued non-mandatory guidance in June 2014 which the Fund has elected to adopt.

To ensure comparability for our readers we have restated the Fund's 2013/14 published financial statements in relation to the aforementioned change in the categorisation of administrative expenses (management costs) on the face of the Pension Fund Account and within the Notes to the Accounts.

Details of the change can be found in note 1(c) to the Financial Statements and details of management costs (administrative expenses) can be found in notes 7 & 8.

10.1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2013/14		2014/15	
		£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		67,960		96,005
Transfers in from other pension funds	4		3,562		2,294
			71,522		**98,299**
Benefits	5		(70,953)		(73,747)
Payments to and on account of leavers / employer exit	6		(4,489)		(39,183)
Net additions / (deductions) from members			**(3,920)**		**(14,631)**
Management expenses *	7 & 8		(5,633)		(8,063)
Returns on investments					
Investment Income		31,942		30,654	
Taxes on Income		(314)		(203)	
Net investment income	9	31,628		30,451	
Profit and losses on disposal of investments and changes in the market value of investments	10(d)	93,590		244,829	
Net return on investments			125,218		275,280
Net increase in the net assets available for benefits during the year			**115,665**		**252,586**
Net assets at the start of the year			**1,659,065**		**1,774,730**
Net assets at the end of the year			**1,774,730**		**2,027,316**

* Prior year restated following a change in classification to include all investment fees directly incurred by the Fund, including those charged on pooled fund investments previously accounted for within the valuation of investments. For details see notes 1(c), 7 & 8.

NET ASSETS STATEMENT AS AT 31st MARCH 2015

	Notes	31 March 2014 £'000	31 March 2015 £'000
Investment assets		1,761,787	2,005,852
Investment liabilities		(26)	(1,068)
Total net investments	10	**1,761,761**	**2,004,784**
Long term assets	12a	1,643	1,643
Current assets	12b	20,575	31,187
Long term liabilities	13a	(350)	(298)
Current liabilities	13b	(8,899)	(10,000)
Net assets of the Fund available to fund benefits at the period end		**1,774,730**	**2,027,316**

10.2 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 (a): DESCRIPTION OF THE FUND

The Purpose of the Fund is to provide pension benefits for current and future Fund 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 Fund's benchmark over the longer term.

Through balancing the strategic investment of the Fund's assets to the liability profile of the membership, the aims of the Cumbria LGPS are to:-

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage the long term sustainability of the Fund;
- 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.

Membership to the Cumbria LGPS is open to:-

- all eligible employees of scheduled bodies (local government, academies, colleges) within the county who are not covered by alternative pension arrangements (the main categories of employees covered by alternative arrangements are teachers, fire service uniformed personnel and police officers);
- membership is also open to other eligible employees of employers of the Fund (usually this includes employers to whom contracts have been awarded for the provision of public services within the county).

All eligible local government employees are automatically entered into the scheme. Employees may choose to opt out at any point in time.

As at 31st March 2015 the total membership of the Fund was approximately 52,700 (2013/14: 50,900) and consisted of approximately: 16,500 contributors/actives (2013/14: 16,800); 21,800 deferred members (2013/14: 20,000) and 14,400 pensioners (2013/14: 14,100).

At 31st March 2015 there were 118 (2013/14: 111) employer bodies in the Cumbria LGPS (for the full list see Note 25).

NOTE 1 (b): ACTIVITY AND PERFORMANCE DURING 2014/15

During the year to 31st March 2015 the Cumbria LGPS value increased by £252.586m from £1,774.730m (31/03/14) to £2,027.316m (31/3/15). The Fund returned 15.2% for the year which was an outperformance of 2.0% on the Fund's bespoke benchmark for the year of 13.2%.

Many asset classes performed well over the year, with UK index-linked bonds in particular providing strong returns increasing by 21.1%. Global Equities and Property also performed well with returns around 18%, although for equities there were variations by sector and geography. Equity performance was particularly strong in North American markets increasing by 25.1%, Japan 27.1%, and Emerging markets 19.9%; but for UK (6.6%), Europe (excluding UK) 7.5%, and Pacific (ex-Japan) 12.7%, equity index performance was less strong. Corporate bonds also rose in value by 7.6%.

The Fund made the active decision to temporarily transfer half its holding in corporate bonds to equities to preserve capital value. As equities have performed strongly this decision has contributed to the outperformance of the Fund during the year.

The Fund has also performed well over the medium to longer term with the three-year return of 12.0% outperforming the bespoke hedged benchmark of 10.6% (per year). The ten year Fund return was 8.1%, slightly above the benchmark of 8.0% (per year).

Also as a comparison against its peers Cumbria LGPS ranks well for investment performance, with the average for the year being 15.3% (gross of fees), which results in a ranking of 16th out of 100 for the Cumbrian Fund.

CIPFA specifically recommends that the management of investment returns should be against a Fund specific benchmark derived from the individual Fund's investment strategy which directly reflects the risk and liability profile of the Fund. A simple comparison of performance against other Funds 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 remains noteworthy. The table below shows the Cumbria Fund's performance compared to the universe for 1, 3, 5 and 10 years:

Period	**1 Year %**	**3 Years, % per year**	**5 Years, % per year**	**10 Years, % per year**
Gross of fees:*				
Cumbria Pension Scheme	15.3	12.2	10.0	8.2
WM LA Universe Average	13.2	11.1	8.7	7.9
Ranking	16th	18th	16th	34th

* Per industry standard the performance figures used above to calculate rankings are gross of fees. Unless stated otherwise performance figures quoted elsewhere are stated net of fees.

The Cumbria Fund 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 Fund, 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 (77% to 23%). 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 Fund'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 progressed steadily since 2012 with the following changes being made this year:-

- The selection of suitable infrastructure investments with investment made into the JP Morgan Infrastructure Investment Fund;
- The selection of suitable opportunistic investments (ongoing) with commitments made to Healthcare Royalty Partners Fund III, SL Capital Secondary Opportunities Fund, and Unigestion Secondary Opportunities Fund (both secondary private equity funds); and
- The liquidation of the BlackRock alternatives portfolio has continued with funds released for investment into infrastructure and opportunistic products.

The substantive work plan objectives in the 2014/15 business plan have either been achieved or are in progress of completion and all will be delivered within budget. The main actions completed are:-

- Significant progress achieved in delivering the asset allocation changes agreed through the Strategic Investment Review, as detailed above. A substantial portion of the portfolio (approximately £880m) was to be restructured, of which 92%, including allowance for growth in the Fund (£868m), in total had been completed as at March 2015.
- Establishment and embedding of a revised tiered performance reporting framework which was agreed in November 2014 with the aim of ensuring the three operational levels of the Fund (Pensions Committee, ISG and Officers/Advisers) receive the right information to support the specific role in investment management, governance and oversight of the Fund.
- The retender and appointment of a proxy voting service provider to deliver an enhanced level of shareholder engagement. From 1st January 2015 PIRC (Pensions & Investment Research Consultants) vote all UK equity shares held by the Fund.
- The review and extension of the Fund's Actuarial Service Contract with Mercer who were appointed in 2012. The contract which has delivered increased service levels and a stable cost base was extended (per the contract terms) for an additional three years to September 2017.
- Successfully securing fee reductions from existing managers in 2014/15.
- Review and enhancement of Fund governance by including a formal review of each governance document in the Forward Agenda Plan and linking to the Committee Cycle, and through improvements to the quarterly monitoring report so that Members are advised of any material risk, policy changes, governance or financial monitoring issues each quarter.

- Successful implementation of the New LGPS CARE Scheme (career average revalued earnings) at April 2014 and development of new monitoring arrangements to support the changes.
- Successful management of technology changes for the LGPS 2014 CARE Scheme through Officers and YPS working closely and supporting employers to deliver accurate monthly membership data.
- Constitutional changes approved in January 2015 for the establishment of a Local Pensions Board for Cumbria, work to appoint Board Members underway, and on schedule to hold the first meeting in July 2015.
- Ensured Members of the Cumbria Pensions Committee were kept informed and involved in the consultations issued on the structure and regulations of the LGPS.
- Achieved a smooth office move for the Pensions Finance team in Carlisle which has further aligned working practices to more flexible arrangements.
- Timely completion of the Pension Fund Annual Accounts and Annual Report for 2013/14 with an unqualified audit opinion. Additionally improvements were made to the quality, layout and appearance which has enabled efficiency savings and improved readership to be delivered by enhanced web publishing and on-line viewing.
- Review, measurement, and delivery of the training plan to both new and continuing Members and Officers. Resources concentrated on key issues identified by feedback, up and coming national legislative / policy changes and ongoing LGPS work. For example, training on cash flow provided to Members and Officers as they begin to consider the implications on investment strategy of a negative cash flow position; this issue will continue to be addressed in 2015/16 and beyond.

In addition to those items completed, the following are in the progress of completion:-

- The Investment Sub Group continue to review products that may be a suitable fit for the strategic asset allocation to “opportunistic assets”. The strategic aim is for 9% of the Fund to be held in such assets, and as the Fund value has grown this is currently £180m; to date approximately half of the allocation has been filled. However, in addition the Fund still holds its residual alternatives portfolio within this asset allocation (£48m).

- The Committee have undertaken initial discussions with the actuary and larger employers regarding the 2016 triennial actuarial valuation and these communications and actions will continue as per the high level timetable.

Looking forward, 2015/16 is also expected to be another busy year for Local Government Pension Schemes. Regulation, Governance, deficit management and national consideration of structural arrangements across the LGPS are driving significant changes at an unprecedented speed.

In addition to standard activities such as the review of Fund strategy, risk and policies, and the production of the Annual Report and Accounts, the proposed key deliverables in 2015/16 (grouped under three main headings) include:

Governance and Procurement

- Strategy, Fund risk and policies reviews and updates,
- Monitor progress against Business Plan and Budget,
- Reviewing, measuring and delivering training to Members and Officers as outlined in the dynamic Training Plan and extending this to Local Pension Board Members where appropriate,
- Development and enhancement of contract review procedures and performance monitoring at both Committee and Officer level,
- Continue to monitor arrangements for the LGPS 2014 Scheme, including employer communication and employer data submission issues,
- 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,
- Development of the Fund's stewardship and corporate governance framework,
- Creation, establishment and training for the Cumbria Local Pension Board.

Fund Management

- 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,
  - Continual review of temporary overweight to equities.
- Consideration of options to address the movement of the Fund towards a negative cash flow position,
- Recruit and train additional internal staff resource sought to respond to pressures on the investment area of the Fund.

Employers, Funding and Accounting

- Undertake initial discussions with the actuary and larger employers regarding the 2016 triennial Actuarial Valuation,
- Communication with Fund employers and implementation of the required technology changes to embed the CARE 2014 Scheme and meet the data requirements of the Pensions Regulator,
- Completion of the 2014/15 Cumbria LGPS Annual Accounts and Annual Report incorporating any new regulatory/technical changes,
- Recruit and train new staff.

The Cumbria LGPS Annual Report and Accounts gives further details of the Fund's performance, management structure and investment news. The Annual Report and Accounts 2014/15 will be published on-line when finalised (and at the latest by the statutory deadline of 1st December 2015) at www.cumbria.gov.uk/finance, where the previous year's report is also available.

NOTE 1 (c): CLARIFICATION OF ACCOUNTING POLICY & RECLASSIFICATION – MANAGEMENT COSTS

In June 2014 CIPFA published non-mandatory guidance ('Accounting for local government pension scheme management costs') in relation to the categorisation and disclosure of management costs. The Fund has elected to adopt this guidance in its 2014/15 accounts.

Reason for change: The CIPFA Code of Practice (the Code) requires that 'administrative expenses' in relation to a retirement benefit plan are disclosed on the face of the fund account. The Code does not currently define what constitutes administrative expenses nor does it require any breakdown of these costs. In the absence of formal guidance the Fund, like other LGPS funds, has historically applied its own definition of administrative expenditure. This has meant that there has been a lack of comparability between funds. CIPFA has now issued guidance in relation to the categorisation and disclosure of management costs and, in the interest of seeking to address the issue of comparability and transparency, the Fund has elected to adopt this.

Nature of change: Administrative expenses are now shown on one line ('Management expenses') in the Pension Fund Account. Previously they were split as follows:

- 'Administrative expenses' were shown within 'net additions / (deductions) from dealing with members';
- 'Investment management expenses' were shown within 'Returns on investments';
- Pooled fund costs and entry fees were included within 'Investment income'; and
- Transaction costs were included within 'change in market value'.

In the notes to the accounts the breakdown of the management expenses figure contained within note 7 has been compiled in accordance with the refreshed format recommended by CIPFA (split between 'Administrative costs', 'Investment management costs' and 'Oversight and governance costs'). In the interests of transparency and to aid future comparison Note 8 to the accounts provides further details of these amounts.

For the purposes of clarity and consistency comparative figures have been adjusted following this change in classification. The change impacts upon figures within the Fund Account only; it has no effect on the valuation of investments or the net asset value of the Fund therefore no additional net assets statement has been produced. The below table illustrates the adjustments made to comparative figures.

2013/14 Heading	2013/14 £'000	Adjustment £'000	Description of adjustment	2013/14 restated £'000
Administrative expenses	(1,431)	+1,431	New disclosure; Management Expenses.	-
Investment income	31,066	+562	Pooled fund costs moved to expenses.	31,628

2013/14 Heading	2013/14 £'000	Adjustment £'000	Description of adjustment	2013/14 restated £'000
Profit and losses on disposal of investments and changes in the market value of investments	93,231	+359	Transaction costs moved to expenses.	93,590
Investment management expenses	(3,281)	+3,281	New disclosure; Management Expenses.	-
Management expenses	-	(5,633)	New disclosure.	(5,633)
	119,585	0		119,585

The following table illustrates what the current period figures would have been had the guidance not been adopted:

	2013/14 prior to recategorisation £'000	2014/15 figures categorised using 13/14 split £'000	Recategorisation in 14/15
13/14 headings			**14/15 headings**
Administrative costs:			
Pensions Administration	886	869	Administrative costs
Employee costs	114	114	Administrative costs
Legal advice	44	4	Administrative costs
Actuarial fees	63	7	Oversight and Governance costs
Audit fees	26	24	Oversight and Governance costs
Legal and tax advice	88	89	Oversight and Governance costs
Other	8	14	Oversight and Governance costs
Employee costs	176	176	Oversight and Governance costs
Pension fund committee	27	43	Oversight and Governance costs
	1,432	**1,340**	
Investment management expenses			
Fund management fees	2,827	2,962	Investment Management costs
Transition management services	160	-	Oversight and Governance costs
Custody fees	121	127	Investment Management costs
Investment consultancy fees	133	55	Oversight and Governance costs
Performance monitoring service	26	24	Oversight and Governance costs
Shareholder voting service	13	13	Oversight and Governance costs
	3,280	**3,181**	
Subtotal	**4,712**	**4,521**	
Previously elsewhere in Fund Account			
Pooled fund costs and entry fees (previously in investment income)	562	3,214	Investment Management costs
Transaction costs (previously in change in market value)	359	328	Investment Management costs
	5,633	**8,063**	

For further details of management expenses see notes 7 and 8 to the Financial Statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes to accounting policies in 2014/15.

Fund account – revenue recognition

2.1. Contribution Income

Normal contributions, both from the members and from the employers within the Fund, are accounted for on an accruals basis at the rate recommended by the Fund actuary for the payroll period to which they relate.

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 2.15) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see Note 4).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

2.3. Investment income (Note 9)

a) ***Interest income***: is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
b) ***Dividend income***: is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement 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 Fund expense as it arises, and is shown on the Fund Account as 'Taxes on income'.

2.6. Administrative expenses (Note 7)

All administrative expenses are accounted for on an accruals basis. All staff costs of the County Council's Pensions Finance team are charged direct to the Fund, with management, accommodation and other overheads apportioned to the Fund in accordance with general Council practices. Staff and on-costs related to administration are apportioned to this heading.

2.7. Investment management expenses (Note 7)

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Transaction costs and pooled fund fees/expenses are also included as investment management expenses. No employees are currently employed solely on in-house investment management.

2.8. Oversight and Governance costs (Note 7)

All oversight and governance costs are accounted for on an accruals basis. All staff costs of the County Council's Pensions Finance team are charged direct to the Fund. Staff and on-costs apportioned to this activity are charged as oversight and governance expenses.

The cost of obtaining investment advice from external investment consultants and advisors is included in oversight and governance costs, as are transition management costs, actuarial fees, legal fees and shareholder voting services.

Net assets statement

2.9. Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

Investment Assets

State Street Bank and Trust, as independent Custodian to the Fund, values the assets other than direct property and unquoted investments. This is done on a daily basis by a series of data quality verifications. All discrepancies outside a tolerance level (zero tolerance for equities and 5% tolerance for bonds) are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investment assets as shown in the net assets statement have been determined as follows:

a) Market-quoted investments: The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
b) Fixed interest securities: Fixed interest securities are recorded at net market value based on their current yields.
c) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:
    - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs. There is one such investment at 31st March 2015 valued at £0.434m, (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 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 Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund

managers in accordance with the guidelines set out by the British Venture Capital Association. (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 2015. 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 2015 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 Net Assets Statement at amortised cost basis i.e. principal amount adjusted for any interest payable / receivable at the year-end date.

Long-Term Assets

Revenue transactions are recorded on a system of receipts and payments. Income accruals (debtors) and expense accruals (creditors) have been introduced in respect of major items of income due but not received, and significant amounts owed, at 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.

2.10. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. State Street Bank and Trust value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31st March 2015.

2.11. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not currently hold derivatives for speculative purposes.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite

contract. The contracts are valued using the WM/Reuters 4pm closing spot/forward foreign exchange rates.

Fair value of Exchange Traded Futures contracts is determined based on market quoted prices as at the reporting date. Fair value is the unrealised profit or loss at the market quoted price of the contract. Derivatives are covered in more detail in Note 10(c).

2.12. Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

2.13. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

2.14. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 23).

2.15. Additional voluntary contributions

Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Fund currently has three appointed AVC providers: Prudential, Standard Life and Scottish Widows. The previous AVC scheme on offer to employees was operated by Equitable Life Assurance Society but in December 2000 it closed to new business.

Employees / contributors AVCs are paid over to one of the three providers by the Fund employers. These contributions are specifically for the purpose of providing additional benefits for individual contributors. Each AVC contributor receives an annual statement (from their provider) showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with 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).

2.16. Stock lending

Securities on loan at the 31st March are included in the net assets statement to reflect the Fund's continuing economic interest in the securities.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct material errors.

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

Where the basis for measurement of an amount is uncertain, the Fund will use a suitable estimation technique determined by the Assistant Director – Finance (Section 151 Officer). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Assistant Director – Finance (Section 151 Officer) will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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

NOTE 3: CONTRIBUTIONS

Benefits (see Note 5) are funded by contributions and investment earnings. Contributions are received both from active members and employers of the Fund. Contributions from active members are made in accordance with the 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 2014/15 are as follows:

- Employees - range from 5.5% to 12.5% of pensionable pay dependent on the full-time salary of the member.

- Employers - range from 8.6% to 27.2% of pensionable pay, plus a lump sum payment for deficit recovery. Individual employer rates are set by the actuary on a three-yearly cycle, taking into account the employer's own attributes and particular circumstances; this includes the maturity profile of the membership, if the Admission is open or closed to new members, and the maximum deficit recovery period as determined by the Fund Actuary in relation to the employer's covenant and membership profile.

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

By Category	2013/14 £'000	2014/15 £'000
Employer contributions to the fund	52,151	79,575
Employee contributions to the fund	15,809	16,430
	67,960	**96,005**
By Employer Type	**2013/14 £'000**	**2014/15 £'000**
Scheduled bodies	65,203	92,340
Admitted bodies	2,757	3,665
	67,960	**96,005**

Included in the scheduled bodies figure in the above table are administering authority contributions (Cumbria County Council) of £63.119m (£40.504m 2013/14).

2014/15 shows a large increase in employer contributions (£27.424m) as four scheduled body employers (including Cumbria County Council) opted to pay the three year total of their lump sum deficit contribution in April 2015. This amounted to £37.771m, of which £25.181 relates to years two and three (2015/16 and 2016/17). An admitted body Eden Housing paid an additional £0.500m capital payment to offset their deficit.

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 Fund receives them.

Cumbria County Council is the only Fund 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 Fund 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 the medium term. The additional contribution from Cumbria County Council will fund an allowance of up to £7.312m for non ill-health early retirements. From 1st April 2014 to 31st March 2015, £3.663m 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.

	2013/14 £'000	2014/15 £'000
Individual transfers	3,562	2,294
	3,562	**2,294**

NOTE 5: BENEFITS

Pension benefits under the LGPS are based on final pensionable pay or career average, and length of pensionable service. Members have access to the schemes depending upon the period their active membership in the LGPS covers, i.e. whether their employment was previous to 1st April 2008, during the period 1st April 2008 to 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:

By Category	2013/14 £'000	2014/15 £'000
Net pensions paid	58,620	60,612
Net lump sum on retirement	10,687	11,536
Net lump sum on death	1,646	1,599
	70,953	**73,747**
By Employer Type	**2013/14 £'000**	**2014/15 £'000**
Scheduled bodies	65,475	68,420
Admitted bodies	5,478	5,327
	70,953	**73,747**

Included in the scheduled bodies figure in the above table are administering authority benefits of £41.902m (£39.065m 2013/14).

The increased benefits paid value reflects the amount of restructuring that has taken place in recent years, as most Fund employers within the LGPS seek to address reducing funding. Many employers within the Fund 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. 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 / EMPLOYER EXIT

	2013/14 £'000	2014/15 £'000
Refund of contributions	77	86
Individual transfers to other Schemes	4,412	2,617
Group transfer out to other Schemes	-	36,480
	4,489	**39,183**

The membership of the Cumbria Probation Trust transferred to the Ministry of Justice from 1st June 2014, along with all other Probation Trusts nationally and will be run from the Greater Manchester Pension Fund (GMPF). The corresponding transfer of Cumbria Fund assets to GMPF took place in February 2015, for £36.480m.

NOTE 7: MANAGEMENT EXPENSES

Officers employed by the County Council undertake the day to day management and administration of the Fund. Employee time spent working on the Fund and their associated costs e.g. office space and information technology are charged to the Fund. In addition the cost of maintaining the employee and employer contribution records, paying benefits and provision of other pensions administration services, provided by a public-public shared service with Lancashire County Council, Your Pension Service (YPS), are charged to the Fund. This is in accordance with the government regulations on the management of local government pension schemes.

Further details of management expenses are as follows:

	2013/14 £'000	2014/15 £'000
Administrative costs	1,044	987
Investment management costs	3,869	6,631
Oversight and governance costs *	720	445
	5,633	**8,063**

* New heading at 2014/15

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses for 2014/15 in accordance with the CIPFA guidance on LGPS management costs, in the three headings above. To further aid comparison for future years using this new disclosure, a detailed breakdown for 2014/15 is provided for information in the next note.

The investment management expenses above include no performance related fees as none are payable.

Transaction costs incurred during 2014/15 amounted to £0.328m, which is 0.03% of the purchases and sales proceeds (for comparison 2013/14 £0.359m, 0.01% of trades). Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and any other trading fees.

The Fund has invested in two pooled property funds during the year, committing £35m to each. As with any property investment, these pooled funds have entry costs mostly relating to stamp duty paid on property purchases. The one-off cost of entry into the two funds at around 4.5%, £3.174m, is included in Investment Management costs above. As long-term investments, these costs are expected to be recouped by investment returns within months.

Oversight and governance costs for 2013/14 includes the one-off cost of transition manager fees, for the transition of global equity that took place in November 2013.

The 2013/14 figures have been restated for comparative purposes. Note 1(c) refers.

NOTE 8: MANAGEMENT EXPENSES ADDITIONAL INFORMATION

The Code of Practice does not require any breakdown of pension fund management expenses. However for information only, and to further aid comparison for future years using the new disclosure from 2014/15 into the three headings suggested by CIPFA guidance, a detailed breakdown for 2014/15 is provided below, with comparison to 2013/14 as referred to in Note 1(c).

	2013/14 £'000	2014/15 £'000
Administrative costs:		
Pensions Administration	886	869
Employee costs	114	114
Legal advice	44	4
	1,044	987
Investment Management costs:		
Fund management fees	2,827	2,962
Custody fees	121	127
Pooled fund costs and entry fees *	562	3,214
Transaction costs *	359	328
	3,869	6,631
Oversight and governance costs:		
Employee costs	176	176
Pension fund committee	27	43
Investment consultancy fees	133	55
Transition management services	160	-
Performance monitoring service	26	24
Shareholder voting service	13	13
Actuarial fees	63	7
Audit fees	26	24
Legal and tax advice	88	89
Other (including bank charges)	8	14
	720	445
* 2013/14 restated per Note 1c (from within change in market value and net income).	**5,633**	**8,063**

Variations on spend between years include:-

- The Fund has invested in two pooled property funds during 2014/15, committing £35m to each. As with any property investment, these pooled funds have an entry cost mostly relating to stamp duty paid on property purchases. The one-off cost of entry into the two funds at around 4.5%, £3.174m, is shown in Investment Management costs above. These funds are viewed as long-term illiquid investments; the valuation of each fund at March 2015 is close to exceeding the price paid for the investments i.e. recouping the costs of entry within a matter of months.

- The increase in Fund Management fees reflects increasing portfolio size, on which all of the fund management fees are based.

- Investment consultancy fees were higher in 2013/14 due to the procurement processes for two new equity managers (completed in December 2013).

- Oversight and governance costs for 2013/14 included the one-off cost of transition manager fees, for the transition of global equity that took place in November 2013.

- Pensions Administration – 2013/14 had 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. Some of these costs continued into 2014/15.
- Legal costs – 2013/14 had an increased need for professional legal advice on ad-hoc employer and pensioner/employee issues.
- Other – bank charges have increased in 2014/15 due to European cash balances earning a negative rate of interest whilst the base rate in Europe is negative.

NOTE 9: NET INVESTMENT INCOME

Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £30.451m (2013/14 £31.628m), net of £0.203m (2013/14: £0.314m) irrecoverable tax on dividends, and including stock lending income of £0.076m (2013/14: £0.063m), can be analysed as follows:

	2013/14 £'000	2014/15 £'000
Interest from fixed interest securities	6,441	6,744
UK dividends	10,001	9,222
Overseas dividends	5,954	6,944
Distributions from pooled investment vehicles	2,242	75
Net rental income from investment properties (see note 10(b))	6,918	7,303
Bank Interest	72	163
	31,628	**30,451**

Schroders, the Fund's UK equity manager, choose investments for the portfolio based on a number of reasons, including size and stability of dividend payment; the Fund benefitted in 2013/14 from companies paying some particularly high UK dividends, £1.777m from Vodafone Group plc alone, but benefitted less so in 2014/15.

Two new global equity managers began their segregated mandates in December 2013, the Fund having held the assets in the passive mandate (which do not yield dividend income) until transition. Income from global equity dividends therefore increased for part of 2013/14 with this reallocation back to the strategic investment strategy of active management, and for the full year 2014/15.

Income from pooled vehicles includes distributions from the Fund's alternatives investments; 2013/14 saw a distribution from a private equity fund of £1.347m. During 2014/15 this entry was reversed and corrected as a capital contribution; the corrected income received for pooled vehicles for comparison is 2013/14: £0.895m, 2014/15: £1.422m. The Fund is increasing its investment into infrastructure and other alternatives with the objective of stable and inflation protected income streams.

NOTE 10: INVESTMENT ASSETS

		31 March 2014			31 March 2015		
		UK	Overseas	Total	UK	Overseas	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Investment Assets							
Equities							
Equities - quoted		248,511	284,357	**532,868**	270,660	366,523	**637,183**
Equities - unquoted		1,028	-	**1,028**	434	-	**434**
		249,539	284,357	**533,896**	271,094	366,523	**637,617**
Fixed interest securities							
Public Sector/Govt - quoted		-	-	**-**	-	-	**-**
Corporate bonds - quoted		123,088	7,794	**130,882**	140,914	7,347	**148,261**
Corporate bonds - unquoted		-	-	**-**	-	-	**-**
		123,088	7,794	**130,882**	140,914	7,347	**148,261**
Pooled investment vehicles							
Pooled investments - quoted		13,898	9,974	**23,872**	9,580	13,706	**23,286**
Pooled investments - unquoted		584,245	316,426	**900,671**	551,857	461,340	**1,013,197**
	10(a)	598,143	326,400	**924,543**	561,437	475,046	**1,036,483**
Investment properties							
Freehold		93,408	-	**93,408**	113,960	-	**113,960**
Long leasehold		29,760	-	**29,760**	31,515	-	**31,515**
Short leasehold		-		**-**	-		**-**
	10(b)	123,168	-	**123,168**	145,475	-	**145,475**
Derivative contracts	10(c)	1,780	-	**1,780**	2,131	-	**2,131**
Cash Deposits		42,808	4,710	**47,518**	18,626	17,259	**35,885**
		1,138,526	623,261	**1,761,787**	1,139,677	866,175	**2,005,852**
Investment liabilities							
Derivative contracts	10(c)	(26)	-	**(26)**	(1,068)	0	(1,068)
Total Net Investments		1,138,500	623,261	**1,761,761**	1,138,609	866,175	**2,004,784**

Note 10(a) details the pooled investments including index-tracking funds, unit trusts and alternatives funds.

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

Note 10(c) details the derivative contracts above; these are forward foreign exchange contracts and futures held at 31st March, shown as assets where there is a

gain and liabilities where there is a loss on the individual contracts at 31st March 2015.

NOTE 10(a): POOLED INVESTMENT VEHICLES

The Fund's largest holding is the unitised insurance policies with Legal and General totalling £797.0m, 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.

	2013/14 £'000	2014/15 £'000
Unitised insurance policies - unquoted		
UK equities	201,283	102,104
Overseas equities	272,728	321,513
UK corporate bonds	69,366	0
UK index-linked securities	277,552	373,337
UK sterling liquidity fund	35,008	51
	855,937	**797,005**
Unit trusts		
UK - quoted	13,898	9,580
Overseas - quoted	7,460	11,927
	21,358	**21,507**
Other Managed funds		
Pooled property REIT's - quoted	2,514	1,779
Pooled property funds - unquoted	2,946	69,675
Other managed funds - unquoted	41,788	146,517
	47,248	**217,971**
Total	**924,543**	**1,036,483**

The Fund is increasing its investment into infrastructure and other alternatives with the objective of generating diversification and more stable and / or inflation protected income streams. As these new investments were deployed during 2014/15, funds were withdrawn from the passive UK equity holdings and sterling liquidity fund, and the resulting decrease in unitised insurance policies is seen 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, including passive index-linked gilts. In light of this, switching from pooled corporate bond

securities had partially completed at 31st March 2014 and was fully completed in July 2014.

NOTE 10(b): INVESTMENT PROPERTIES

The Fund invests in direct property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. At 31st March 2015 the portfolio valued at £145.475m included 29 properties ranging from £1.380m to £13.450m 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:

	2013/14 £'000	2014/15 £'000
Rental income from investment property	7,444	7,730
Direct operating expenses arising from investment property	(526)	(427)
	6,918	**7,303**

The improved rental income between years reflects a strategic shift to a higher allocation in property, inflationary rent uplifts and an increase in the occupancy of properties rented.

There are no restrictions on the Fund's ability to realise the value inherent in its investment property or on the Fund's right to the remittance of income and the proceeds of disposal. The properties are held by a wholly-owned nominee company on behalf of the Fund and the Fund is entitled to all income and capital proceeds. The Fund has no contractual obligation to purchase, construct or develop, and the Fund has its normal obligations in respect of repairing and maintaining properties where the costs are generally passed onto the tenants where a lease is in place.

The following table summarises the movement in the fair value of investment properties over the year:

	2013/14 £'000	2014/15 £'000
Balance at the start of the year	**92,155**	**123,168**
Additions:		
Purchases	29,461	5,715
Subsequent expenditure	3,396	2,782
Disposals	(9,158)	(2,588)
Net gains/(losses) from fair value adjustments	7,314	16,398
Balance at the end of the year	**123,168**	**145,475**

The Fund's property investments are commercial leased out properties, all of which are operating leases. The future minimum lease payments receivable under non-cancellable leases for these land and buildings in future years are shown as follows:

	2013/14 £'000	2014/15 £'000
Not later than one year	7,697	8,026
Later than one year and not later than five years	22,143	27,051
Later than five years	43,070	31,659
	72,910	**66,736**

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 standard 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 Fund's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

The corporate bond mandate managed by 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:

	31 March 2015		
Reconciliation to Note 10	**Investment Asset / Unrealised Gain £'000**	**Investment Liability / Unrealised Loss £'000**	**Net Market Value £'000**
Total Derivatives			
Forward currency contracts	1,997	(1,047)	**950**
Futures	134	(21)	**113**
Derivative Contracts Gain/(Loss)	**2,131**	**(1,068)**	**1,063**

The open forward foreign exchange contracts can be summarised as follows:

Currency Bought		Currency Sold		2014/15	
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					
EUR	775	GBP	583	0	(21)
GBP	58,466	EUR	81,713	107	(855)
GBP	31,346	JPY	5,588,402	0	(99)
GBP	233,746	USD	344,105	1,890	(72)
				1,997	**(1,047)**
Net forward currency contracts at 31 March 2015				**950**	

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market Value at 31 March 2014 £'000	Economic exposure	Market Value at 31 March 2015 £'000
Assets					
Overseas Fixed Interest	Less than one year	(2,963)	10	6,641	134
			10		**134**
Liabilities					
Overseas Fixed Interest	Less than one year			(4,120)	(21)
			0		**(21)**
		Net futures	**10**		**113**

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:

2014/15:

Asset Class	Value at 1 April 2014 £'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 2015 £'000
Fixed interest securities	130,882	25,644	(19,006)	(441)	11,182	148,261
Equities						
UK equities	249,539	59,462	(56,750)	8,972	9,871	271,094
Overseas equities	284,357	153,366	(135,577)	3,106	61,271	366,523
	533,896	212,828	(192,327)	12,078	71,142	637,617
Pooled investment vehicles	855,937	78,061	(270,011)	91,197	41,821	797,005
Unit Trusts	21,358	26,389	(27,856)	1,256	360	21,507
Managed funds	47,248	168,355	(12,259)	731	13,896	217,971
Property (See Note 10b)	123,168	8,497	(2,588)	507	15,891	145,475
Derivatives (forward foreign exchange contracts, futures)	1,754	33,497	(19,397)	(12,972)	(1,819)	1,063
	1,714,243	**553,271**	**(543,444)**	**92,356**	**152,473**	**1,968,899**
Cash	47,518					35,885
Total Net Investments	**1,761,761**					**2,004,784**

Analysis of gains/(losses) for the year	2014/15 £'000
Realised - Profit and losses on disposal of investments	92,356
Unrealised - Changes in the market value of investments	152,473
	244,829

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

2013/14 (restated figures for comparative purposes as per Note 1(c)):

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	818,448	(741,870)	43,486	(20,858)	284,357
	386,820	951,134	(840,355)	49,347	(13,050)	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	**1,383,231**	**(1,399,388)**	**138,348**	**(44,758)**	**1,714,243**
Cash	7,192					47,518
Total Net Investments	**1,644,002**					**1,761,761**

Analysis of gains/(losses) for the year	2014/15 £'000
Realised - Profit and losses on disposal of investments	138,348
Unrealised - Changes in the market value of investments	(44,758)
	93,590

NOTE 10(e): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2014		31 March 2015	
		£'000	%	£'000	%
Legal & General Policy No. 1	Equities, bonds, cash	488,627	27.7%	354,313	17.7%
Legal & General Policy No. 2	Index-linked bonds	250,203	14.2%	303,460	15.1%
Legal & General Policy No. 3	Global equities	117,107	6.6%	139,232	6.9%
Legal & General Passive Currency	Currency overlay	1,764	0.1%	933	0.0%
Schroders Investment Management	UK equities	237,857	13.5%	260,070	13.0%
Nordea	Global equities	161,278	9.2%	199,481	10.0%
Loomis Sayles	Global equities	158,396	9.0%	195,652	9.8%
Standard Life	UK corporate bonds	131,458	7.5%	150,632	7.5%
Aberdeen Asset Management	Direct property	124,927	7.1%	148,444	7.4%
JP Morgan	Infrastructure			83,992	4.2%
BlackRock	Alternatives	40,375	2.3%	48,396	2.4%
M&G	Property Fund			34,807	1.7%
Aviva	Property Fund			33,555	1.7%
Strategic cash allocation	Cash	36,030	2.0%	21,895	1.1%
Partners Group	Infrastructure	10,236	0.6%	18,427	0.9%
M&G	Real Estate Debt	537	0.0%	8,003	0.4%
Aberdeen Asset Management	Indirect property	2,946	0.2%	1,313	0.1%
SL Capital	Secondary Fund			1,832	0.1%
Healthcare Royalty Partners	Royalties Fund			334	0.0%
Transition residual	Overseas equities	20	0.0%	13	0.0%
Total Net Investments		**1,761,761**	**100.0%**	**2,004,784**	**100.0%**

Recent actions to implement agreed changes to the Fund's strategic asset allocation have resulted in increasing its investment into infrastructure and other alternatives. The drivers for this change are to improve diversification and generate more stable and / or inflation protected income streams. To fund these investments during 2014/15, funds were withdrawn from the passive holdings, and the resulting decrease in unitised insurance policies is seen above.

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

It is a requirement of the Pensions SORP and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The 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.

Holding	31 March 2015 £'000	% of Total Net Investments
Policy 1 Legal and General North America Index	119,850	6.0%
Policy 1 Legal and General UK Equity Index	102,104	5.1%
Policy 1 Legal and General Over 5 Yr Index-Linked Gilts Index	69,878	3.5%
Policy 1 Legal and General Europe(Ex UK)Equity Index	30,269	1.5%
Policy 1 Legal and General Other Pacific Basin Index	17,540	0.9%
Policy 1 Legal and General Japan Index	14,621	0.7%
Policy 1 Legal and General Sterling Liquidity Fund	51	0.0%
Policy 1 Total	354,313	17.7%
Policy 2 Legal and General Over 5 Yr Index-Linked Gilts Index	303,460	15.1%
Policy 3 Legal and General FTSE World Equity Index	139,232	6.9%
	797,005	**39.7%**

NOTE 11: FINANCIAL INSTRUMENTS

Accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses, including fair gains and losses, are recognised. Investment property is not a financial instrument and as such does not feature in any but the first of the following tables. The following table analyses the fair value amounts of financial assets and liabilities by category, and the net gains and losses. No financial assets were reclassified during the accounting period.

The Net Assets of the Fund can be classified as Financial Instruments and Investment Property as follows:

	31 March 2014 £'000	31 March 2015 £'000
Financial Instruments	1,645,303	1,875,785
Statutory debts / liabilities & provisions	6,259	6,056
Investment Property	123,168	145,475
Net Assets of the Fund	**1,774,730**	**2,027,316**

	31 March 2014				31 March 2015			
	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								
Financial Assets								
Investments								
Equities	533,896			533,896	637,617			637,617
Fixed interest securities	130,882	-	-	130,882	148,261	-	-	148,261
Pooled investment vehicles	924,543	-	-	924,543	1,036,483	-	-	1,036,483
Derivative contracts	1,780	-	-	1,780	2,131	-	-	2,131
Cash deposits	-	53,096	-	53,096	-	50,269	-	50,269
Current & long-term assets	-	9,399	-	9,399	-	11,414	-	11,414
	1,591,101	**62,495**	**-**	**1,653,596**	**1,824,492**	**61,683**	**-**	**1,886,175**
Financial Liabilities								
Derivative contracts	(26)	-	-	(26)	(1,068)	-	-	(1,068)
Current/long-term liabilities	-	-	(8,267)	(8,267)	-	-	(9,322)	(9,322)
Total Financial Instruments	**1,591,075**	**62,495**	**(8,267)**	**1,645,303**	**1,823,424**	**61,683**	**(9,322)**	**1,875,785**
ANALYSIS OF NET GAINS AND LOSSES FOR YEAR ENDED 31st MARCH								
Financial Assets	86,302	-	-	86,302	229,499	-	-	229,499
Financial Liabilities	(26)	-	-	(26)	(1,068)	-	-	(1,068)
Total Net Gains/(Losses)				86,276				228,431

The table following summarises the book cost of the financial assets and liabilities by class of instrument compared with the fair values (market value).

31 March 2014			31 March 2015	
Book Cost	Fair Value		Book Cost	Fair Value
£'000	£'000		£'000	£'000
		Financial Assets		
1,345,020	1,591,101	Fair Value through profit and loss	1,427,721	1,824,492
62,495	62,495	Loans and receivables	61,683	61,683
1,407,515	**1,653,596**	**Total Financial Assets**	**1,489,404**	**1,886,175**
		Financial Liabilities		
-	(26)	Fair Value through profit and loss	-	(1,068)
(8,267)	(8,267)	Financial Liabilities at amortised cost	(9,322)	(9,322)
(8,267)	**(8,293)**	**Total Financial Liabilities**	**(9,322)**	**(10,390)**
1,399,248	**1,645,303**	**Total Financial Instruments**	**1,480,082**	**1,875,785**

We are required to disclose the difference between the carrying value and the fair value; the fair values disclosed above 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 Fund 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. The aim being to show how much can be easily liquidated and thereby readily made available as cash if required with level 1 representing the most liquid and level 3 the most illiquid. This illiquidity assessment is subjective. As with any assessed additional investment risk investors should expect to be rewarded through expected higher investment returns.

As the Fund is in deficit it needs to generate excess returns at an acceptable level of risk. To do this the Fund diversifies across asset classes, managers and products, making use of its strong covenant as an open Public Sector Pension Scheme. As such it can take advantage of the potentially higher returns offered for investing in more illiquid asset classes such as private equity and infrastructure. Thus the liquidity or how easily a financial asset can be quantified at a point in time does not automatically equate to the value of it to the Fund, merely how readily it can be realised as cash if required.

Level 1 – 46% of the Fund's Holding in Financial Instruments (2013/14: 47%)

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 – 43% of the Fund's Holding in Financial Instruments (2013/14: 51%)

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.

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 – 11% of the Fund's Holding in Financial Instruments (2013/14: 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 2.9(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 Fund 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.

VALUATION CLASSIFICATION LEVEL	31 March 2014				31 March 2015			
	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								
Financial Assets								
Investments								
Equities	532,868	-	1,028	533,896	637,183	-	434	637,617
Fixed interest securities	130,882	-	-	130,882	148,261	-	-	148,261
Pooled investment vehicles	58,880	826,523	39,140	924,543	23,286	797,005	216,192	1,036,483
Derivative contracts	-	1,780	-	1,780	-	2,131	-	2,131
Cash deposits	53,096	-	-	53,096	50,269	-	-	50,269
Current & long-term assets	-	9,399	-	9,399	-	11,414	-	11,414
	775,726	**837,702**	**40,168**	**1,653,596**	**858,999**	**810,550**	**216,626**	**1,886,175**
Financial Liabilities								
Derivative contracts	-	(26)	-	(26)	-	(1,068)	-	(1,068)
Current & long term liabilities	-	(8,267)	-	(8,267)	-	(9,322)	-	(9,322)
Total Financial Instruments	**775,726**	**829,409**	**40,168**	**1,645,303**	**858,999**	**800,160**	**216,626**	**1,875,785**
Percentage of Financial Instruments	47.1%	50.5%	2.4%	100.0%	45.8%	42.7%	11.5%	100.0%

The increase in level three category and decrease in level one and two categories reflects the strategic shift towards direct investment in alternative assets such as infrastructure and opportunistic investments, and the related withdrawal from pooled passive funds. This is a strategic allocation shift to accept illiquidity for which the Fund expects to be suitably rewarded over the longer term life of such investments. An assessment has been done of the total value of illiquidity that the Fund can

prudently tolerate balanced against expected short and mid-term cash flow requirements.

The investments categorised as Level 3 in the above table (an unquoted equity investment, an ex-manager's pooled funds, and eight directly invested 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 £14.612m (£13.380m unrealised gain and £1.232m realised gain) was recognised in the analysis of net gains for the year to 31 March 2015 (total £228.431m) in Note 11. Purchases of £168.304m and sales of £12.052m had also taken place for Level 3 investments.

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 2014 £'000	31 March 2015 £'000
Long Term Debtors		
Long term debtors - contributions	-	-
Long term debtors - employer exit	1,643	1,643
Total Long Term Assets	**1,643**	**1,643**
Long Term Debtors relating to (per IFRS headings):		
Central Government bodies	1,643	1,643
Other entities and individuals	-	-
Total Long Term Assets	**1,643**	**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). No instalment was received during the 2014/15 financial year, but received 28th March 2014 and 14th April 2015.

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.

	31 March 2014 £'000	31 March 2015 £'000
Cash balances	**5,578**	**14,384**
Current Debtors		
Securities sold awaiting settlement	3,982	4,871
Investment income accrued	4,372	4,791
Property debtors	777	1,196
Contributions due	5,009	4,474
Employer exit from scheme due < 1 year	329	581
Miscellaneous	528	890
Total Current Debtors	**14,997**	**16,803**
Total Current Assets	**20,575**	**31,187**
Current Debtors relating to (per IFRS headings):		
Central Government bodies	624	699
Other local authorities	4,289	4,396
Other entities and individuals	10,084	11,708
Total Current Debtors	**14,997**	**16,803**

Cash balances held by the administering authority have increased due to the need to have cash available for deployment into new investments.

Securities sold awaiting settlement varies due to the timing of investment sales; this is the value of investment portfolio sale trades in progress at 31st March 2015.

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.

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.

	31 March 2014 £'000	31 March 2015 £'000
Long term Creditors		
Interest provision on long-term debt	350	298
Total Long term Liabilities	**350**	**298**
Long Term Creditors relating to (per IFRS headings):		
Other entities and individuals	350	298
Total Long term Liabilities	**350**	**298**

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 2014 £'000	31 March 2015 £'000
Current Creditors		
Securities purchased awaiting settlement	3,753	5,154
Property creditors	2,266	2,501
Investment Managers fees	841	1,028
Tax payable	590	626
Interest provision on long-term debt	42	52
Miscellaneous	1,407	639
Total Current Liabilities	**8,899**	**10,000**
Current Creditors relating to (per IFRS headings):		
Central government bodies	590	626
Other local authorities	1,284	530
Other entities and individuals	7,025	8,844
Total Current Liabilities	**8,899**	**10,000**

Securities purchased awaiting settlement varies due to the timing of investment purchases; this is the value of investment portfolio buy trades in progress at 31st March 2015.

NOTE 14: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk. These risks are a function of investing and cannot be completely avoided. They are however closely monitored and where possible appropriate mitigation methods are used to limit the Fund's exposure.

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 Fund. These regulations require the Fund to formulate a policy for the investment of its Fund money. Cumbria LGPS practices are outlined in the Fund Policy Document and can be found on-line at http://www.cumbria.gov.uk/Finance/finance/cumbrialgps.asp.

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 Fund annually reviews its Statement of Investment Principles (SIP) and corresponding Investment Strategy which set out the Fund'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 Fund Policy Document published on-line at:
www.cumbria.gov.uk/finance/finance/cumbrialgps.asp.

During 2011/12 the Fund 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 (e.g. discounted future pensions payments) is appropriate, a more detailed review, leading to material changes in asset classes should only be undertaken every 3-7 years. Completion and implementation of the outcomes of this review have been taking place during both 2013/14 and 2014/15, and are expected to be finalised during 2015/16. 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 Fund investment performance against its bespoke total benchmark return and individual managers' performance is reported to the Pensions Committee from the Investment Sub Group quarterly. Performance of the external Investment Managers is compared to both benchmark and target returns, and against a wider set of metrics. During 2014/15 the Investment Sub

Group took on more responsibility for tactical investment manager performance monitoring from the Pension Committee, thus freeing up Committee time to focus on more strategic issues such as risk and wider governance.

As a further control, a substantial amount of due diligence is performed at the appointment stage both by Officers and the Fund's independent investment advisors and / or consultants to ascertain managers' risk control, audit and monitoring procedures.

Liquidity Risk

Liquidity Risk is the risk that the Fund will not be able to meet its financial obligations when they fall due.

The main liquidity risk for the Fund is not having monies available to meet commitments to make pension payments to members as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Fund to ensure its obligations can be covered.

As part of both the Triennial Valuation and the investment reviews, Fund membership and projected maturity profiles are reviewed. Currently the Fund is cash positive (i.e. it collects more in annual income than it requires to fulfil all obligations). However, on contributions alone before management costs, the Fund experienced a cash deficit of £14.631m in 2014/15 (£3.920m in 2013/14). This amount was anticipated due to the volume of workforce restructuring across the Fund's major employers. There was no requirement to liquidate assets ahead of previous plans as the value was easily accommodated within the Fund's cash reserves.

On advice from the Fund's Actuary it is projected that the Fund 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 how the Fund holds a large value of very liquid securities which could be promptly realised if required. As at 31st March 2015 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £1,647.745m, i.e. 81% of net assets (31st March 2014 £1,595.736m 90%). The value of the illiquid assets was £379.571m which represented 19% of net assets (31st March 2014 £178.994m, 10%).

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

A maturity analysis for investment liabilities (all of which are derivatives) is shown in Note 10(c). The current liabilities of the Fund (see Note 13(b)) are all due within 12 months from the Net Assets Statement date. The long term liabilities of the Fund (see Note 13(a)) consist of the interest provision on the long term debtor – employer exit. This is being unwound as follows:

	31 March 2014 £'000	31 March 2015 £'000
Due 1 to 2 years	52	61
Due 2 to 5 years	211	237
Due 5 to 10 years	87	
Total Long term liabilities	**350**	**298**

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 Fund is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Fund's assets failing to deliver the returns required to match the underlying liabilities of the Fund over the longer term.

To mitigate against market value risk, the Fund has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2009. Details can be found in the Fund's Statement of Investment Principles. The Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic / political regions within each asset class.

Mitigation against market risk is also achieved by diversifying across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

To increase diversification across the Fund and among other things further reduce the Fund's overall market risk, the recent Investment Strategy Review has introduced some new asset classes (e.g. infrastructure, real estate debt, secondaries, royalties) which the Fund is now investing in.

Market Risk – Sensitivity Analysis

The Fund's funding position is sensitive to changes in equities (which affect the net assets available to pay benefits) and bond yields (which affect the value placed on the Fund'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 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 Fund at the period end in the following table to show the potential increase and decrease of value.

	2014/15 £'000	% Change	Value on Increase	Value on Decrease
UK Equities	379,097	10.4%	418,523	339,671
Overseas Equities	689,815	9.2%	753,278	626,352
Bonds	148,261	6.9%	158,491	138,031
Index Linked Gilts	373,337	9.8%	409,924	336,750
Alternatives	216,192	6.2%	229,596	202,788
Cash	65,928	0.1%	65,994	65,862
	1,872,630		**2,035,806**	**1,709,454**

Foreign Exchange Risk

The Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31st March 2015, the Fund had overseas investments (excluding forward foreign exchange contract) of £848.916m and £17.259m 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 £43.309m, or 2.2% of the Fund's total value. The Fund holds many difference currencies. To assess the risk the Fund is exposed to as a result of holding these currencies Officers have estimated, taking into account information provided by the Fund'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 common for LGPS's to hedge 50% of their foreign currency exposure to minimise potential losses due to adverse currency movements between the purchase and sale of an asset.

The Cumbria Fund, in line with common practice across the LGPS, has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Fund's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

As at 31st March 2015, the Fund had both open over-the-counter forward foreign exchange contracts, and exchange traded futures contracts. See Note 10(c) for an analysis of these contracts.

Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing. Consequently the risk of loss is implicitly provided for in the carrying values of the Fund's financial assets and liabilities. In addition to this, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund has had no experience of default or uncollectable deposits over recent years.

Through review of the Fund's external Investment Managers annual internal control reports the Fund monitors its exposure to credit and counterparty risk. This review is aimed at ensuring that Managers exercise reasonable care and due diligence in its activities on behalf of the Fund.

All derivative transactions incorporate a degree of credit risk. The longer the term of a transaction, the greater the potential for change in market value, and the greater the credit risk. In relation to forward currency contracts and the stock lending programme there are two elements to this: counterparty risk and settlement risk.

The Fund's cash and cash-like holdings as at 31st March 2015 were £14.384m (2013/14: £5.578m) within current assets (see Note 12(b)), £35.885m (2013/14: £47.518m) shown as cash within investments (see Note 10), and a further £15.608m shown as unit trusts in Note 10a (2013/14: £13.615m) where BlackRock and Schroders invest in their in-house Money Market Funds as part of their portfolios. In addition to this, £0.051m of the Fund'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:

Summary	Rating	Balances as at 31 March 2014 £'000	Balances as at 31 March 2015 £'000
Money Market Funds			
SSGA GBP Liquidity Fund	AAA	40,526	13,629
SSGA EUR Liquidity Fund	AAA	43	10,715
SSGA USD Liquidity Fund	AAA	-	2,556
Legal & General Sterling Liquidity Fund	AAA	35,008	51
BlackRock Institutional Cash USD	AAA	7,460	11,927
Schroder Offshore Cash Guernsey	AAA	6,155	3,681
Ignis Sterling Liquidity Fund	AAA	-	8,000
Goldman Sachs Sterling Reserves Fund	AAA	-	5,000
Bank deposit accounts			
National Westminster Bank	A	5,578	1,384
Bank current accounts			
State Street Bank & Trust	A+	4,721	4,102
Barclays Bank	A	1,759	2,969
Short Term Deposit			
Bank of New York call account	AA-	469	1,914
Total		**101,719**	**65,928**

Counterparty risk

The principal mitigation of the counterparty risk on a foreign currency trade is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by the managers' as part of their oversight of risks. Subject to overriding requirements as our fiduciary agent to demonstrate best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- previous dealing experience of the counterparty,
- level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks,
- the bank's position in the market for sourcing PFI, corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty.

As part of the managers credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis. In addition, more formal review takes place via quarterly meetings which can be convened at very short notice to meet any particular demands (as was the case, for example, in the Lehman crisis, when it met daily).

Settlement risk

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Fund has delivered payment but before the counterparty has delivered its payment then there would be a small time-limited risk of payment versus non-payment. This occurs when a party faces possible loss between the time a settlement payment is made and a payment is received on the same business day. This risk is more frequent in exchange of different currencies. The manager applies operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

There is no movement of principal capital, the credit exposure to either party is represented by the profit or loss on the positions at that point in time i.e. £1.063m gain at 31st March 2015.

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

The Fund's direct exposure to interest rate movements as at 31st March 2015 and 31st March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2013/14 £'000	2014/15 £'000
Fixed interest securities (including pooled investments)	477,800	521,598
Cash and cash equivalents	12,527	10,369
Money market funds and pooled cash vehicles	89,192	55,559
	579,519	**587,526**

Unquoted Investments

The Fund 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-tracking funds hold on behalf of clients are quoted assets such as bonds and equity. The Fund 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 Fund 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 for a fund of Cumbria's size.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 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 Fund as clients.

The unquoted investments held at 31st March 2015 are as follows:

Asset Class	2013/14 £'000	2014/15 £'000	Manager	Holding Details
Equities				
Equity unquoted - UK	1,028	434	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 is completed.
Pooled investment vehicles				
Unitised insurance policies	855,937	797,005	Legal and General	Index tracking funds.
Other managed funds	-	83,992	JP Morgan	Infrastructure fund.
	-	34,807	M&G	Long-lease property fund.
	31,014	33,929	BlackRock	Alternative funds - hedge funds, private equity. BlackRock in-house funds.
	-	33,555	Aviva	Long-lease property fund.
	10,237	18,427	Partners Grp	Infrastructure fund.
	537	8,003	M&G	Real Estate Debt funds.
	-	1,832	SL Capital	Secondary fund.
	2,946	1,313	Aberdeen	Overseas property funds (ex-BlackRock).
	-	334	HRP	Healthcare Royalties Partners Fund.
	901,699	**1,013,631**		

NOTE 15: ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund 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 Funds'' accounts and therefore do not form part of these accounts.

The three providers offered are Prudential, Standard Life and Scottish Widows. The Fund gives no guarantee of investment performance of the providers and makes no contribution to the employees' funds. The previous scheme on offer to employees

was the Equitable Life Assurance Society but in December 2000 it stopped accepting new business. The values of the three schemes for Cumbria LGPS, along with the value of Equitable Life, are shown below:

	2013/14 £'000	2014/15 £'000
Standard Life	1,014	1,075
Scottish Widows	1,074	1,176
Equitable Life	923	920
Prudential	0	1
Total AVCs	**3,011**	**3,172**

AVC contributions of £0.202m were paid directly from employees pay to the providers during the year (2013/14: £0.114m).

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 Fund has many transactions with Cumbria County Council as the administering authority of the Fund, including the pension contributions as an employer, payments on the Fund's behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The Fund has not for example invested in schemes of economic regeneration sponsored by any of the employing bodies including Cumbria County Council.

There are normal transactions with all the employers who have members in the Fund, who may be regarded as related parties, predominantly relating to employee and employer contributions. These transactions are reported as part of the income and expenditure statements.

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 2014/15 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.

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 2014/15.

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 Fund does not employ any staff directly. Cumbria County Council employs the staff involved in providing the duties of the administering authority (excluding the pensions administration service which is provided by 'YPS') for the Fund. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers' remuneration disclosure in the notes to the Cumbria County Council Annual Financial Report 2014/15 (see Note 13 to those statements).

In the interests of transparency the Fund has incorporated disclosure of the remuneration of Senior Officers employed by Cumbria County Council who have responsibility of the management of the Fund to the extent that they have power to direct or control the major activities of the Fund (in particular activities involving the expenditure of money) whether solely or collectively with other persons:

Notes on below table

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

- Expense allowances – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2014/15 (and 2013/14) 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 13% (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 2014/15 on Cumbria LGPS specific work.

- During 2014/15, 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 however the remuneration of the Officer in respect of work undertaken on behalf of the Fund was less than £50,000 during the year.

2014/15 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)	11,306	0	0	0	11,306	1,470	12,776
Senior Manager – Technical Finance (deputy s.151 - LGPS)	46,214	0	0	0	46,214	6,008	52,222
	57,520	**0**	**0**	**0**	**57,520**	**7,478**	**64,998**

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**

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

On 30th March 2015, the Fund completed a subscription agreement with Unigestion Secondary Opportunities Fund III for a commitment of €30m. The Fund's first investment into the Unigestion fund took place in April 2015.

NOTE 18: CONTINGENT ASSETS

Tax Reclaims

Cumbria Pension Fund has potential claims against HM Revenue and Customs and some European countries for tax withheld on foreign income dividends. A leading professional services firm, acting on behalf of the Cumbria Fund, has continued to pursue these claims during 2014/15. The estimated value of claims still outstanding is £3.871m.

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 withholding tax on dividend payments to German corporations. Whilst it is prudent for the Cumbria Fund not to make any assumptions, the Netherland settlement received in 2009, the Norwegian settlement received in 2010 and 2015, the Austrian settlement received in 2012 and the partial repayments received from the Spanish Tax Authorities in 2013 and 2014 lend some optimism as to the success of recovering additional income for the Fund in the near future.

Further claims have also been registered in the High Court for potential tax recovery from HMRC in respect of manufactured overseas dividends (MOD's) on equity stock lent out through the stock lending programme. A final MOD claim for £0.144m was submitted in March 2015, taking the total claim value in excess of £0.915m, 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 £0.423m, and have been charged as expenditure to the fund account in the appropriate accounting period.

Class actions

Where shareholder value has been eroded by wrongful action by company directors, sometimes it is possible for monies to be recovered via the courts by a shareholder class action against the company or its directors. The Fund uses Institutional Protection Services Ltd to monitor these class actions. The Fund will seek to recover any significant monies due where professional advice has been received detailing that the probability of success is believed to outweigh the additional cost of doing so.

NOTE 19: IMPAIRMENT LOSSES

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2014/15 are considered to be recoverable with no impairment.

There were no impairments of investments during 2014/15.

Financial assets that are past due as at 31st March but not impaired:

The Fund generally allows a payment period of 30 days. Included within current debtors (see Note 12(b)) are £0.092m of debtors aged between two and six months (£0.095m 2013/14). Debtors aged greater than six months totalled £0.049m as at 31st March 2015 (£0.011m 2013/14).

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 from 25% to 33% from January 2015.

Securities on loan at the 31st March 2015 of £54.167m (2013/14: £53.713m) are included in the net assets statement to reflect the Fund's continuing economic interest in the securities, and consist of £51.146m UK equities and £3.021m overseas equities (2013/14: £47.415m UK equities and £6.298m overseas equities). The related collateral totalled £57.476m (2013/14: £56.406m), consisting £35.554m overseas bonds and £21.922m UK equities (2013/14: £34.403m overseas bonds and £22.003m UK equities).

For the year to 31st March 2015, the Fund earned income of £0.076m (2013/14 £0.063m) through stock lending of the various assets (as detailed in Note 9).

NOTE 21: POST BALANCE SHEET EVENTS

There are no 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 Fund has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- the wider Local Government Pensions Scheme and specifically the Cumbria Fund will continue in operational existence for the foreseeable future as a going concern;

- No investments are impaired (further detail on the investment strategy and approach to managing risk in Note 14).

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:

Item	**Uncertainties**	**Effect if actual differs from assumptions**
Market Value of Investments	Investments at Level 1 & 2 - Valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. Investments have been valued at the IFRS accepted method of 'Fair Value' since 2008/09, this being the 'bid price' where possible. Investments Level 3 – the hardest to value holdings often do not depend on market forces, but are subject to uncertainties unique to each holding. Valuations are mostly based on future cash flow so will depend on the expectations of the specific income streams and inflation linkage. Property – valuations use the expected cashflow streams from current leases with reference also to the value of the property on the open market.	For every 1% increase in market value, the value of the Fund will increase by approx £20.0m, with a decrease having the opposite effect. 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. Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons; for each case the underlying factors would be considered before acceptance or otherwise of the sale.
Pensions Liability	Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases.	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 Fund's past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26. The full Actuarial Valuation Report as at 31st March 2013 is available on the County Council's website, at www.cumbria.gov.uk/finance.

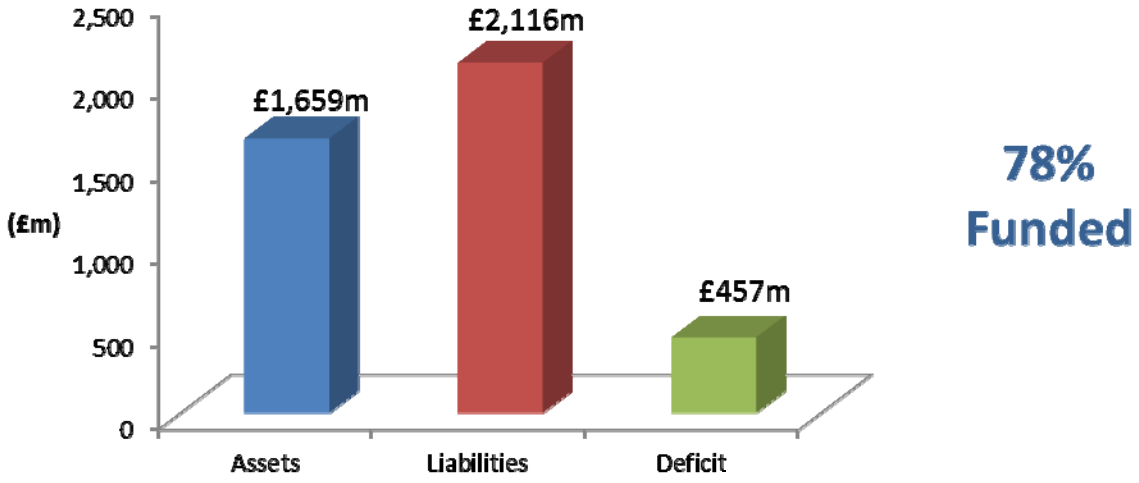
CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Accounts for the year ended 31st March 2015 - 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 in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became 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.

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 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

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 fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Scheme's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £2,206 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by *c*£357 million. Adding interest over the year increases the liabilities by a further *c*£98 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £43 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £2,618 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2015

NOTE 24: ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

The Fund is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted. There has been no such change in accounting standards issued which impact on 2014/15.

NOTE 25: PARTICIPATING EMPLOYERS OF THE SCHEME

As at 31st March 2015 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Scheme as at 31 March 2015 (total 118)

Scheme Employers:
- Cumbria County Council

District Councils (6)
- Allerdale Borough Council
- Barrow Borough Council
- Carlisle City Council
- Copeland Borough Council
- Eden District Council
- South Lakeland District Council

Scheduled Bodies (56)
- Appleby Grammar Academy
- Arnside National CofE Academy
- Barrow Sixth Form College
- Broughton Primary Academy
- Burton Morewood Primary Academy
- Caldew Academy
- Carlisle College
- Cartmel Priory Academy
- Castle Carrock Academy
- Chetwynd School Academy (New)
- Cleator Moor Town Council
- Cockermouth Town Council
- Crosby on Eden Academy
- Cumbria Chief Constable (New)
- Cumbria Police & Crime Commissioner
- Cumbria Waste Management
- Dallam Academy
- Dearham Primary Academy
- Eaglesfield Paddle Academy
- Energy Coast UTC (New)
- Furness Academy
- Furness College
- Ghyllside Academy
- Gilsland Academy
- Great Corby Academy
- Kendal College Further Educ
- Kendal Town Council
- Keswick Academy
- Keswick Town Council
- Kirkbie Kendal Academy
- Kirkby Stephen Academy
- Lake District National Park Authority
- Lakes College (West Cumbria)
- Lazonby School Academy (New)
- Maryport Town Council
- Orian
- Penny Bridge Academy
- Queen Elizabeth Academy
- Queen Elizabeth Grammar Academy
- Richard Rose Academies
- Seaton Academy
- Settlebeck High Academy
- Stanwix School Academy (New)
- Stramongate Academy
- Tebay School Academy (New)
- The Queen Katherine School Academy
- Trinity Academy
- Ulverston Town Council
- Valuation Tribunal Service
- Walney Academy (New)
- West Lakes Academy
- Whitehaven Academy
- Wigton Town Council
- William Howard Academy
- Workington Town Council
- Yanwath School Academy (New)

Scheduled Bodies No Actives (11)
- Brampton Parish Council
- Charlotte Mason College
- Cumbria Institute of the Arts
- Cumbria Primary Teacher Training
- Cumbria Sea Fisheries
- Dept Constit Affairs (Cumbria Magistrates)
- Health Authority
- Millom Town Council
- Port of Workington
- Practical Alternatives to Custody (Ltd)
- Water Authority

Admitted Bodies (34)
- Barrow & District Soc for Blind
- Carlisle Leisure Allerdale
- Carlisle Leisure Ltd
- Commission for Social Care Inspection
- Creative Management Support
- Cumbria Cerebral Palsy
- Cumbria Deaf Vision
- Cumbria Tourism
- Eden Housing Association
- Egremont & District Pool Trust
- FCC Environment
- Glenmore Trust
- Harraby Community Centre
- Higham Hall
- Home Group (Copeland)
- Kendal Brewery Arts Centre Trust Ltd
- Longtown Memorial Hall Community Centre
- Mellors Catering Services - Police
- Mellors Catering Services - Whitehaven
- Mellors Catering Services - Rockcliffe (New)
- Mellors Catering Services - Southfield (New)
- Morton Community Centre
- North Country Leisure (Copeland)
- North Country Leisure (SL) (New)
- Oaklea Trust
- People First - No. 2
- People First
- Riverside Housing
- Soundwave
- South Lakes Housing
- South Lakes Services
- Tullie House Trust
- West House
- Wigton Joint Burial Committee

Admitted Bodies No Actives (10)
- Attendo Monitoring
- Cumbria Training Partnership
- Direct Training Services
- Henry Lonsdale Trust
- Kendal Citizens Advice
- Lake District Cheshire Homes
- Lakeland Arts Trust
- NRCS Ltd (Neighbourhood Revitalisation)
- 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 Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

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

Alternatives
Alternatives are investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure; property; art, wine etc, and financial assets such as commodities, private equity, hedge funds, venture capital; royalties / patents 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 scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

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.

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

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

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

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).*

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.

TO BE ADDED AT THE CONCLUSION OF THE AUDIT