

# **Westmorland & Furness Council**

**Statement of Accounts  
for the year 2024/25**

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## Narrative Statement

### 1. Introduction and Overview

- 1.1. The Statement of Accounts for Westmorland and Furness Council 2024/25 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2024/25 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These accounts comply with International Financial Reporting Standards (IFRS) as interpreted by the Code.
- 1.2. The purpose of the Narrative Statement is to provide information on the Council, its main objectives and strategies and the principal risks it faced during the year. It sets out information to help readers understand the Council's financial position and performance during 2024/25.
- 1.3. Following Local Government Reorganisation in Cumbria, Westmorland and Furness Council started to provide services to residents, businesses and communities on 1 April 2023. Since then, the Council has continued to strengthen and build upon its ambition, vision, values and priorities that form the foundations for these services.
- 1.4. The Council approved the Westmorland and Furness Council Plan in December 2022 and the 2024/25 Budget and Medium Term Financial Plan (MTFP) in February 2024. The Council Plan is supported by a more detailed Council Plan Delivery Framework and delivery of that is monitored through the performance, financial and risk management reporting frameworks.
- 1.5. The 2024/25 revenue budget and 2024-2029 Capital Programme and Medium Term Financial Plan set out the how the Council planned to use its financial resources to fund the activity required to deliver on the Council's vision and priorities.
- 1.6. It continued to be a very challenging time for the public sector as a whole with ongoing constrained funding, continuing national inflationary pressures and global economic uncertainty. There was increasing pressure in respect of demand for Council services and in particular for care for the elderly and care for vulnerable adults and children.
- 1.7. During 2024/25 the Council continued to work collaboratively with many different partners including on Health and Social Care Integration and strengthening the community power approach through Locality Boards and with parish councils to support communities and individuals to live as independent a life as possible and strengthen community resilience.

### **Vision for Westmorland and Furness**

- 1.8. Westmorland and Furness Council is the third largest unitary local authority area in England and the most sparsely populated. Over 55% of the population live in rural areas. It covers 3,754 km<sup>2</sup> and its population is estimated to be c. 228,000.
- 1.9. Westmorland and Furness has a super-ageing population; by 2040 the population aged over 65 is expected to increase by 16,400 to 75,800. The working age population is 134,134.
- 1.10. In respect of the Westmorland and Furness economy, there are over 11,800 businesses providing 114,000 jobs. The Council is home to both some of the country's most stunning landscapes and its most hi tech businesses. The Council is in a great position with opportunities to capitalise on the productivity, innovation and enterprise potential and support the creation of thousands of new long-term jobs, transformative regeneration and nationally significant projects.
- 1.11. The Council has 121 primary schools, 20 secondary schools and 3 special schools. It also has 135 parish councils and 10 town councils.
- 1.12. The vision for Westmorland and Furness Council is:

#### ***A great place to live, work and thrive***

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

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

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

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

- For People – Supporting active, healthy happy lives for young and old
- For People – Supporting people in need and reducing inequality
- For the Climate – Providing leadership in the drive to become carbon net zero
- For Communities – Confident, empowered, resilient communities

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- For the Economy and Culture – Sustainable, inclusive economic growth
- For our Customers – At the heart of everything we do
- For our Workforce – Confident, empowered, and inclusive workforce

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

- Ambitious
- Inclusive
- Collaborative
- Outcome focused
- Responsible
- Needs-led
- Ecologically aware

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

1.15. The 2024/25 Delivery Framework identified 10 strategic themes; Communities, Homes, Learning, Care, Health & Wellbeing, Connections, Environment, Culture, Growth and Service and sets out the related ambition for the themes as Mission Statements.

<b>Themes</b>	<b>Mission Statement</b>
Communities	Communities are welcoming, inclusive and provide a good quality of life. They are proud of and care for their local areas. They are empowered to make the right choices for them. They are resilient, and their voices are heard through local participation.
Homes	Everyone can live in a place they call home, one which is affordable, clean, safe and warm, where they can build stable, independent, fulfilling lives and have access to schools, work and cultural activities.
Learning	Everyone has access to high quality education, where children, young people and adults are equipped with relevant tools, skills and aspiration to pursue the life they want to live and to access a rich and varied choice of local employment opportunities that contribute to a fulfilled and happy life.
Care	Children, young people and adults are supported to achieve a good life, safeguarded from harm, in the place they call home, with the people and things that matter most to them.

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<b>Themes</b>	<b>Mission Statement</b>
Health & Wellbeing	No matter where you are born or where you live, there is equal opportunity for everyone to live an active, happy, healthy life, and to feel empowered and confident to choose the best ways in which this is achieved for each individual and for every community.
Connections	Transport and infrastructure enables people and businesses to reliably and easily access the places and services that meet their needs, including online, in an environmentally sustainable way.
Environment	Our environment positively impacts on health, well-being and economy and together we build our resilience to climate change and take action to reverse biodiversity loss and to achieve carbon net zero.
Culture	Residents and visitors alike can enjoy a wide variety of cultural pursuits in all corners of Westmorland and Furness, taking advantage of the wonderful and unique natural environment on offer, the vibrant towns and villages and animating our places through an active and growing cultural economy.
Growth	Our economy is growing and providing people with access to a diverse range of good employment opportunities for them to be economically secure. Our businesses are more diverse and thriving, our large businesses continue to grow, and new investment is further increasing the contribution made to national growth and prosperity.
Service	The council understands the area and makes a real difference through listening to need and delivering services that work. It is modern, innovative, and collaborative with communities and customers at the heart of everything we do.

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

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

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#### **2. Leadership and workforce**

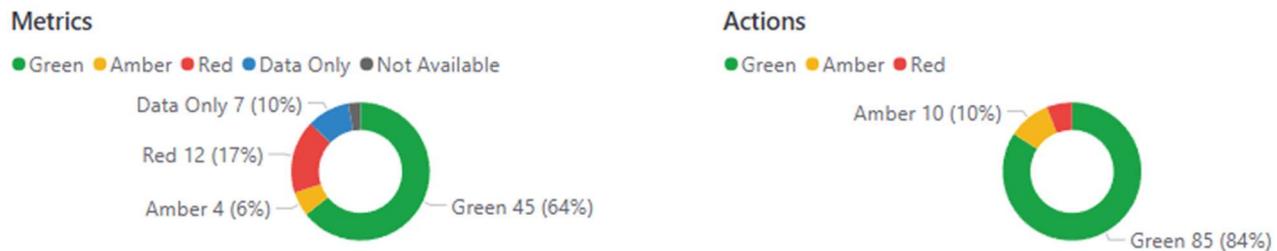
- 2.1. The Council's Constitution set out the rules and procedures by which the Council operated and was available on the Council's website. The Council had 65 members (or 'Councillors'), elected by the public to represent a particular local area, or 'Division'. Collectively they were responsible for the democratic structure of the council, overseeing key policies and services and setting the Council's annual budget and capital programme. More information can be found on the website.
- 2.2. The Leader of the Council was Cllr Jonathan Brook. Cllr Brook appointed a Cabinet, responsible for taking key decisions to manage the Council's business. Overview and Scrutiny committees held the Cabinet to account for the decisions made on behalf of the Council.
- 2.3. Employees ('officers') supported Cabinet and Council in their work and manage the Council's services and operations. The Chief Executive was the Head of Paid Service and led the most senior group of officers who advised Councillors on policy, implemented Councillors' decisions and were also responsible for Council performance.
- 2.4. As at 31 March 2025 the Council's staff complement stood at 3,044 FTE (full-time equivalent) posts, representing 3,690 employees. This excludes school-based staff.

#### **3. Performance**

- 3.1. The Council's Q4 performance report for 2024/25 was reported to Cabinet in July 2025 and published on the Council's website.
- 3.2. At Full Council on 9<sup>th</sup> May 2024 Westmorland and Furness Council's updated 2024/25 Council Plan Delivery Framework (CPDF) and new Performance Management Framework (PMF) were approved. Following this approval, Quarterly Corporate Performance Reports have been developed to explicitly link public performance reporting to the 10 Westmorland and Furness delivery framework missions; using the agreed set of 70 metrics and 101 actions set out in the CPDF. The intention of this approach is to enable effective oversight and scrutiny of the delivery of the Westmorland and Furness Council Plan priorities.
- 3.3. The Council Plan Delivery Framework (CPDF) sets out the strategic direction for the council and its delivery priorities for 24/25. The performance report provides Cabinet with oversight of performance for Westmorland and Furness Council. The Quarter 4 2024/25 (1<sup>st</sup> January 2025 to 31<sup>st</sup> March 2025) reports against the 10 missions in the CPDF. There is an overall positive position of performance at Quarter 4 2024/25 as the Council continues on a journey of change to realise the benefits of becoming a unitary authority.

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### 3.4. Figure 2 - Summary Position of Corporate Performance Metrics and Actions at Quarter 4 2024/25:

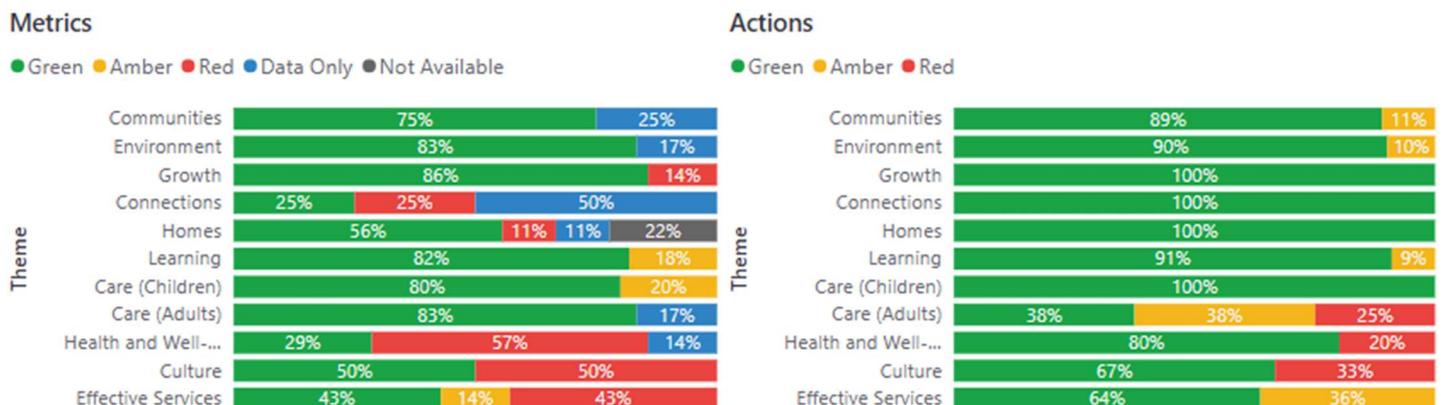


3.5. The overall position by the end of Quarter 4 2024/25 is that 45 of the 70 metrics (64%) were performing well, met or were on track to meet the planned milestone and rated green. A further 4 metrics (6%) were in progress but at risk of missing the milestone and rated amber, while 12 metrics (17%) were expected to miss a key milestone or not fully deliver as intended and therefore rated red. Finally, 7 metrics (10%) were 'data only' metrics with no target currently set and 2 metrics (3%) were not yet available for Quarter 4 due to reporting delays. The individual reasons for metrics not having targets or not being available at present are detailed in the relevant 'Metrics Notes' columns in the subsequent sections of this report.

3.6. Additionally, at the end of Quarter 4 2024/25, the majority of actions (85 of 101; 84%) were performing well, met or were on track to meet the planned milestone and rated green. However, 10 actions (10%) were in progress but at risk of missing the milestone and rated amber, while 6 actions (6%) were expected to miss a key milestone or not fully deliver as intended and rated red.

3.7. Summaries of the position of metrics and actions broken down by Westmorland and Furness Delivery Framework Mission, and RAG rated against progress at the end of Quarter 4 2024/25 are provided in figure 3.

### 3.8. Figure 3 – Metrics and Actions Summary Position at End of Quarter 4:



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**4. Risk Management**

- 4.1. The Council adopted a Risk Management Framework in the first quarter of 2023/24 and on a quarterly basis the strategic risk register and actions were reported to the Audit Committee for quarters 1 and 2, and to Cabinet from quarter 3 onwards. The Strategic risks are considered by Risk Owners, Risk Owners Group, Directorate Management Teams, the Council’s Corporate Management Team, informal Cabinet briefing and then reported to the Cabinet alongside quarterly performance and financial monitoring, the Audit Committee receive a six-monthly risk assurance report.
- 4.2. The new Annual Plan for 2025/26 has been approved and was published in May 2025. Against each of the Councils 10 delivery missions outlined in the plan, the plan also highlights the main areas of focus and the delivery priorities for each mission. This will provide some of the context for the re-evaluation of the Strategic Risk Register for 2025/26.
- 4.3. We continue to consider how to strengthen the integration of Financial, Performance and Risk Management, from early in the Strategic Planning Process to how we report in a more integrated way. This will ensure that early considerations of finance, resources and risks are known before committing to the content of the Annual Plan delivery programme and Service Plans in order to clarify annual priorities and enabling their successful delivery.
- 4.4. We are also in the process of reviewing and revising the Risk Management Framework to reflect recent changes to the Governance and oversight of Risk Management and to include recommendations from the Interim Auditors Annual Report, 2023/24 VFM arrangements and the Annual Governance Statement have been pulled together in a single Risk Management Improvement Plan, as outlined in Appendix 3. Many of the Improvement actions will be addressed through the revision and implementation of a revised Risk Management Framework and revised Strategic Risk Register.
- 4.5. At the end of quarter 4 2024/25, there were 18 risks remain on the strategic risk register. There are 7 risks rated as high and 11 rated as medium risk. A summary of the high rated risks are listed in the table below.

<b>Risk No</b>	<b>High rated risks</b>	<b>During Q4 and beyond - work ongoing to address areas of improvement.</b>
<b>2</b>	Workforce Engagement, Capacity & Skill (RR 20)	The complexity of workforce challenges, both locally and nationally, is well recognised, and it is clear that this is not a short-term issue. Nevertheless, through proactive risk management and forward-looking strategies, the Council has achieved notable improvements in recruitment processes and overall performance. Also, improvements to processes in respect of advertising, candidate website improvements and onboarding have all improved, with lead times considerably reduced as a result. Looking ahead to 2025/2026, workforce capacity will remain a high-risk area. This is driven by the ongoing demands of delivering statutory services, supporting day-to-day

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<b>Risk No</b>	<b>High rated risks</b>	<b>During Q4 and beyond - work ongoing to address areas of improvement.</b>
		operations, and achieving the ambitions outlined in the Council Plan and Annual Plan. These pressures are intensified by the Council's continued transition from legacy systems and structures. A new workforce risk will be developed for the Q1 Risk Register.
<b>4</b>	Insufficient capacity to meet increasing need of Children with SEND (RR 15)	This risk indicates an overall lack of local SEND provision to meet children with increasingly complex needs. This risk has reduced in risk score from 20 to 15 and the detail around this is provided in the previous Table 2.
<b>8</b>	Adults Deprivation of Liberty Safeguards (RR 20)	The risk score was increased in Q3 to reflect the slowed reduction in the number of outstanding referrals. During Q4, an improvement plan has been put into place to reduce the number of outstanding DoLS referrals over the next 12 months and this will be performance managed. It is anticipated that this approach will take until the end of 2025/26 to reduce the risk to acceptable levels.
<b>9</b>	Information Security Incident (RR 20)	In line with the National picture, cybercrime remains a very probable threat to all Councils and across significant Partners therefore we continue to work hard to keep pace with this ever-escalating external threat. Also, we continue to operate in an environment of significant levels of ongoing change including, the disaggregation of services, managing multiple ICT systems & applications and an increase in staff movements and these all add additional challenge and complexity to this risk. We continue to operate well established internal cyber security controls that monitor and manage any information security issues. We also have in place internal controls to enable us to respond and recover should we experience a disruptive event that would impact the delivery of critical services. In addition, improvement work is taking place to integrate arrangements & develop a single W&F Data Recovery Plan. Areas of governance and policies are evolving in relation to various cross cutting projects and areas of information governance including AI.
<b>18</b>	Change Programme (RR 15)	The Change Programme continued to drive improvements across 10 specific Change Programmes up to the end of Q4, and a closure report was completed for 2024/25 highlighting lessons learned. An internal audit of the Change Programme was completed in Q3, with an outcome of Reasonable Assurance. The recommendations arising from the review were agreed in January 2025. A new Annual Plan for 2025/26 was approved during Q4, identifying 16 individual programmes within the Delivery Priority Programme. A new strategic risk will be developed for 2025/26 to address the reshaped Delivery Plan.
<b>23</b>	Cohesive approach to improving long term health & wellbeing. (RR 15)	This remains a national issue facing all Local Authorities however, the impact of this risk is greater across Westmorland and Furness as we have more pronounced 'dependency ratio' as well as having areas of high health inequality. This risk has reduced in risk score from 20 to 15 and the detail in relation to this reduction is provided in the previous Table 2.

## **5. Financial Operating Model**

- 5.1. The Council sets a revenue budget, Medium-Term Financial Plan (MTFP) and capital programme every February preceding the start of the financial year.
- 5.2. These are underpinned by a Capital Strategy, Treasury Management Strategy, Pay Policy Statement and a risk assessment of the level of reserves and balances required. The risk assessment is reflected ultimately in the Section 151 Officer's Statement of Robustness, adequacy of reserves and budget risk presented to Council as part of the overall budget report. This is required to comply with the Section 25 of the Local Government Act 2003.
- 5.3. Construction of the budget and budget saving and pressure proposals are subject to challenge by the Council's leadership team and the Director of Resources. Councillors have the opportunity to question and challenge the proposals through engagement sessions and member presentations. Throughout the year, regular financial monitoring reports are presented to Cabinet.
- 5.4. The MTFP sets the framework for how the Council planned to use its financial resources to fund the activity to deliver on the Council's outcomes recognising that in future years it was likely that ongoing 'pivoting' of the budget would be required. The MTFP is a 'live' plan and is updated every year when the Council considers the annual budget for the following year. The MTFP agreed in February 2025 covers the period 2025–2029. The MTFP is prepared by understanding the Council's income and expenditure profiles and the investment required to deliver the Council's priorities. The Council is required to set a 'balanced budget' annually with financial resources identified to cover all expenditure and therefore savings may need to be identified to balance the budget.
- 5.5. The MTFP is one of the key Council strategic planning documents. It is fully integrated with the Council Plan (which sets out the long term vision, priorities for the Council and the steps to achieve them) and the People Plan (which provides an organisation wide framework to develop the workforce to achieve the Council's priorities).

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**6. Revenue Financial Outturn position**

6.1. The Council's 2024/25 provisional outturn position was considered at Cabinet on 15<sup>th</sup> July 2025, the report - 2024/25 Revenue and Capital Budget Monitoring Report Provisional Year End Results are published on the Council's website.

6.2. As set out on the below table, the 2024/25 provisional outturn shows a balanced position at the year-end.

Original Budget 2024/25	Directorate	Revised Budget 2024/25	Prov'l Outturn 2024/25	Prov'l Outturn Variance 2024/25	Q3 Forecast Variance 2024/25	Mvt from Q3
3.426	Chief Executive and Assistant Chief Executive	4.194	4.100	(0.094)	(0.177)	0.083
67.668	Adult Services	74.087	74.952	0.865	0.902	(0.037)
59.677	Children's Services	74.430	76.088	1.657	1.959	(0.302)
29.289	Enabler Services	29.368	28.395	(0.973)	(0.992)	0.019
45.850	Thriving Places	46.277	47.479	1.202	0.967	0.235
15.494	Thriving Communities	12.848	13.656	0.809	0.594	0.215
2.868	Locality Boards	3.147	3.143	(0.004)	0.033	(0.037)
19.670	Resources (including Revenues & Benefits)	25.238	23.206	(2.032)	0.908	(2.940)
21.255	Treasury Management	15.333	7.071	(8.262)	(6.400)	(1.862)
3.000	Change Programme (invest to save)	0.000	0.000	0.000	0.000	0.000
<b>268.197</b>	<b>Total Service Expenditure</b>	<b>284.922</b>	<b>278.091</b>	<b>(6.831)</b>	<b>(2.206)</b>	<b>(4.625)</b>
15.322	Other Corporate items Net Budget	8.138	10.361	2.223	0.000	2.223
(11.018)	Use of Reserves	(21.100)	(21.100)	0.000	0.000	0.000
<b>272.501</b>	<b>Net Budget</b>	<b>271.961</b>	<b>267.352</b>	<b>(4.609)</b>	<b>(2.206)</b>	<b>(2.402)</b>
(272.501)	Sources of Finance	(271.961)	(267.352)	4.609	2.206	2.402
<b>0.000</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

6.3. **Financial Risks:** During 2024/25 the Council managed a number of financial risks. These include:

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- Staffing allocation v establishment budget - Staffing establishments have been produced with services during 2024/25. Establishments will be continually reviewed to ensure that they remain affordable within existing budgets, particularly where services disaggregate/aggregate and reshape to deliver services for the future.
- Adults and Children’s demand pressures – The 2025/26 budget has been increased to reflect the increase in demand for these services. However, there is a risk that this increase is insufficient. There is also a continuing risk of sufficiency of provision that results in higher than expected placement costs for individuals. This is a national concern. There is a similar risk with Home to School and SEND transport, with growth in these budgets being insufficient to meet increasing demand and route costs.
- Severe winter - The 2025/26 budget has been increased in line with the previous two winters, but expenditure each year depends on the weather.
- DSG High Needs Block - The Dedicated Schools Grant (DSG) has an in year pressure of £8.209m at provisional outturn with a £0.148m pressure on Central DSG and a £8.061m pressure on the High Needs Block. The statutory override was due to end on the 31 March 2026, but was extended on 20 June 2025 to 31 March 2028. This means that, until then, the Council’s general reserves are not required to be used to mitigate the deficit. The position post 31 March 2028 remains unknown therefore this area of risk will continue to be closely monitored.

6.4. **Budget Savings delivery:** As shown in the below table, the approved revenue budget includes savings to be delivered in 2024/25 of £10.337m. At provisional outturn, £16.315m have been realised in full or overachieved, including an additional £8.200m of Treasury Management savings and £1.097m of additional Direct Payment Clawback. £1.990m has been realised as planned or through alternative actions.

	<b>Budget 2024/25 £m</b>	<b>Provisional Outturn 2024/25 £m</b>	<b>Var 2024/25 £m</b>
Saving realised or overachieved	(7.017)	(16.315)	(9.298)
Saving realised as originally planned, or realised through alternative actions	(1.990)	(1.990)	0.000
Savings only part met	(0.580)	(0.285)	0.295
Savings not met	(0.750)	0.000	0.750
<b>Total Savings</b>	<b>(10.337)</b>	<b>(18.590)</b>	<b>(8.253)</b>

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- 6.5. **2024/25 budgeted Service Pressures:** The approved revenue budget 2024/25 included service pressures of £10.584m that were identified as part of Q1 and Q2 2023/24 monitoring. At provisional outturn there is an underspend of (£0.552m). (£0.500m) of this is due to lower external audit fees than anticipated due to a reduced audit scope in 2023/24 and only 25% of the 2024/25 audit being completed at 31 March. The growth in SEND Home to School Transport has not been sufficient to meet the growth in demand and route costs, with a £1.559m pressure reported at provisional outturn. Similarly, the growth in Adult services in home care and supported living has not been sufficient to meet the growth in demand, with a net overspend of £3.260m before personal contributions.
- 6.6. **2024/25 budgeted Investment Priorities** Within the MTFP the Council set out the areas it intended to continue to invest in. This included £1.811m in 2024/25 to provide continued support to three change programmes.
- Pay & Reward
  - Local Plan
  - Customer & Digital (Citizen Experience).

In addition, £4.021m was included within the MTFP in 2024/25 for continued investment to support the Councils Delivery Framework missions, including Bus Subsidies and Community Power. At provisional outturn £3.548m of this has been spent in 2024/25. Investment in staffing, systems and grants which is resulting in delivery of key outcomes including:

- Development of a reshaped service within Inclusive and Green Growth Team.
- Adoption of the Nature and Biodiversity Action Plan.
- Assessment of sites within W&F for biodiversity potential.
- Delivery of a draft Empty Homes Strategy.
- Supported 510 students via the Bus Travel Bursary.
- 3 year agreement in place to manage rights of way within LDNPA.
- Strategic approach delivered on how we will support communities.

## 7. Capital

- 7.1. The Council approved a Capital Programme for 2024-2029 of £424.293m in total, with £412.008m of direct delivery schemes and £12.285m of Accountable Body Schemes in February 2024. Once the 2023/24 slippage/accelerated spend reported in the reports for quarters 1, 2 and 4 of 2024/25 are included, the revised capital programme for 2024-2029 is £429.324m (an increase of £5.031m).

## **8. Treasury Management**

- 8.1. The 2024/25 Treasury Management budget at outturn is £15.333m. This budget included a one-off saving of £3.200m in 2024/25 only, arising from the increased interest received on the council's short-term cash balances achievable as interest rates have increased. The provisional outturn for Treasury Management is an underspend of (£8.262m). It should be noted that this net underspend is a one-off saving relating to 2024/25 only.
- 8.2. No new external borrowing has been undertaken in the year with the Council implementing its strategy to offset previously approved borrowing with short term cash reserves rather than incurring borrowing costs on new loans.
- 8.3. The Council is currently retaining cash balances and has taken the opportunity for the Council to obtain increased rates on its investment of these cash balances.

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 2 – STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF**  
**ACCOUNTS**

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## The Council's Responsibilities

The Council is required to:

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

### Chief Executive and Directors' Responsibilities

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

### The Chief Finance Officer's Responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Director of Resources has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the 31<sup>st</sup> March 2025 and its expenditure and income for the year ended the 31<sup>st</sup> March 2025.

Signed:

**SM Roberts**

Susan Roberts

Assistant Director - Finance (Deputy S151 Officer),

20<sup>th</sup> February 2026

**WESTMORLAND AND FURNESS COUNCIL  
SECTION 2 – STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF  
ACCOUNTS**

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**Certificate of Approval of the Council's Statement of Accounts**

I certify that the accounts set out in this document have been considered by the Council's Audit Committee at its meeting held on 20<sup>th</sup> February 2026 have been approved by a resolution of this Committee.

Signed on behalf of Westmorland and Furness Council

***F Daley***

Fiona Daley  
Independent Chair of Audit Committee

Date 20<sup>th</sup> February 2026

# **WESTMORLAND AND FURNESS COUNCIL**

## **SECTION 3 – INDEPENDENT AUDITOR’S REPORT**

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

#### **Report on the audit of the financial statements**

##### **Disclaimer of opinion**

We were engaged to audit the financial statements of Westmorland & Furness Council (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account and Expenditure Statement, the Movement on the HRA Statement and the Collection Fund and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

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

##### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

We have been unable to obtain sufficient appropriate audit evidence, by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2025 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

##### **Opinion on other matters required by the Code of Audit Practice**

The Assistant Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### **Matters on which we are required to report by exception**

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

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 3 – INDEPENDENT AUDITOR’S REPORT**

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- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

#### **Responsibilities of the Authority and the Assistant Director of Finance**

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Assistant Director of Finance. The Assistant Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor’s responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

## WESTMORLAND AND FURNESS COUNCIL

### SECTION 3 – INDEPENDENT AUDITOR’S REPORT

---

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except:

- On 10 January 2025 we identified a significant weakness in the Council's governance arrangements. The statutory deadline for producing accounts for 2023-24 was not met and there was insufficient time available to undertake the necessary audit procedures to issue an opinion ahead of the statutory backstop date of 28 February 2025. We recommended that the Authority should ensure that the finance team has adequate capacity to prepare draft financial statements with supporting working papers in line with statutory timetables and respond to audit in a timely manner. The 2024–25 audit progressed better than last year but still faced significant evidence delays which leave key areas incomplete. Therefore, the significant weakness remains in place at 31 March 2025 and on 20 February 2026 we issued a revised recommendation that the Authority must ensure sufficient capacity and effective procedures are in place to respond to external audit on a timely basis, and support the recovery of assurance in 2025-26.
- On 5 September 2025 we identified a significant weakness in the Authority's arrangements for financial sustainability. The Authority's forecast shows its Dedicated School Grant (DSG) deficit is projected to rise significantly over the medium-term. If the statutory override is not further extended in April 2028 the Authority will become liable for the DSG deficit which could significantly impact its financial sustainability. We recommended that the Authority should urgently address its increasing DSG deficit, and map out a sustainable path to bringing the DSG position back into balance.
- On 5 September 2024 we identified a significant weakness in the Authority's governance arrangements. In 2023-24 the Authority had weaknesses in internal controls relating to cyber security and disaster recovery, which could expose it to significant financial or service loss including fraud and cyber-attacks. We recommended that the Authority develops a Corporate IT Disaster Recovery Plan, formally documented and approved by CMT, and ensure it is tested through a practical exercise and refined as needed. We note that the Authority has made some progress in resolving cyber security weaknesses, and disaster recovery plans have been developed in draft by July 2025 and further strengthening of arrangements is required. Therefore, the significant weakness remains in place at 31 March 2025 and the key recommendation is retained.
- On 5 September 2024 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. The Authority's arrangements for procurement and contract management needed significant improvement in 2023-24. The Authority needs to strengthen its procurement and contract management by updating and monitoring its contracts register, complying with procurement rules and Local Government requirements (including P-cards), ensuring adequate capacity, developing a procurement pipeline, implementing real-time contract performance monitoring, formalising its contract with Barrow Forward Ltd, and updating its 2024–2027 procurement strategy for the Procurement Act 2023. In 2024-25, the Authority still needs to improve its contract register, develop its contracts pipeline, develop effective contract management including real-time reporting and put in place a contract for Barrow Forward Ltd. Therefore, the significant weakness remains in place at 31 March 2025 and the key recommendation is retained.

#### **Responsibilities of the Authority**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that

## **WESTMORLAND AND FURNESS COUNCIL SECTION 3 – INDEPENDENT AUDITOR’S REPORT**

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fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Westmorland & Furness Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

#### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

**Gareth Mills**, Key Audit Partner

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

**Leeds**

**25 February 2026**

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 4 – ACCOUNTING STATEMENTS**

Accounting Statements

Comprehensive Income and Expenditure Statement

2023/24			2024/25				
Expenditure	Income	Net		Expenditure	Income	Net	
£000	£000	£000	Note Ref	£000	£000	£000	
5,527	(2,482)	3,045		6,011	(1,945)	4,066	
133,705	(69,028)	64,677		130,675	(51,083)	79,592	
242,020	(163,878)	78,142		260,389	(180,112)	80,277	
31,454	(6,494)	24,960		34,263	(6,004)	28,259	
93,485	(23,204)	70,281		106,178	(28,078)	78,100	
55,377	(38,356)	17,021		65,622	(44,690)	20,932	
3,506	(49)	3,457		3,211	(68)	3,143	
68,949	(39,400)	29,549		65,781	(39,832)	25,949	
18,598	(183)	18,415		4,520	(1,075)	3,445	
<b>652,621</b>	<b>(343,074)</b>	<b>309,547</b>	<b>Cost of Services</b>	<b>4</b>	<b>676,650</b>	<b>(352,887)</b>	<b>323,763</b>
7,701	0	7,701	Other Operating Expenditure	6	25,117	0	25,117
20,641	(15,842)	4,799	Financing and Investment Income and Expenditure	7	9,023	(9,177)	(154)
0	(293,481)	(293,481)	Taxation and Non-Specific Grant Income	8	0	(317,814)	(317,814)
<b>680,963</b>	<b>(652,397)</b>	<b>28,566</b>	<b>Deficit on Provision of Services</b>	<b>4.3</b>	<b>710,790</b>	<b>(679,878)</b>	<b>30,912</b>
	(4,863)		(Surplus) or deficit on revaluation of Property, Plant and Equipment	32			(7,412)
	(1,644)		Re-measurement of the net defined benefit liability / (asset)	34			(1,514)
	<b>(6,507)</b>		<b>Other Comprehensive Income and Expenditure</b>				<b>(8,926)</b>
	<b>22,059</b>		<b>Total Comprehensive Income and Expenditure</b>				<b>21,986</b>

**WESTMORLAND AND FURNESS COUNCIL  
SECTION 4 - ACCOUNTING STATEMENTS**

**Movement in Reserves Statement**

		General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	TOTAL RESERVES
<b>2024/25</b>	<b>Note Ref</b>	£000	£000	£'000	£'000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2024</b>	30/31/32	(22,469)	(54,368)	(4,981)	(3,777)	(14,894)	(21,915)	(122,405)	(587,111)	(709,515)
<b>Movement in reserves during 2024/25</b>										
(Surplus) or deficit on the provision of services		32,005	0	(1,092)	0	0	0	30,912	0	30,912
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	0	(8,926)	(8,926)
<b>Total Comprehensive Income and Expenditure</b>		<b>32,005</b>	<b>0</b>	<b>(1,092)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,912</b>	<b>(8,926)</b>	<b>21,986</b>
Adjustments between accounting basis and funding basis under regulations	9	(16,805)	0	(1,217)	0	1,231	(647)	(17,438)	17,438	0
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>		<b>15,200</b>	<b>0</b>	<b>(2,309)</b>	<b>0</b>	<b>1,231</b>	<b>(647)</b>	<b>13,475</b>	<b>8,512</b>	<b>21,986</b>
Transfers (to) / from Earmarked Reserves	31	(12,700)	10,766	2,360	(426)	0	0	0	0	0
<b>(Increase) or Decrease in 2024/25</b>		<b>2,500</b>	<b>10,766</b>	<b>52</b>	<b>(426)</b>	<b>1,231</b>	<b>(647)</b>	<b>13,475</b>	<b>8,512</b>	<b>21,986</b>
<b>Balance at 31 March 2025</b>	30/31/32	<b>(19,970)</b>	<b>(43,602)</b>	<b>(4,929)</b>	<b>(4,203)</b>	<b>(13,663)</b>	<b>(22,562)</b>	<b>(108,930)</b>	<b>(578,600)</b>	<b>(687,530)</b>

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 4 - ACCOUNTING STATEMENTS**

		General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	TOTAL RESERVES
<b>2023/24</b>	<b>Note Ref</b>	£000	£000	£'000	£'000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2023</b>	30/31/32	(22,469)	(54,420)	(5,710)	(3,764)	(14,869)	(20,277)	<b>(121,509)</b>	<b>(610,066)</b>	<b>(731,575)</b>
<b>Movement in reserves during 2023/24</b>										
(Surplus) or deficit on the provision of services		28,654	0	(88)	0	0	0	<b>28,566</b>	<b>0</b>	<b>28,566</b>
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	<b>0</b>	<b>(6,507)</b>	<b>(6,507)</b>
<b>Total Comprehensive Income and Expenditure</b>		<b>28,654</b>	<b>0</b>	<b>(88)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,566</b>	<b>(6,507)</b>	<b>22,059</b>
Adjustments between accounting basis and funding basis under regulations	9	(28,615)	0	816	0	(25)	(1,638)	<b>(29,462)</b>	<b>29,462</b>	<b>0</b>
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>		<b>39</b>	<b>0</b>	<b>728</b>	<b>0</b>	<b>(25)</b>	<b>(1,638)</b>	<b>(896)</b>	<b>22,955</b>	<b>22,059</b>
Transfers (to) / from Earmarked Reserves	31	(39)	52	0	(13)	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase) or Decrease in 2023/24</b>		<b>0</b>	<b>52</b>	<b>728</b>	<b>(13)</b>	<b>(25)</b>	<b>(1,638)</b>	<b>(896)</b>	<b>22,955</b>	<b>22,059</b>
<b>Balance at 31 March 2024</b>	30/31/32	<b>(22,469)</b>	<b>(54,368)</b>	<b>(4,981)</b>	<b>(3,777)</b>	<b>(14,894)</b>	<b>(21,915)</b>	<b>(122,405)</b>	<b>(587,111)</b>	<b>(709,515)</b>

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 4 - ACCOUNTING STATEMENTS**

**Balance Sheet**

<b>31 March 2024</b>			<b>31 March 2025</b>
<b>£'000</b>	<b>Notes</b>		<b>£000</b>
844,188	21	Property, Plant and Equipment	857,090
4,996	21.1	Heritage Assets	4,996
26,108	21.2	Investment Property	24,790
455		Intangible Assets	318
5,525	24	Long-Term Investments	5,601
2,807	24	Long-Term Debtors	2,771
<b>884,079</b>		<b>Long Term Assets</b>	<b>895,566</b>
44,087	24/25	Short-Term Investments	101,556
178		Assets Held for Sale	178
764		Inventories	775
96,875	23/24	Short-Term Debtors	101,511
61,266	24/27	Cash and Cash Equivalents	42,874
<b>203,170</b>		<b>Current Assets</b>	<b>246,894</b>
(3,290)	24	Short-Term Borrowing	(10,997)
(115,433)	24/28	Short-Term Creditors	(156,960)
(3,340)	29	Provisions	(3,248)
		Income in Advance	(3,612)
(19,279)	17	Grants & Contributions Receipts in Advance - Revenue	(15,373)
-	17	Grants Receipts in Advance - Capital	(42,958)
<b>(141,342)</b>		<b>Current Liabilities</b>	<b>(233,148)</b>
(2,928)	24	Long-Term Creditors	(11,975)
(4,042)	29	Provisions	(3,531)
(185,502)	24/25/26	Long-Term Borrowing	(176,490)
(232)		Deferred Income	(232)
(18,512)	24/34.2	Net Pension Liabilities	(15,915)
(25,172)	17	Grants Receipts in Advance - Capital	(13,639)
<b>(236,388)</b>		<b>Long Term Liabilities</b>	<b>(221,782)</b>
<b>709,519</b>		<b>Net Assets</b>	<b>687,530</b>
(122,406)	30/31	Usable Reserves	(108,929)
(587,113)	32	Unusable Reserves	(578,601)
<b>(709,519)</b>		<b>Total Reserves</b>	<b>(687,530)</b>

## Cash Flow Statement

2023/24		Note Ref	2024/25
£000			£000
28,566	Net (surplus) or deficit on the provision of services		30,912
(76,564)	Adjustment to surplus or deficit on the provision of services for noncash movements		(109,779)
48,327	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities		58,119
<b>329</b>	<b>Net cash flows from operating activities</b>	<b>35</b>	<b>(20,748)</b>
(37,137)	Net cash flows from investing activities	36	34,587
6,096	Net cash flows from financing activities	37	4,553
<b>(30,712)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>18,392</b>
30,554	Cash and cash equivalents at the beginning of the reporting period		61,266
<b>61,266</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>27</b>	<b>42,874</b>

## Accounting Policies

### ***i. General Principles***

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its overall financial position as at 31<sup>st</sup> March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 supported by International Financial Reporting Standards (IFRS).

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

### ***ii. Accounting Concepts***

#### Accruals of Income and Expenditure

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

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

## WESTMORLAND AND FURNESS COUNCIL

### SECTION 5 - ACCOUNTING POLICIES

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#### Fair presentation

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

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

#### Materiality

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

#### Going Concern

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

#### Primacy of Legislative Requirements

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

#### ***iv. Charges to Revenue for Non-Current Assets***

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

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

The Council is not required to raise council tax to cover depreciation, impairment and revaluation losses or amortisations. However, it is required to make an annual contribution from fund balances towards the reduction in its overall borrowing requirement. This amount is known as the Minimum Revenue Provision (MRP) and is calculated by the Council on a prudent basis determined by the Council in accordance with statutory guidance (as summarised below). 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.

#### **MRP:**

- Capital spend incurred before 1<sup>st</sup> April 2008 and spend financed by “supported” borrowing in all the following years; from 1<sup>st</sup> April 2009 this is charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.
- Capital spend financed by Prudential Borrowing; this is subject to MRP under the Asset life method – equal instalments charged over the estimated life of the asset. MRP is based on the estimated life of the assets, in accordance with the regulations.
- Repayments included in finance leases are applied as MRP.

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### **SECTION 5 - ACCOUNTING POLICIES**

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#### ***v. Overheads and Support Services***

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

#### ***vi. Principal and Agent Transactions***

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

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

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

#### ***vii. Employee Benefits***

##### **Benefits Payable During Employment**

Short term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees, and are recognised as an expense in services in the year.

An accrual is made for the cost of holiday entitlements not taken before the year end and which employees can carry forward into the next financial year. The accrual is charged to services in the Comprehensive Income and Expenditure Statement. It is then reversed out through the Movement in Reserves Statement. This ensures that holiday benefits are charged to revenue in the financial year in which the absence occurs.

##### **Termination Benefits**

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

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#### Post Employment Benefits

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

#### *a) Teachers' Pensions*

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

#### *b) The NHS Pension Scheme*

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

#### *c) The Local Government Pension Scheme*

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

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

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

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is determined in reference to market yields at the Balance Sheet date of high quality corporate bonds.

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

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

a) Service cost comprising:

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

b) Re-measurement comprising:

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **contributions paid to the Cumbria Local Government Pension Scheme** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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### **SECTION 5 - ACCOUNTING POLICIES**

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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 ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

#### **Capital Grants and Contributions**

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

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### SECTION 5 - ACCOUNTING POLICIES

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#### 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 as lessee**

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 *Leases* to include arrangements with nil consideration, peppercorn or nominal payments.

##### *Initial measurement*

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Council is reasonably certain to exercise;
- lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

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### SECTION 5 - ACCOUNTING POLICIES

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#### ***ix. Leases continued***

##### *Subsequent measurement*

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases;
- leases where rent reviews do not necessarily reflect market conditions;
- leases with terms of more than five years that do not have any provision for rent reviews; and
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate;
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee;
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

##### *Low value and short lease exemption*

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

##### *Lease expenditure*

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 5 - ACCOUNTING POLICIES**

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Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

#### **The Council as lessor**

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

#### *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 lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease 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 is 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 therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

## WESTMORLAND AND FURNESS COUNCIL

### SECTION 5 - ACCOUNTING POLICIES

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#### ***ix. Leases continued***

##### *Operating leases*

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

#### ***x. 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 1<sup>st</sup> 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.

## WESTMORLAND AND FURNESS COUNCIL SECTION 5 - ACCOUNTING POLICIES

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### *xi. Property, Plant and Equipment continued*

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.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost; and
- surplus assets - fair value, estimated at highest and best use from a market participant's perspective.
- Council dwellings - current value, determined using the basis of existing use value for social housing (EUV–SH)
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

## WESTMORLAND AND FURNESS COUNCIL SECTION 5 - ACCOUNTING POLICIES

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### *x. Property, Plant and Equipment continued*

Assets included in the Balance Sheet at current value are revalued at intervals of not greater than three years to ensure that their carrying amount is not materially different from their current value at the year end. The Council has valued all of the former District Council assets in 2023/24 and 2024/25. For the former County Council assets, the assets are valued on a three-year rolling programme. The carrying value of land and buildings is reviewed annually to ensure that it is not materially different to the current value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services in 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 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Revaluation losses

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

#### 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.

***x. Property, Plant and Equipment continued***

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 31<sup>st</sup> 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.

Disposals and Non-Current Assets Held for Sale continued

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

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

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

## WESTMORLAND AND FURNESS COUNCIL SECTION 5 - ACCOUNTING POLICIES

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### ***x. Property, Plant and Equipment continued***

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

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

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

#### Depreciation

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

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

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

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

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

***x. Property, Plant and Equipment continued***

Components have been recognised in the financial year where:

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

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

Non-Current Assets - Schools

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

Highways infrastructure assets

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

Recognition

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

Measurement

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

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

Depreciation

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

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***x. Property, Plant and Equipment continued***

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

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

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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

***xi. 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 and private sector housing.

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#### ***xii. Investment Properties***

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

#### **Financial Instruments**

##### ***xiii. 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.

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### SECTION 5 - ACCOUNTING POLICIES

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#### ***xiii. Financial Liabilities continued***

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

#### Creditors

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

#### ***xiv. Financial Assets***

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### Debtors

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

#### Financial Assets Measured at Amortised Cost

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

The Council has a legacy (i.e. pre-local government reorganisation) 'soft loan'. This is an interest free loan made using Cluster of Empty Homes funding to a private landlord. When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

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### SECTION 5 - ACCOUNTING POLICIES

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#### ***xiv. Financial Assets continued***

Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the private landlord, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement. Upon repayment, the Cluster of Empty Homes loan is recognised as a capital receipt

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

#### Expected Credit Loss Model

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

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

#### Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

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

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

#### ***xv. 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.

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### **SECTION 5 - ACCOUNTING POLICIES**

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#### ***xvi. Provisions***

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation, which probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

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

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

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

#### ***xvii. Reserves***

As part of the statutory General Fund the Council maintains an unearmarked General Fund Balance to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. The Council continually reviews these reserves to ensure that they remain appropriate and aligned to the Council's priorities.

The statutory General Fund is made up of:

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

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### ***xvii. 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 in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

#### Unusable Reserves

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

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

### ***xviii. Interests in Companies and Other Entities***

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control or significant influence over the entity.

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

### ***xix. Joint Arrangements***

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

- A Joint Venture
- A Joint Operation

#### *Joint Venture*

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint venturers have rights to the net assets of the arrangement.

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### **SECTION 5 - ACCOUNTING POLICIES**

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#### ***xix. Joint Arrangements continued***

##### *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.

#### ***xx. 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.

#### ***xxi. Events After the Reporting Period***

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

##### Adjusting Events

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

##### Non Adjusting Events

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

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

#### ***xxii. 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.

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### SECTION 5 - ACCOUNTING POLICIES

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#### ***xxiii. Pooled Funds***

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

#### ***xxiv. Council Tax and Business Rates***

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

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

#### Accounting for Council Tax and Business Rates:

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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### **SECTION 5 - ACCOUNTING POLICIES**

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#### **xxv. Fair Value Measurement**

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

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

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

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

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

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

#### **xxvi. Rounding**

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

#### **xxvii. Schools**

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

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*Accounting for Schools - Transfers to Academy status*

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

### Note 1 - Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2024/25 Code.

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

The 2025/26 Code will introduce the following three areas of amendments. The amendments are anticipated to have little or no impact on the Council's financial statements.

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- Changes to the measurement of non-investment assets, including adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

## Note 2 - Critical Judgements in Applying Accounting Policies

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

### Property, Plant and Equipment

The Council owns a large and diverse range of property assets. The Council has to use judgement to determine whether property, plant and equipment owned by the Council are operational assets, investment properties, surplus assets or assets held for sale. The Council's Valuers, in consultation with the finance team, make judgements in accordance with IAS 16 Property, Plant and Equipment, IAS 40 Investment Property and IFRS13 Fair Value Measurement to classify these assets. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. There are also regeneration properties that are let at market rent but are not investment properties as they were acquire with regeneration funding as part of market intervention and enabling the local economy to grow and thrive. The classification determines the valuation method used. Assets classified as surplus or investment properties are revalued on an annual basis at fair value.

Land and buildings included in the Balance Sheet at current value are revalued at least once every three years. The assets are then carried at this value in the Balance Sheet and depreciated until the next revaluation is undertaken. The carrying value of land and buildings is reviewed annually by the Council to ensure that it is not materially different to the current value.

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

<b>School Specific Assumptions</b>
Determine what the Modern Equivalent Asset would comprise using the latest Government design guidance and/or service input.
Estimate the number of pupils it would be built for using the council's pupil number records.
Estimate the amount a school of the required size would cost to build using RICS BCIS and council build cost records.

Judgement is also required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council's external Valuers and finance team work together to determine this. It has been judged that the useful lives of the Council's properties as

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### SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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they currently stand provide a depreciation charge that is an accurate proxy for component accounting purposes. Further details of the componentisation policy are provided in Accounting Policy x.

#### Pooled Budgets

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

#### Provisions and Contingent Liabilities

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

#### Schools

##### *Accounting for Schools – Consolidation*

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

##### *Accounting for Schools – Balance Sheet Recognition of Schools*

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

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

The table below sets out the number and type of schools within the Council area as at 31<sup>st</sup> March 2025.

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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	33	4	2	2	1	42	42	0
Voluntary Controlled (VC)	20	0	0	0	0	20	0	20
Voluntary Aided (VA)	35	0	0	0	0	35	0	35
Foundation	4	2	0	0	0	6	4	2
<b>Total Maintained Schools</b>	<b>92</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>103</b>	<b>46</b>	<b>57</b>
Academies	29	14	0	1	0	44	0	44
<b>Total</b>	<b>121</b>	<b>20</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>147</b>	<b>46</b>	<b>101</b>

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.

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

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

The items in the Council's Balance Sheet as at 31<sup>st</sup> March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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<b>Uncertainty</b>	<b>Consequences if actual results differ from assumption</b>
<p><u>Asset Valuation</u></p> <p>Land and buildings are valued at 'current value' based on existing use or on a depreciated replacement cost (DRC) basis. DRC is used when there is no established property market (excluding sales for alternative use) which would enable a reliable valuation by any other method.</p> <p>The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The valuer has provided valuations as at 31<sup>st</sup> March 2025 for all of the Council's investment portfolio and approximately 98% of its operational land and buildings portfolio.</p> <p>The remaining balance of operational land and buildings not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the Council's assets are not materially misstated at the Balance Sheet date. This assessment has confirmed that the Balance Sheet is materially correct.</p>	<p>The gross book value of the operational land and buildings valued on a DRC basis was £250m at 31<sup>st</sup> March 2025 (equivalent to 73.7% of the total gross book value of operational land and buildings at this date).</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £25m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Further detail on asset valuations is provided in note 21.</p>

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<p><u>Pensions Asset / Liability</u>          Estimation of the net asset / liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer Limited, a firm of consulting actuaries, is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions asset / liability of changes in individual assumptions can be measured. Note 35 includes a sensitivity analysis. In summary for all Pension schemes the effects are:</p> <p>0.5% <u>increase</u> in the discount rate assumption would result in a <u>decrease</u> in the net pension surplus / deficit of £60.450m and vice versa.</p> <p>0.25% <u>increase</u> in inflation would result in an increase of £31.783m in the net pension asset / liabilities.</p> <p>1 year increase in life expectancy would increase net assets / liabilities by £19.274m.</p> <p>For the LGPS (the only scheme with assets) a 1% increase in the 2024/25 investment returns would increase the assets by £11.889m.</p> <p>Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14.</p> <p>At 31st March 2025 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil. Unfunded liabilities are excluded from the asset ceiling calculation and are recognised on the Balance Sheet (£9.385m).</p> <p>Further detail is provided in note 34.</p>
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**Note 4 -Expenditure and Funding Analysis**

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

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The Ministry of Housing, Communities and Local Government (MHCLG) made regulations regarding the accounting treatment of Dedicated Schools Grant (DSG) deficits, affecting the financial years beginning on 1 April 2020, 1 April 2021 and 1 April 2022. These are the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, SI 2020 No 1212. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2022 extended the provisions in this regulation to cover the period to March 2028.

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

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

Similarly, any further deficit incurred during the financial years beginning on 1 April 2021 to 1 April 2027 must be added to the account mentioned at b) above.

As at 31<sup>st</sup> March 2025 the Westmorland & Furness DSG Adjustment Account had an accumulated deficit of £22.135m excluding balances held within individual schools.

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**Note 4 -Expenditure and Funding Analysis continued**

Net Expenditure Chargeable to the General Fund Balance	Adjustment for DSG Reserve transfer to Unusable Reserves	2023/24			Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	Adjustment for DSG Reserve transfer to Unusable Reserves	2024/25			Net Expenditure in the Comprehensive Income and Expenditure Statement
		Net Expenditure reported to Member	Adjustments Between Funding and Accounting Basis	Net Expenditure reported to Member				Adjustments Between Funding and Accounting Basis	Net Expenditure reported to Member	Adjustments Between Funding and Accounting Basis	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
3,038		3,038	8	3,046	Chief Executive and Assistant Chief Executive	4,100		4,100	(34)	4,066	
65,561		65,561	(884)	64,677	Adult Services	74,952		74,952	4,640	79,592	
61,081	5,185	66,266	11,878	78,143	Children's Services	67,879	8,209	76,088	4,189	80,277	
24,922		24,922	38	24,960	Enabler Services	28,395		28,395	(137)	28,258	
37,940		37,940	32,341	70,281	Thriving Places	47,479		47,479	30,621	78,100	
13,001		13,001	4,020	17,021	Thriving Communities	13,656		13,656	7,276	20,932	
3,457		3,457	0	3,457	Locality Boards	3,143		3,143	0	3,143	
30,114		30,114	(567)	29,547	Resources (including Treasury Management)	30,277		30,277	(4,328)	25,949	
10,735		10,735	7,680	18,415	Other Corporate Items	10,361		10,361	(6,916)	3,445	
<b>249,849</b>	<b>5,185</b>	<b>255,034</b>	<b>54,513</b>	<b>309,547</b>	<b>Net Cost of Services</b>	<b>280,242</b>	<b>8,209</b>	<b>288,451</b>	<b>35,311</b>	<b>323,762</b>	
(249,082)		(249,082)	(31,899)	(280,981)	Other Income and Expenditure	(267,349)	0	(267,349)	(25,502)	(292,851)	
<b>767</b>	<b>5,185</b>	<b>5,952</b>	<b>22,614</b>	<b>28,566</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>12,893</b>	<b>8,209</b>	<b>21,102</b>	<b>9,809</b>	<b>30,912</b>	
(86,363)					Opening Statutory General Fund and HRA balance	(85,596)					
767					Plus (Surplus) or Deficit on the Statutory General Fund and HRA balance for the Year	12,893					
<b>(85,596)</b>					<b>Closing Statutory General Fund and HRA balance at 31<sup>st</sup> March*</b>	<b>(72,703)</b>					

\* For a split of this balance between the General Fund and the HRA, please see the Movement in Reserves Statement. The Adjustment for the DSG Reserve is part of the Adjustment Between Funding and Accounting Basis

## Note 4.1 - Note to the Expenditure and Funding Analysis

### **Adjustment Between Funding and Accounting Basis**

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

#### **Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

#### **Net Change for the Pensions Adjustments**

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** -- the net interest on the defined benefit liability is charged to the CIES.

#### **Other Statutory Adjustments**

This column includes all other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **For services**, this represents the minimum revenue provision, interest payable and receivable that are reported as part of service net expenditure during the year but for statutory accounting purposes they are part of Financing and Investment Income and Expenditure.

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- **The charge under Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

<b>2024/25</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for Pensions Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive & Assistant Chief Executive	0	(43)	9	(34)
Adult Services	4,224	(295)	711	4,640
Children's Services	4,854	(492)	(173)	4,189
Enabler Services	0	(124)	(13)	(137)
Thriving Places	31,014	(242)	(151)	30,621
Thriving Communities	8,162	(155)	(731)	7,276
Locality Boards	0	0	0	0
Resources (including Treasury Management)	(6,097)	(151)	1,920	(4,328)
Other Corporate items	(1,205)	(931)	(4,780)	(6,916)
<b>Net Cost of Services</b>	<b>40,952</b>	<b>(2,433)</b>	<b>(3,208)</b>	<b>35,311</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(25,708)	1,351	(1,145)	(25,502)
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement (CIES)</b>	<b>15,244</b>	<b>(1,082)</b>	<b>(4,353)</b>	<b>9,809</b>

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

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**Note 4.2 - Segmental Analysis of Income and Expenditure**

<b>2024/25</b>	<b>Revenues from External Customers</b>	<b>Adult Social Care Income</b>	<b>Depreciation and Amortisation</b>	<b>Net Interest Income and Expense</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive and Assistant Chief Executive	(173)	0	0	0
Adult Services	(43)	(28,602)	703	0
Children's Services	(10,091)	0	4,049	0
Enabler Services	(1,628)	0	0	0
Thriving Places	(18,071)	0	31,137	0
Thriving Communities	(15,607)	0	4,029	0
Locality Boards	(49)	0	0	0
Resources (including Treasury Management)	(5,018)	0	2,272	(1,402)
Other Corporate Items	(1,070)	0	187	0
<b>Total Managed by Segments</b>	<b>(51,749)</b>	<b>(28,602)</b>	<b>42,377</b>	<b>(1,402)</b>

<b>2023/24</b>	<b>Revenues from External Customers</b>	<b>Adult Social Care Income</b>	<b>Depreciation and Amortisation</b>	<b>Restated Net Interest Income and Expense</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive and Assistant Chief Executive	(325)	0	0	
Adult Services	(72)	(22,941)	465	
Children's Services	(9,693)	0	3,780	
Enabler Services	(2,491)	0	0	
Thriving Places	(16,461)	0	30,039	
Thriving Communities	(14,404)	0	3,620	
Locality Boards	(49)	0	0	
Resources (including Treasury Management)	(5,125)	0	2,583	(8,317)
Other Corporate Items	(426)	0	164	
<b>Total Managed by Segments</b>	<b>(49,046)</b>	<b>(22,941)</b>	<b>40,651</b>	<b>(8,317)</b>

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**Note 4.3 - Expenditure and Income Analysed by Nature**

<b>2023/24</b>	<b>2024/25</b>
<b>£000</b>	<b>£000</b>
<b>Nature of Expenditure or Income</b>	
(49,046) Fees and charges	(51,749)
(22,941) Adult Social Care service income	(28,602)
(15,746) Interest and investment income	(7,868)
(214,680) Income from local taxation	(230,294)
(297,725) Government grants and contributions	(331,091)
(52,164) Other income	(28,965)
231,899 Employee benefits expenses	243,784
366,092 Other service expenses	382,256
55,607 Depreciation, amortisation, impairments and (gains)/losses on revaluation of non-current assets	52,047
7,430 Interest payments and Pensions interest cost	6,467
4,310 Precepts and levies	4,820
3,483 Changes in impairment loss allowance of financial instruments	244
114 Loss on Investments	(24)
11,933 Net (Gain) or loss on disposal of non-current assets	19,887
<b>28,566 (Surplus) or Deficit for Year</b>	<b>30,912</b>

**Note 5 - Material Items of Income and Expense**

The Council has considered items within the Comprehensive Income and Expenditure Statement in relation to the materiality threshold of £8.2m.

The following payments to contractors are included in the Accounts and have not been disclosed separately in the CIES but are set out below for information.

- Cumberland Council - Inter Authority agreement for hosted services – expenditure £34.063m (2023/24 £30.962m) and income of £1.439m (2023/24 £2.734m).

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### Note 6 - Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>		<b>£000</b>
2,414	Net (Gains)/losses on the Disposal of Non-Current Assets	18,860
4,310	Parish Precepts and Levies	4,820
0	Payments to the Government Housing Capital Receipts Pool*	347
977	Other	1,090
<b>7,701</b>	<b>Total Other Operating Expenditure</b>	<b>25,117</b>

\* The comparative figure for 2023/24 was £0.223m and was included in income on the Thriving Communities line of the CIES.

### Note 7 - Financing and Investment Income and Expenditure

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

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>		<b>£000</b>
7,208	Interest payable and similar charges	6,205
222	Net interest on the net defined benefit liability/(asset)	261
(14,781)	Interest receivable and similar income	(8,215)
(1,240)	Income in relation to investment properties	(962)
95	Expenditure in relation to investment properties	124
179	Investment properties changes in fair value	1,185
3,483	Changes in impairment loss allowance of financial instruments	245
9,633	Loss on Disposal of Academies	1,003
<b>4,799</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>(154)</b>

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

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**Note 8 - Taxation and Non-Specific Grant Income**

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

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>		<b>£000</b>
(156,551)	Council tax income	(168,415)
(58,129)	Non-domestic rates income and expenditure	(61,879)
<b>(214,680)</b>	<b>Income from Local Taxation</b>	<b>(230,294)</b>
(37,949)	Non-ringfenced government grants	(40,740)
(40,852)	Capital grants and contributions	(46,780)
<b>(78,801)</b>	<b>Income from Non Specific Grants</b>	<b>(87,520)</b>
<b>(293,481)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(317,814)</b>

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

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

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

### **General Fund balance**

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

### **Housing Revenue Account balance**

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major repairs reserve**

The authority is required to maintain the major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

### **Capital receipts reserve**

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

### **Capital grants unapplied**

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

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2024/2025	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments to the Revenue Resources</u>						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension cost (transferred to (or from) the Pensions Reserve)	1,027	55	0	0	0	(1,082)
Financial Instruments (transferred to (or from) the Financial Instruments Adjustments Account)	27	0	0	0	0	(27)
Pooled investments funds (transferred to the pooled investment funds adjustment account)	24	0	0	0	0	(24)
Council tax and NDR (transfers to (or from) the Collection Fund Adjustment Account)	3,924	0	0	0	0	(3,924)
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	617	0	0	0	0	(617)
In year deficit on DSG Reserve (transferred to (or from) DSG Adjustment Account)	(8,209)	0	0	0	0	8,209
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
Charges for depreciation of non-current assets	(40,622)	(2,361)	0	0	0	42,983
Amortisation of Intangible Assets	(136)	0	0	0	0	136
Net Revaluation Gains / (Losses) on Property, Plant & Equipment	(9,014)	86	0	0	0	8,928
Net Revaluation Gains / (Losses) on Investment Properties	(1,185)	0	0	0	0	1,185
Net Gains / (Losses) on Disposal of Property, Plant & Equipment	(22,652)	187	0	0	0	22,465
Revenue Expenditure Funded from Capital Under Statute	(12,444)	0	0	0	0	12,444
Grants on Revenue Expenditure Funded from Capital Under Statute	9,004	0	0	0	0	(9,004)
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Statement	45,403	0	0	0	(890)	(44,513)
<b>Total Adjustments to Revenue Resources</b>	<b>(34,236)</b>	<b>(2,033)</b>	<b>0</b>	<b>0</b>	<b>(890)</b>	<b>37,159</b>
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,335	0	0	(2,335)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	10,163	816	0	0	0	(10,979)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,556	0	0	0	0	(3,556)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>16,054</b>	<b>816</b>	<b>0</b>	<b>(2,335)</b>	<b>0</b>	<b>(14,535)</b>
<u>Adjustments to Capital Resources</u>						
Deferred Capital Receipts	0	0	0	(51)	0	51
Transfer to Capital Grants Unapplied Account	1,377	0	0	0	243	(1,620)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	3,617	0	(3,617)
<b>Total Adjustments to Capital Resources</b>	<b>1,377</b>	<b>0</b>	<b>0</b>	<b>3,566</b>	<b>243</b>	<b>(5,186)</b>
<b>Total Adjustments</b>	<b>(16,805)</b>	<b>(1,216)</b>	<b>0</b>	<b>1,231</b>	<b>(647)</b>	<b>17,438</b>

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2023/2024	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<u>Adjustments to the Revenue Resources</u>						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension cost (transferred to (or from) the Pensions Reserve)	154	0	0	0	0	(154)
Financial Instruments (transferred to (or from) the Financial Instruments Adjustments Account)	36	0	0	0	0	(36)
Pooled investments funds (transferred to the pooled investment funds adjustment account)	(115)	0	0	0	0	115
Council tax and NDR (transfers to (or from) the Collection Fund Adjustment Account)	3,449	0	0	0	0	(3,449)
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	(587)	0	0	0	0	587
In year deficit on DSG Reserve (transferred to (or from) DSG Adjustment Account)	(5,185)	0	0	0	0	5,185
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
Charges for depreciation of non-current assets	(46,398)	0	0	0	0	46,398
Amortisation of Intangible Assets	(118)	0	0	0	0	118
Net Revaluation Gains / (Losses) on Property, Plant & Equipment	(9,091)	0	0	0	0	9,091
Net Revaluation Gains / (Losses) on Investment Properties	(179)	0	0	0	0	179
Net Gains / (Losses) on Disposal of Property, Plant & Equipment	(11,933)	0	0	(425)	0	12,358
Revenue Expenditure Funded from Capital Under Statute	(21,285)	0	0	0	0	21,285
Grants on Revenue Expenditure Funded from Capital Under Statute	6,792	0	0	0	0	(6,792)
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Statement	37,070	0	0	0	2,144	(39,214)
<b>Total Adjustments to Revenue Resources</b>	<b>(47,390)</b>	<b>0</b>	<b>0</b>	<b>(425)</b>	<b>2,144</b>	<b>45,671</b>
<u>Adjustments between Revenue and Capital Resources</u>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	188	0	0	(188)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	7,935	816	0	0	0	(8,751)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,870	0	0	0	0	(6,870)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>14,993</b>	<b>816</b>	<b>0</b>	<b>(188)</b>	<b>0</b>	<b>(15,621)</b>
<u>Adjustments to Capital Resources</u>						
Deferred Capital Receipts	0	0	0	52	0	(52)
Application of capital grants to finance capital expenditure	3,782	0	0	0	(3,782)	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	536	0	(536)
<b>Total Adjustments to Capital Resources</b>	<b>3,782</b>	<b>0</b>	<b>0</b>	<b>588</b>	<b>(3,782)</b>	<b>(588)</b>
<b>Total Adjustments</b>	<b>(28,615)</b>	<b>816</b>	<b>0</b>	<b>(25)</b>	<b>(1,638)</b>	<b>29,462</b>

### Note 10 - Acquired and Discontinued Operations

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

The transfer of schools to Academy status continued with two schools: Kirkby Thore Primary School and St Catherine's Catholic Primary School converting during the year. This resulted in a reduction in gross income of £0.833m and expenditure of £0.954m. This transfer of responsibility also resulted in a reduction of £1.011m in the net book value of land, buildings and equipment recorded on the Balance Sheet.

There was one school closure during the year - Barrow North Walney Primary School. This resulted in a reduction in gross income of £0.170m and expenditure of £0.134m. The closure also resulted in the transfer of assets of a net book value of £0.947m to surplus assets on the Balance Sheet.

## Note 11 - Pooled Budgets

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

The Council's share of overall surpluses or deficits are credited or charged to the Adult and Children's directorates. The Council's legal requirements in respect of costs for each of the Pooled Funds is shown in the tables below.

### Youth Offending Service

The Council acts as a lead agency for the Youth Offending Service within the Westmorland & Furness area. The purpose of the Youth Offending Service is to work with young offenders and reduce the level of offending and reoffending amongst young persons.

<b>2023/24</b>	<b>Youth Offending Service</b>	<b>2024/25</b>
<b>£000</b>		<b>£000</b>
(388)	Authority Funding	(464)
(578)	Partner Funding	(543)
(966)	Total Pooled Funding	(1,007)
<hr/>		
725	Authority Expenditure	967
146	Partner Expenditure	110
871	Expenditure	1,077
<b>(95)</b>	<b>Net (Surplus)/Deficit on the Pooled Budget</b>	<b>70</b>
<hr/>		
<b>(95)</b>	<b>Authority Share of the Net (Surplus) / Deficit</b>	<b>70</b>
<hr/>		

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### Better Care Fund

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

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

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

The partners each account for their own share of the pooled fund income and expenditure, the financial performance in the year to 31st March 2025 was as follows:

	Westmorland & Furness Council	North East & North Cumbria ICB	Lancashire & South Cumbria ICB	Total
	£'000	£'000	£'000	£'000
<b>Contributions</b>				
Disabled Facilities Grant Capital	(3,039)	0	0	(3,039)
Improved Better Care Fund	(9,304)	0	0	(9,304)
NHS Discharge Funding	0	(400)	(2,198)	(2,598)
Local Authority Discharge Funding	(2,173)	0	0	(2,173)
Minimum NHS Contribution	0	(4,915)	(15,693)	(20,608)
	(14,516)	(5,315)	(17,891)	(37,722)
<b>Total Pooled Fund Expenditure</b>	26,904	2,260	8,558	37,722

### Note 12 - Members' Allowances

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

2023/24		2024/25
£000		£000
1,046	Allowances	1,140
33	Expenses	34
<b>1,079</b>	<b>Total Members' Allowances</b>	<b>1,174</b>

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**Note 13 - Officers' Remuneration**

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

		Salary, Fees and Allowance £	Salary etc. relating to Election duties £	Termination Costs £	Employer's Pension Contributions £	TOTAL £
Sam Plum, <b>Chief Executive</b>	2024/25	182,391	5,572	-	31,554	<b>219,517</b>
	2023/24	177,942	-	-	30,784	<b>208,726</b>
Alison Hatcher, <b>Assistant Chief Executive</b>	2024/25	120,318	-	-	20,829	<b>141,147</b>
	2023/24	115,830	-	-	20,053	<b>135,883</b>
Paul Robinson, <b>Director of Enabler Services</b>	2024/25	142,607	2,786	-	24,671	<b>170,064</b>
	2023/24	131,367	-	-	22,726	<b>154,093</b>
Susan Roberts, <b>Acting S151 Officer</b> (from 14 <sup>th</sup> March 2025)	2024/25	5,283	-	-	914	<b>6,197</b>
Pam Duke, <b>Director of Resources</b> (S151 Officer) (to 14 <sup>th</sup> March 2025)	2024/25	141,721	-	-	23,544	<b>165,265</b>
	2023/24	131,367	-	-	22,726	<b>154,093</b>
Angela Jones, <b>Director of Thriving Places</b>	2024/25	150,564	-	-	26,048	<b>176,612</b>
	2023/24	145,193	-	-	25,118	<b>170,311</b>
Steph Cordon, <b>Director of Thriving Communities</b>	2024/25	142,607	-	-	24,671	<b>167,278</b>
	2023/24	131,367	-	-	22,726	<b>154,093</b>
Cath Whalley, <b>Director of Adult Social Care</b>	2024/25	142,607	180	-	24,671	<b>167,458</b>
	2023/24	134,550	-	-	23,277	<b>157,827</b>
Milorad Vasic, <b>Director of Children's Services</b> (from 10 <sup>th</sup> July 2023)	2024/25	141,025	529	-	24,397	<b>165,951</b>
	2023/24	96,895	-	-	16,763	<b>113,658</b>
John Readman, <b>Interim Director of Children's Services</b> (to 9 <sup>th</sup> July 2023)	2023/24	56,660	-	8,539	270,165	<b>335,364</b>
Katrina Stephens, <b>Director of Public Health</b> (from 1 <sup>st</sup> July 2023)	2024/25	118,606	126	-	20,519	<b>139,251</b>
	2023/24	83,000	-	-	14,359	<b>97,359</b>
Linda Jones, <b>Chief Legal and Monitoring Officer</b>	2024/25	120,330	3,524	-	20,817	<b>144,671</b>
	2023/24	114,956	-	-	19,145	<b>134,101</b>
<b>TOTAL</b>	<b>2024/25</b>	<b>1,408,059</b>	<b>12,718</b>	<b>-</b>	<b>242,634</b>	<b>1,663,412</b>
	<b>2023/24</b>	<b>1,319,127</b>	<b>-</b>	<b>8,539</b>	<b>487,842</b>	<b>1,815,508</b>

## WESTMORLAND AND FURNESS COUNCIL

### SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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#### Notes

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

**Director of Resources (Section 151 Officer)** – This post was filled by Pam Duke until 14<sup>th</sup> March 2025. From 15<sup>th</sup> March 2025, the Assistant Director of Finance undertook the statutory duties of the Chief Finance Officer (Section 151) on a temporary basis until the commencement of the new Director of Resources (S151) on 1<sup>st</sup> June 2025.

#### Definitions

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

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

- **Benefits in Kind** – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2024/25 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 2024/25.

- **Employer's Current Service Pension Contribution** - LGPS 17.3%, 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". Where applicable, this is included in the figures in the table on the previous page.

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

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

**Officer Remuneration**

2023/24				2024/25		
Number of Employees				Number of Employees		
School Staff	Other Staff	Total		School Staff	Other Staff	Total
53	59	<b>112</b>	£50,001 to £55,000	73	110	<b>183</b>
36	47	<b>83</b>	£55,001 to £60,000	52	62	<b>114</b>
46	22	<b>68</b>	£60,001 to £65,000	33	22	<b>55</b>
21	30	<b>51</b>	£65,001 to £70,000	15	46	<b>61</b>
10	14	<b>24</b>	£70,001 to £75,000	15	11	<b>26</b>
4	14	<b>18</b>	£75,001 to £80,000	3	8	<b>11</b>
6	6	<b>12</b>	£80,001 to £85,000	2	22	<b>24</b>
4	1	<b>5</b>	£85,001 to £90,000	5	4	<b>9</b>
1	6	<b>7</b>	£90,001 to £95,000	2	0	<b>2</b>
1	2	<b>3</b>	£95,001 to £100,000	1	2	<b>3</b>
1	0	<b>1</b>	£100,001 to £105,000	0	7	<b>7</b>
0	0	<b>0</b>	£105,001 to £110,000	1	1	<b>2</b>
1	5	<b>6</b>	£110,001 to £115,000	1	1	<b>2</b>
0	0	<b>0</b>	£115,001 to £120,000	0	2	<b>2</b>
1	0	<b>1</b>	£120,001 to £125,000	0	0	<b>0</b>
0	2	<b>2</b>	£125,001 to £130,000	0	0	<b>0</b>
0	0	<b>0</b>	£130,001 to £135,000	1	0	<b>1</b>
<b>185</b>	<b>208</b>	<b>393</b>	<b>Total</b>	<b>204</b>	<b>298</b>	<b>502</b>

**Exit Packages**

The Code of Practice on Local Authority Accounting includes a requirement to disclose the number and total cost of exit packages which the Council "can no longer withdraw from" in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. Exit package payments include all redundancy costs, pension strain costs, payment in lieu of notice or any other departure costs.

The tables below gives further details for both schools and non-schools including the number of employees and the value of the packages, including, where applicable, the pension strain costs due from the Council to the Pension Fund attributable to the departure costs of some of the employees that were made redundant.

The total value of exit packages agreed in 2024/25 was £0.381m for 28 employees, an average of £0.014m) (2023/24: £1.346m for 20 employees, an average of

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£0.067m). These exit package costs exclude payments to Senior Officers which are separately disclosed in note 13.

A number of the exit payments included in 2023/24 in the below table arose as a result of the process of Local Government reorganisation in Cumbria.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
£0-£20,000	0	7	12	16	12	23	73,730	152,799
£20,001 - £40,000	0	3	3	1	3	4	85,866	108,654
£40,001 - £60,000	0	0	2	0	2	0	87,737	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	0	0	0	0	0	0	0	0
£100,001-£150,000	0	0	0	1	0	1	0	119,901
£150,001-£200,000	0	0	0	0	0	0	0	0
£200,001-£250,000	0	0	0	0	0	0	0	0
£250,001-£300,000	0	0	0	0	0	0	0	0
£300,001-£350,000	0	0	1	0	1	0	340,016	0
£350,001-£400,000	0	0	1	0	1	0	350,998	0
£400,001-£450,000	0	0	1	0	1	0	408,137	0
<b>Total</b>	<b>0</b>	<b>10</b>	<b>20</b>	<b>18</b>	<b>20</b>	<b>28</b>	<b>1,346,484</b>	<b>381,354</b>

**Note 14 - Termination Benefits**

Termination payments to employees include: redundancy payments, payment in lieu of notice, or any other departure payments, but do not include any pension costs. In 2024/25 the termination payments made to employees totalled £0.256m and related to 27 staff (2023/24 £0.527m, 20 staff).

**Note 15 - External Audit Costs**

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

2023/24 £'000		2024/25 £000
665	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	707
(333)	Adjustment to 2023/24 external audit fee as a result of the audit being backstopped	-
87	Fees payable in respect of other services provided by Grant Thornton during the year	83
<b>419</b>	<b>Total</b>	<b>790</b>

The fees payable with regard to external audit services for 2024/25 do not take into account the implementation of IFRS 16 as the accounting standard was not in place at the time the 2024/25 scale fees were set.

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In 2023-24 the scale fee set by PSAA was £665,255. As a result of the ongoing legacy 2022-23 audit work, and the production of the Council's 2023-24 accounts in mid-January 2025, the audit was fully backstopped and disclaimed at the end of February 2025.

Whilst Grant Thornton did not complete the full level of audit work in 2023-24, they did complete all the audit planning work, IT audit work, VFM audit work, and performed some aspects of the year-end work. As a result, they have proposed a fee of 50% of the scale fee of £332,500. This proposal is currently subject to review by PSAA.

**Note 16 - Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Finance Regulations 2023. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2024/25 are as follows:

<b>DSG Receivable for 2024/25</b>	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for 2024/25 before Academies and High needs recoupment			216,098
Academy and High Needs figure recouped for 2024/25			(81,332)
<b>Total DSG after academy recoupment for 2024/25</b>			<b>134,766</b>
Plus Brought forward from 2023/24			0
Less: Carry forward to 2025/26 (agreed in advance)			0
Agreed initial budgeted distribution in 2024/25	<b>27,300</b>	<b>107,466</b>	<b>134,766</b>
In year adjustments	0	(440)	(440)
Final budget distribution for 2024/25	<b>27,300</b>	<b>107,026</b>	<b>134,326</b>
Less: Actual central expenditure	(35,106)		(35,106)
Less: Actual ISB deployed to schools		(107,429)	(107,429)
Plus: Local Authority contribution for 2024/25			
<b>In Year Carry forward to 2025/26</b>	<b>(7,806)</b>	<b>(403)</b>	<b>(8,209)</b>
<b>Total DSG unusable reserve at the end of 2023/24</b>			<b>(13,927)</b>
<b>Addition to DSG Unusable Reserve at the end of 2024/25</b>			<b>(8,209)</b>
<b>Total DSG Unusable Reserve at the end of 2024/25</b>			<b>(22,136)</b>

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

The reserve as at 31<sup>st</sup> March 2025 is a deficit of £22.135m, an increase to the deficit of £8.209m compared to the deficit balance of £13.926m as at 31<sup>st</sup> March 2024. The main reasons for the increase in the deficit on the DSG earmarked reserve are:

Overspend on High Needs Block	£8.061m
Overspend on other DSG funded budgets	£0.148m
<b>Total</b>	<b>£8.209m</b>

The overspend against the High Needs Block of £8.061m relates to individual pupils with special educational needs and disabilities (SEND) in mainstream, special schools and independent specialist providers. The number of pupils with SEND and the demand for placements together with the increasing complexity of SEND for individual pupils has risen significantly since 2017. This rise in demand and increase in complexity of need, as reported in 2023/24 and in previous years, has resulted in significant pressure on the High Needs Block budget. A significant proportion (28%) of the funding for SEND is based on historic actual expenditure in 2017/18 which does not recognise the rapid rise in demand for specialist placements following the SEND reforms. The High Needs budget pressure being experienced by Westmorland & Furness is in line with the national picture. Westmorland & Furness is part of the DfE's Delivering Better Value in SEND programme and in accordance with the DSG conditions of grant a DSG management plan was submitted to the DfE in February 2024. The management plan sets out Westmorland & Furness' forecast DSG income and expenditure for 2023/24 to 2029/30. The forecast includes both a mitigated and

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unmitigated deficit position with savings initiatives totalling £43.866m however despite these mitigations the DSG deficit is forecast to increase to £37.314m by 2029/30.

The overspend against other DSG budgets of £0.148m comprises of £0.221m against the Early Years Block which is mainly due to a difference between the actual take-up of 2, 3 and 4 year-old free-entitlement nursery provision compared to the provisional Early Year Block funding allocation for 2024/25 which is based on the previous year's actual take-up of provision. A deduction will be made in July 2025 against the 2024/25 DSG allocation for the difference in funding due when the final Early Years block allocation for 2024/25 is confirmed. The remaining balance of (£0.073m) mainly relates to an underspend against the Growth fund of (£0.084m) and other individually non-material variances across various budget lines totalling a net overspend of £0.011m.

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**Note 17 - Grant Income**

**Grant Income credited to Taxation and non-specific Grant Income and Expenditure**

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

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>		<b>£000</b>
	<b>Revenue Grants and Contributions</b>	
(17,494)	Social Care Grant	(22,931)
(8,451)	Revenue Support Grant	(9,010)
(5,565)	Rural Services Support Grant	(6,444)
(1,562)	Services Grant	(270)
(4,877)	Other Non-Specific Revenue Grants & Contributions < £1m	(2,085)
<b>(37,949)</b>	<b>Total Revenue Grants and Contributions</b>	<b>(40,740)</b>
	<b>Capital Grants &amp; Contributions</b>	
(15,950)	Department for Transport (DfT) Highways Block Grant	(21,976)
0	DfT Grant for Grizebeck Improvements Scheme	(4,147)
(419)	LUF - Barrow Market & Public Realm	(3,345)
(61)	Homes England Grant for Marina Village phase 2	(3,141)
0	Network North Highways Funding 2024/25	(2,347)
(1,295)	LUF Scheme 20691 - Energy Coast Resilient Routes	(1,933)
(5,750)	DfT Additional Pothole & Challenge Funding	(1,616)
0	Active Travel Barrow	(1,182)
(3,445)	DfT Safer Roads	(1,097)
(2,222)	DfE Prioritised Capital maintenance	(252)
(3,389)	Getting Building Fund	(24)
(2,083)	Social Housing Decarbonisation	0
(6,238)	Other Capital Grants & Contributions < £1m	(5,720)
<b>(40,852)</b>	<b>Total Capital Grants and Contributions</b>	<b>(46,780)</b>
<b>(78,801)</b>	<b>Total</b>	<b>(87,520)</b>

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

<b>2023/24</b> <b>£000</b>	<b>2024/25</b> <b>£'000</b>
(123,090) Dedicated Schools Grant	(134,326)
128 Dedicated Schools Grant - adjustment re previous year	0
(32,853) Housing Benefits Subsidy	(33,460)
(9,304) Adult Social Care - Improved Better Care Fund	(9,304)
(8,558) Public Health Grant	(8,351)
(4,305) Market Sustainability & Improvement Workforce Fund Grant	(4,891)
(1,443) UK Shared Prosperity Fund	(3,920)
(3,986) Pupil Premium Grant	(3,358)
(2,902) Sixth Form Funding	(3,004)
(3,046) Household Support Grant	(2,973)
(2,138) Adult & Community Learning Grants	(2,361)
(107) Teachers' Pension Employment Grant	(2,176)
(1,034) Adult Social Care – Discharge Fund	(2,174)
(2,690) Core Schools Budget Allocation	(2,042)
(1,585) Primary PE & Sports Grant	(1,672)
(1,738) Universal Free School Meals Grant	(1,664)
(904) Teachers Pay Grant	(1,503)
(993) Homes for Ukraine	(1,385)
(412) Bus Service Improvement Plan Grant	(1,201)
(1,000) Skills Bootcamp	(416)
(10,172) Other Grants & Contributions < £1m	(14,386)
<b>(212,132) Total Revenue Grants credited to Services</b>	<b>(234,567)</b>
 <b>REFCUS Grants</b>	
(3,029) Disabled Facilities Grants	(2,926)
0 Home Upgrade Grant Phase 2 (HUG 2)	(2,495)
(3,763) Other REFCUS Grants < £1m	(3,583)
<b>(6,792) Total REFCUS Grants</b>	<b>(9,004)</b>
 <b>(218,924) Total</b>	 <b>(243,571)</b>

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

- £59,700 Police and Crime Panel Grant from the Home Office in 2023/24. This grant is made to Westmorland and Furness Council, as the host authority, for the maintenance of the Police and Crime Panel for the Cumbria police area.
- The Dedicated Schools Grant adjustment re previous years shown in the table above relates to adjustments to the early years block of the grant updated to reflect pupil numbers on the January census which was notified to the Council in the following May.

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**Grants Receipts in Advance (Revenue Grants) - Current Liabilities**

<b>31<sup>st</sup> March 2024</b>		<b>31<sup>st</sup> March 2025 £000</b>
<b>000</b>		
(4,875)	Homes for Ukraine Grant	(4,019)
0	Wraparound Childcare Programme Costs	(1,026)
(1,297)	Home Upgrade Grant Phase 2 (HUG 2)	0
(9,052)	Other Revenue Grants Receipts in Advance < £1m	(5,926)
(4,054)	Revenue Contributions Receipts in Advance < £1m	(4,402)
<b>(19,278)</b>	<b>Total</b>	<b>(15,373)</b>

**Grants Receipts in Advance (Capital Grants) - Current Liabilities**

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

	<b>31<sup>st</sup> March 2025 £000</b>
DfT Grizebeck Improvement Grant	(14,189)
Nutrient Neutrality Grant	(11,980)
Barrow Town Deal	(6,386)
Active Travel Barrow	(3,412)
Local EV Infrastructure Fund	(2,647)
DfE High Needs Fund	(2,141)
Prioritised Maintenance	(1,647)
Other Grants & Contributions <£1m	(556)
<b>Total</b>	<b>(42,958)</b>

At 31<sup>st</sup> March 2024 all capital grants were included in Grants Receipts in Advance (Capital Grants) - Long Term Liabilities.

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

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

**WESTMORLAND AND FURNESS COUNCIL**  
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<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
0	Nutrient Neutrality Grant	(3,280)
(4,587)	DfE High Needs Fund	(3,104)
0	DfT Grizebeck Improvement Grant	(1,450)
0	Local EV Infrastructure Fund	(1,261)
(5,726)	Barrow Town Deal	(1,198)
(1,393)	DfT Highways & Flooding	(603)
(1,367)	Devolved Formula Capital	(583)
(5,060)	Active Travel	0
(1,984)	DfT Highways Block Grant	0
(1,668)	DfT Pothole Funding	0
(1,605)	DfT Safer Roads	0
(722)	Basic Need Grant	0
(1,061)	Other Grants & Contributions <£1m	(2,160)
<b>(25,173)</b>	<b>Total</b>	<b>(13,639)</b>

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**Note 18 - Capital Expenditure and Capital Financing**

<b>31<sup>st</sup> March</b>		<b>31<sup>st</sup> March</b>
<b>2024</b>	<b>Capital Expenditure and Capital Financing</b>	<b>2025</b>
<b>£000</b>		<b>£000</b>
234,850	Opening Capital Financing Requirement	251,894
	<b>Capital Investment:</b>	
57,893	Property Plant and Equipment	67,538
	New leases / Right of Use Assets	11,999
30	Investment Properties	7
21,285	Revenue Expenditure Funded from Capital Under Statute	12,444
<b>79,208</b>	<b>Total Capital Spending</b>	<b>91,988</b>
	<b>Sources of Finance:</b>	
(514)	Capital receipts	(3,617)
(43,106)	Government Grants and other contributions	(53,517)
(2,899)	Capital Grants Unapplied	(1,620)
	<i>Sums set aside from revenue:</i>	
(6,893)	- Direct revenue contributions	(3,556)
(8,751)	- Minimum revenue provision	(10,979)
<b>(62,164)</b>	<b>Total Sources of Finance</b>	<b>(73,289)</b>
<b>251,894</b>	<b>Closing Capital Financing Requirement</b>	<b>270,593</b>
<b>31<sup>st</sup> March</b>		<b>31<sup>st</sup> March</b>
<b>2024</b>	<b>Explanation of movements in year</b>	<b>2025</b>
<b>£000</b>		<b>£000</b>
(8,751)	Decrease in underlying need to borrow (supported by government financial assistance)	(10,979)
25,795	Increase in underlying need to borrow (unsupported by government financial assistance)	17,679
0	Assets Acquired by Lease/Right of Use	11,999
<b>17,044</b>	<b>(Decrease) / Increase in Capital Financing Requirement</b>	<b>18,699</b>

**Minimum Revenue Provision**

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

For 2024/25 the MRP was £10.979m (2023/24 £8.751m), in 2024/25 this includes £1.143m related to leases.

The annual MRP charge as a percentage of the Capital Financing Requirement for 2024/25 is 3.79% (2023/24: 3.47%).

## Note 19 - Leases

In 2024/25, the Council applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the authority's incremental borrowing rate at that date
- right-of-use assets are measured at the amount of the lease liability - any initial direct costs have been excluded

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet at the date of initial application was 5.1%.

This has resulted in lease liabilities of (£7.836m) and right-of-use assets of £14.200m as at 1st April 2024. These are explained further below:

### Lease liabilities on transition

	<b>£'000</b>
<b>Operating lease commitments as at 31 March 2024 per 2023/24 accounts</b>	<b>4,507</b>
Low value leases, expired and short-term leases etc.	(1,230)
	<b>3,277</b>
	<b>£'000</b>
Net present value* of operating lease commitments 2023/24 at 1 April 2024	1,296
Leases not previously recognised	5,914
Other	-
<b>Newly recognised lease liabilities as at 1 April 2024</b>	<b>7,210</b>
Leases previously recognised on the balance sheet (i.e. accounted for as "Finance leases" under IAS 17) as at 1 April 2024	626
<b>Total lease liabilities as at 1 April 2024</b>	<b>7,836</b>

\* Operating lease commitments 2023/24 at 1 April 2024 of £3.277m discounted to their present value using the incremental borrowing rate as at 1 April 2024.

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**Right-of-use assets on transition**

	<b>£'000</b>
Leases previously recognised on the balance sheet (i.e. accounted for as "Finance leases" under IAS 17) as at 1 April 2024	907
Leases previously on balance sheet at £1 - finance leases at peppercorn	6,001
Leases previously accounted for as operating leases	1,296
Leases held in 2023/24 not previously recognised	5,914
Other	82
<b>Right of use assets as at 1 April 2024</b>	<b>14,200</b>

**Reconciliation between Lease liabilities and Right-of-use asset balances on transition**

	<b>£'000</b>
<b>Lease liabilities as at 1 April 2024</b>	<b>7,836</b>
Leases previously on balance sheet at £1 - finance leases at peppercorn	6,001
Timing differences (i.e. depreciation of RoU asset versus repayment of lease liabilities) relating to leases previously recognised on the balance sheet	281
Other	82
<b>Right-of-use assets as at 1 April 2024</b>	<b>14,200</b>

**Authority as Lessee (leased in)**

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles. All are individually immaterial.

**Right-of-use assets**

This table shows the change in the value of right-of-use assets held under leases by the Council:

	<b>Land and Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>TOTAL £000</b>
Balance at 1 <sup>st</sup> April 2024	9,611	4,590	<b>14,201</b>
Additions	169	4,600	<b>4,769</b>
Revaluations	(436)	-	<b>(436)</b>
Depreciation and amortization	(360)	(1,815)	<b>(2,175)</b>
Disposals	-	-	-
<b>Balance at 31<sup>st</sup> March 2025</b>	<b>8,984</b>	<b>7,375</b>	<b>16,359</b>

## WESTMORLAND AND FURNESS COUNCIL SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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### Transactions under leases

The authority incurred the following expenses and cash flows in relation to leases:

	<b>2024/25</b>
	<b>£000</b>
<b>Comprehensive income and expenditure statement</b>	
Interest expense on lease liabilities	564
Expense relating to short-term leases	639
Expense relating to leases of low-value assets	565
Variable lease payments not included in the measure of lease liabilities	13
Income from subletting right-of-use assets	0
Gains or losses arising from sale and leaseback transactions	0
<b>Cash flow statement</b>	
Minimum lease payments	1,921

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### Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	<b>31<sup>st</sup> March</b>
	<b>2025</b>
	<b>£000</b>
Less than one year	2,328
One to five years	6,876
More than five years	8,141
<b>Total undiscounted liabilities</b>	<b>17,345</b>

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### **Authority as Lessor (leased out)**

The authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development

The Authority has leased out property at Devonshire Arcade, Penrith on a finance lease, with 116 years remaining at 31 March 2025.

### **Transactions under leases**

The Authority made the following gains and losses as a lessor during the year:

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<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
<b>Finance leases</b>		
0	Selling gain or loss	0
(21)	Finance income on the net investment in the lease	(21)
0	Income relating to variable lease payments not included in the measurement of the net investment in the lease	0
<b>Operating leases</b>		
3,525	Total lease income	3,687
0	Share of lease income relating to variable lease payments that do not depend on an index or rate	0

**Net investment in finance leases**

The authority experienced the following changes in the carrying amount of its net investment in finance leases during the year:

<b>31<sup>st</sup> March 2024 £'000</b>		<b>31<sup>st</sup> March 2025 £'000</b>
520	Net investment at 1st April	520
0	New leases entered into	0
0	Payments by lessees	0
0	Lease modifications	0
0	Impact of changes in unguaranteed residual values	0
0	Movements in impairment loss allowances	0
<b>520</b>	<b>Net investment as at 31st March</b>	<b>520</b>

**Maturity analysis of lease receivables**

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts).

<b>31<sup>st</sup> March 2024 £'000</b>		<b>31<sup>st</sup> March 2025 £'000</b>
21	Less than one year	21
21	One to two years	21
21	Two to three years	21
21	Three to four years	21
21	Four to five years	21
2,331	More than five years	2,310
<b>2,436</b>	<b>Net investment as at 31st March</b>	<b>2,415</b>

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The total undiscounted receivables for finance leases reconcile to the net investment in leases as follows:

<b>31<sup>st</sup> March 2024 £'000</b>		<b>31<sup>st</sup> March 2025 £'000</b>
2,436	Total undiscounted lease receivables	2,415
(1,917)	Unearned finance income	(1,896)
1	Discounted amount of unguaranteed residual values	1
<b>520</b>	<b>Net investment in leases</b>	<b>520</b>

### Note 20 - Service Concession Arrangements

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

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**Note 21 - Property, Plant and Equipment**

<b>Movements to 31 March 2025</b>	<b>Council Dwellings £000</b>	<b>Land and Buildings £000</b>	<b>HRA Other Land &amp; Buildings £000</b>	<b>Plant / Vehicles / Equipment £000</b>	<b>HRA Plant / Vehicles / Equipment £000</b>	<b>Community £000</b>	<b>Surplus £000</b>	<b>Assets Under Construction £000</b>	<b>Right of Use Assets £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>										
<b>at 31<sup>st</sup> March 2024</b>	<b>91,856</b>	<b>339,377</b>	<b>2,791</b>	<b>36,562</b>	<b>594</b>	<b>11,175</b>	<b>9,476</b>	<b>33,316</b>	<b>0</b>	<b>525,147</b>
Transfer to Right of Use Assets	0	(6,001)	0	(907)	0	0	0	0	6,908	0
Right of Use Assets added 1 <sup>st</sup> April 2024	0	0	0	0	0	0	0	0	7,293	7,293
<b>At 1<sup>st</sup> April 2024</b>	<b>91,856</b>	<b>333,376</b>	<b>2,791</b>	<b>35,655</b>	<b>594</b>	<b>11,175</b>	<b>9,476</b>	<b>33,316</b>	<b>14,201</b>	<b>532,439</b>
Additions	1,935	12,012	0	3,681	0	25	140	15,072	4,769	37,634
Accumulated Depreciation written out to Gross Carrying Amount	(2,126)	(11,049)	(163)	0	0	0	(104)	0	(202)	(13,643)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,433	1,136	311	95	0	0	76	794	(435)	7,412
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	80	(9,010)	6	0	0	0	(3)	0	0	(8,927)
Derecognition – disposals	(762)	(20,253)	0	(737)	0	(113)	0	(930)	0	(22,795)
Other movements	0	6,909	0	(8,520)	0	(96)	2,509	(11,952)	0	(11,150)
<b>at 31<sup>st</sup> March 2025</b>	<b>96,416</b>	<b>313,121</b>	<b>2,944</b>	<b>30,174</b>	<b>594</b>	<b>10,992</b>	<b>12,097</b>	<b>36,300</b>	<b>18,333</b>	<b>520,970</b>
<b>Accumulated Depreciation and Impairment</b>										
<b>at 31<sup>st</sup> April 2024</b>	<b>0</b>	<b>(4,263)</b>	<b>0</b>	<b>(17,542)</b>	<b>(263)</b>	<b>0</b>	<b>(76)</b>	<b>(5,865)</b>	<b>0</b>	<b>(28,010)</b>
Transfer to Right of Use Assets	0	65	0	258	0	0	0	0	(323)	0
Right of Use Assets added 1 <sup>st</sup> April 2024	0	0	0	0	0	0	0	0	0	0
<b>At 1<sup>st</sup> April 2024</b>	<b>0</b>	<b>(4,199)</b>	<b>0</b>	<b>(17,284)</b>	<b>(263)</b>	<b>0</b>	<b>(76)</b>	<b>(5,865)</b>	<b>(323)</b>	<b>(28,010)</b>
Depreciation charge	(2,143)	(7,034)	(163)	(3,175)	(55)	0	(51)	0	(1,851)	(14,473)
Accumulated Depreciation written out to Gross Carrying Amount	2,126	11,049	163	0	0	0	104	0	202	13,643
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(743)	0	0	0	0	0	0	0	(743)
Derecognition - Disposals	18	0	0	642	0	0	0	0	0	659
Other Movements in Depreciation /impairment	0	(5,850)	0	2,210	0	0	(15)	5,865	0	2,210
<b>at 31<sup>st</sup> March 2025</b>	<b>0</b>	<b>(6,777)</b>	<b>0</b>	<b>(17,607)</b>	<b>(319)</b>	<b>0</b>	<b>(39)</b>	<b>0</b>	<b>(1,972)</b>	<b>(26,714)</b>
<b>Net Book Value</b>										
<b>at 31<sup>st</sup> March 2025</b>	<b>96,416</b>	<b>306,344</b>	<b>2,944</b>	<b>12,566</b>	<b>275</b>	<b>10,992</b>	<b>12,058</b>	<b>36,300</b>	<b>16,360</b>	<b>494,255</b>
<b>at 31<sup>st</sup> March 2024</b>	<b>91,856</b>	<b>329,177</b>	<b>2,791</b>	<b>18,371</b>	<b>331</b>	<b>11,175</b>	<b>9,399</b>	<b>27,451</b>	<b>6,585</b>	<b>497,136</b>

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

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

Financial Year & Valuer	Council Dwellings	Other Land & Buildings	HRA Other Land & Buildings	Plant, Vehicles & Equipment	HRA Plant & Equipment	Infrastructure Assets	Community Asset	Surplus Assets	Assets Under Construction	Right of Use	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2024/25 - Montagu Evans	96,416	123,487	2,944	-	-	-	-	5,255	-	-	228,102
2022/23 - Montagu Evans	-	1,054	-	-	-	-	-	67	-	-	1,121
2021/22 - Montagu Evans	-	231	-	-	-	-	-	-	-	-	231
2024/25 - Valuation Office	-	176,894	-	-	-	-	-	1,866	-	5,426	184,186
2023/24 - Valuation Office	-	3,103	-	-	-	-	-	1,108	-	-	4,211
2022/23 - Valuation Office	-	1,574	-	-	-	-	-	3,332	-	-	4,906
2021/22 - Valuation Office	-	-	-	-	-	-	-	431	-	-	431
2024/25 as per IFRS16	-	-	-	-	-	-	-	-	-	10,402	10,402
<b>Assets carried at current value (MV-EUV, FV &amp; DRC)</b>	<b>96,416</b>	<b>306,343</b>	<b>2,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,059</b>	<b>-</b>	<b>15,828</b>	<b>433,590</b>
Assets carried at historical cost	-	-	-	12,566	275	362,835	10,992	-	36,300	531	423,499
<b>Net Book Value as at 31 March 2025</b>	<b>96,416</b>	<b>306,343</b>	<b>2,944</b>	<b>12,566</b>	<b>275</b>	<b>362,835</b>	<b>10,992</b>	<b>12,059</b>	<b>36,300</b>	<b>16,359</b>	<b>857,089</b>

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

### *Non-specialised assets*

Simon Croft, Tonie Tweedle, Victoria Black and Claudia Billings carried out inspections and undertook research and valuations. All work was supervised by the report signatory at a detailed level. The valuations have been reviewed and verified by Frances Hay and Laura Webb. All of the above are RICS Registered Valuers. Leanne Lawson, Rebecca Hutchison, Dawn Zouari and Richard Spokes, are apprentice and graduate valuers, also assisted with inspections, research and valuations.

### *Specialised assets valued on a DRC basis.*

Malcolm Lytton, Building & Mineral Surveyors, carried out inspections and undertook the valuations of the specialised assets valued on a DRC basis and also carried out the componentisation. All work was supervised by Frances Hay at a high level and quality assured by their senior team member James McLearn and Ken Shirer. Anthony Johnston, graduate valuer, carried out inspections and assisted with research and valuations.

For Montague Evans, the lead valuer is Scott Young, MRICS.

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

Vehicles, plant, furniture and equipment are held at historic cost. 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

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revenue account in the year of purchase. The exception to this is schools' equipment funded from capital grant.

The significant assumptions applied in estimating the current values are:

<b>General Assumptions</b>	<b>School Specific Assumptions</b>
Using existing buildings records make an allowance for age and obsolescence for the existing buildings on site from a functional, economic and physical perspective.	Determine what the Modern Equivalent Asset would comprise using the latest Government design guidance and/or service input.
Land value based on comparables costs to purchase or compulsory purchase land in the given location.	Estimate the number of pupils it would be built for using the council's pupil number records.
That all required, valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with.	Estimate the amount a school of the required size would cost to build using RICS BCIS and council build cost records.
That no deleterious or hazardous materials or techniques have been used, that there is no contamination in or from the ground, and it is not landfilled ground.	
That the properties are connected to, and there is a right to use, the reported mains services on normal terms.	
That sewer, main services and the roads giving access to the property have been adopted.	
Unless otherwise stated, the Valuers will take no account of any form of taxation, grants or costs that may arise on acquisition or disposal of the properties.	

Property assets are classified as:

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

The carrying value is reported or measured as follows:

<b>Category</b>	<b>Basis</b>
Council Dwellings	Existing use value for social housing (EUV-SH)
Property plant and equipment (except infrastructure community assets and assets under construction)	Current Value (EUV)
Specialised property	Current Value (DRC) or Existing Use Value (EUV)
Investment Property	Fair Value (highest and best use) (IFRS 13)

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Assets held for sale	Lower of carrying amount and fair value less costs to sell (IFRS 13)
Surplus Assets	Fair Value (IFRS 13)

**Highways Infrastructure Assets**

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

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

2023/24 £		2024/25 £
345,468	Net Book Value (modified historic cost) as at 1 <sup>st</sup> April	347,052
29,076	Additions	34,611
0	Transfer from Plant, Vehicles and Equipment	8,940
0	Derecognitions	0
(27,492)	Depreciation	(27,768)
<b>347,052</b>	<b>Net Book Value at 31<sup>st</sup> March</b>	<b>362,835</b>

Reconciliation to Balance Sheet

2023/24 £		2024/25 £
347,052	Infrastructure Assets	362,835
497,136	Other Property Plant & Equipment Assets	494,255
<b>844,188</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>857,090</b>

The Council has determined in accordance with Regulation (30M England or 24L Wales) of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amount to be derecognised for infrastructure assets when there is replacement expenditure is nil.

**Capital commitments**

As at 31<sup>st</sup> March 2025, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2025/26 and future years budgeted to cost £4.483m. The major commitments are:

Scheme	£'000
Highways & Transport - Bridges & Structures	659
Highways & Transport - Principal Road Network (PRN) Schemes	482
Levelling Up Fund - Barrow Market & Public Realm	447
Active Travel Fund Barrow	400

**Note 21.1 – Heritage Assets**

Heritage assets are assets that are held by the Council for their cultural, environmental or historical value. Tangible heritage assets include historical buildings, paintings,

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sculptures, archives and other works of art. Intangible heritage assets include sound and film recordings. The heritage assets held by the Council include various collections within the Council's archive collection, monuments, artefacts, paintings, sculptures and civic regalia.

The carrying value of Heritage Assets held by the Council as at 31<sup>st</sup> March 2025 was £4.996m (31<sup>st</sup> March 2024: £4.996m).

**Note 21.2 – Investment Properties**

Each year the Council reviews its property portfolio to identify any properties that should be classified as Investment Properties. As at 31<sup>st</sup> March 2025 there are a total of 43 investment properties (31<sup>st</sup> March 2024: 44, this had previously been stated as 52 properties, however there had been some where land and buildings for one property were counted separately).

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

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>	<b>Investment Properties</b>	<b>£'000</b>
(1,240)	Rental Income from Investment Properties	(962)
96	Direct Operating Expenses	124
<b>(1,144)</b>		<b>(838)</b>

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

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>	<b>Investment Properties</b>	<b>£'000</b>
26,440	Balance at start of year:	26,108
0	Additions	6
(179)	Net gains/(losses) from fair value adjustments	(1,186)
0	De-recognition of asset	(138)
(153)	Transfer to Property Plant & Equipment	0
<b>26,108</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>24,790</b>

All the Council's investment properties have been value assessed as Level 2 of the fair value hierarchy for valuation purposes. The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's asset portfolio.

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Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year. In estimating their fair values, the Council's investment properties have been valued at their highest and best use.

### Note 22 - Fair Value Disclosures for Surplus Assets

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

There has been no change in the valuation techniques used during the year. In estimating their fair value, the Council's surplus assets have been valued to their highest and best use. The net book value at 31<sup>st</sup> March 2025 was £12.058m (31<sup>st</sup> March 2024: £9.399m).

### Note 23 – Short Term Debtors

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

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
9,577	Residential and non-residential care charges	11,703
14,824	Other Receivable Amounts	22,936
16,382	Central Government Bodies	15,694
32,605	Other Local Authorities	35,816
14,034	NHS Bodies	7,709
262	Public Corporations and Trading Funds	211
20,546	Local Taxation (council tax and non-domestic rates)	19,386
3,316	Other Prepayments	3,758
(14,671)	Provision for bad and doubtful debt	(15,702)
<b>96,875</b>	<b>Total</b>	<b>101,511</b>

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**Note 24 - Financial Instruments**

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

	<b>Non-Current Financial Assets</b>					
	<b>Investments</b>		<b>Debtors</b>		<b>Total</b>	
	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>
	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>
	<b>£000</b>	<b>£'000</b>	<b>£000</b>	<b>£'000</b>	<b>£000</b>	<b>£'000</b>
Amortised cost	0	0	2,807	2,771	<b>2,807</b>	2,771
Fair Value through profit or loss	3,934	4,009	0	0	<b>3,934</b>	4,009
Measured at cost	1,591	1,592	0	0	<b>1,591</b>	1,591
<b>Total financial assets</b>	<b>5,525</b>	<b>5,601</b>	<b>2,807</b>	<b>2,771</b>	<b>8,332</b>	<b>8,371</b>

	<b>Current Financial Assets</b>							
	<b>Investments</b>		<b>Debtors</b>		<b>Cash</b>		<b>Total</b>	
	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>	<b>31<sup>st</sup></b>
	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>
	<b>£000</b>	<b>£'000</b>	<b>£000</b>	<b>£'000</b>	<b>£000</b>	<b>£'000</b>	<b>£000</b>	<b>£'000</b>
Cash	0	0	0	0	2,441	748	<b>2,441</b>	<b>748</b>
Amortised cost	44,087	101,556	29,697	31,465	582	14,830	<b>74,366</b>	<b>147,852</b>
Fair value through profit and loss	0	0	0	0	58,243	27,296	<b>58,243</b>	<b>27,296</b>
<b>Total financial assets</b>	<b>44,087</b>	<b>101,556</b>	<b>29,697</b>	<b>31,465</b>	<b>61,266</b>	<b>42,874</b>	<b>135,050</b>	<b>175,898</b>
Non-financial assets	0	0	67,178	70,046	0	0	<b>67,178</b>	<b>70,046</b>
<b>Total</b>	<b>44,087</b>	<b>101,556</b>	<b>96,875</b>	<b>101,511</b>	<b>61,266</b>	<b>42,874</b>	<b>202,228</b>	<b>245,942</b>

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**Non-Current Financial Liabilities**

	Borrowings		Creditors		Other long-term liabilities		Total	
	31 <sup>st</sup>	31 <sup>st</sup>	31 <sup>st</sup>	31 <sup>st</sup>				
	March	March	March	March	March	March	March	March
	2024	2025	2024	2025	2024	2025	2024	2025
	£000	£'000	£000	£'000	£000	£'000	£000	£'000
Amortised cost:								
Public Works Loans Board	(172,279)	(163,279)	0	0	0	0	(172,279)	(163,279)
Market Loans	(13,224)	(13,211)	0	0	0	0	(13,224)	(13,211)
Other	0	0	(493)	(9,565)	0	0	(493)	(9,565)
Creditors	0	0	0	0	0	0	0	0
<b>Total financial liabilities</b>	<b>(185,503)</b>	<b>(176,490)</b>	<b>(493)</b>	<b>(9,565)</b>	<b>0</b>	<b>0</b>	<b>(185,996)</b>	<b>(186,055)</b>
Non-financial liabilities	0	0	(2,434)	(2,410)	(18,512)	(15,915)	(20,946)	(18,325)
<b>Total</b>	<b>(185,503)</b>	<b>(176,490)</b>	<b>(2,927)</b>	<b>(11,975)</b>	<b>(18,512)</b>	<b>(15,915)</b>	<b>(206,942)</b>	<b>(204,380)</b>

**Current Financial Liabilities**

	Borrowings		Creditors		Total	
	31 <sup>st</sup>					
	March	March	March	March	March	March
	2024	2025	2024	2025	2024	2025
	£000	£000	£000	£000	£000	£000
Amortised cost						
Public Works Loans Board	(3,180)	(10,892)	0	0	(3,180)	(10,892)
Market Loans	(110)	(105)	0	0	(110)	(105)
Other	0	0	(137)	(1,780)	(137)	(1,780)
Creditors	0	0	(45,264)	(46,864)	(45,264)	(46,864)
<b>Total financial liabilities</b>	<b>(3,290)</b>	<b>(10,997)</b>	<b>(45,401)</b>	<b>(48,644)</b>	<b>(48,691)</b>	<b>(59,641)</b>
Non-financial liabilities	0	0	(70,032)	(108,320)	(70,032)	(108,320)
<b>Total</b>	<b>(3,290)</b>	<b>(10,997)</b>	<b>(115,433)</b>	<b>(156,964)</b>	<b>(118,723)</b>	<b>(167,961)</b>

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**Income, Expense, Gains and Losses**

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

	31 <sup>st</sup> March 2024		31 <sup>st</sup> March 2025	
	Surplus or Deficit on the Provision of Services £000	Surplus or Deficit on the Provision of Services £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net losses on:</b>				
• financial assets measured at amortised cost	3,483	0	244	0
<b>Total net losses</b>	<b>3,483</b>	<b>0</b>	<b>244</b>	<b>0</b>
<b>Total interest revenue</b>	<b>(14,781)</b>	<b>0</b>	<b>(8,215)</b>	<b>0</b>
<b>Interest expense</b>	<b>7,208</b>	<b>0</b>	<b>6,206</b>	<b>0</b>

**Note 25 - Financial Instruments - Fair Value**

**Fair Value Of Assets And Liabilities**

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

- Valuation of fixed term deposits (long term only): Valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.
- Valuation of PWLB loans: For loans from the PWLB, fair values are calculated using the new borrowing rate.
- Valuation of non-PWLB loans (long term only): For non-PWLB loans, MUFG Corporate Markets will provide fair values using both premature redemption and new borrowing rates. In the absence of a substantial active market for new long term market loans, the rates used for new borrowing are based on discussions with possible market participants for new lending. These rates provide a reasonable proxy for rates that market participants appear to have used for early redemption costs for market loans. For loans from a local authority to another local authority, an appropriate margin above the applicable gilt has been applied based on market evidence on the 31st of March. Premium/discounts shown for market debt and LOBOs are used in the desktop fair value calculation.
  - 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.

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- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Basis for recurring fair value measurements:

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

During the years 2023/24 and 2024/25 all fair value measurements were based on level 2 inputs, with no Level 1 or 3 for either year.

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

Financial Liabilities	31 <sup>st</sup> March 2024		31 <sup>st</sup> March 2025	
	Carrying Amount £000	Fair Value (Level 2) £000	Carrying Amount £000	Fair Value (Level 2) £000
Financial Liabilities held at Amortised Cost:				
Public Works Loans Board	(175,459)	(139,169)	(174,172)	(128,317)
Market Loans	(13,334)	(12,427)	(13,316)	(11,448)
Other	0	0	0	0
<b>Total Loans &amp; Borrowings</b>	<b>(188,793)</b>	<b>(151,596)</b>	<b>(187,488)</b>	<b>(139,765)</b>
Finance lease liabilities	(630)	(630)	(11,346)	(11,346)
<b>Total</b>	<b>(189,423)</b>	<b>(152,226)</b>	<b>(198,833)</b>	<b>(151,111)</b>

The fair value of the PWLB borrowings is lower than the carrying amount because the majority of the Council's portfolio of loans is at a fixed rate which is lower than the prevailing rate at the Balance Sheet date.

Financial Assets	31 <sup>st</sup> March 2024		31 <sup>st</sup> March 2025	
	Carrying Amount £000	Fair Value (Level 2) £000	Carrying Amount £000	Fair Value (Level 2) £000
Amortised Cost (Investments)	44,087	44,087	101,557	101,557
Cash and Cash Equivalent: Other	2,441	2,441	748	748
Amortised Cost (Cash and Cash Equivalent)	582	582	14,830	14,830
Long-Term Debtors	2,807	2,807	2,771	2,771
<b>Total</b>	<b>49,917</b>	<b>49,917</b>	<b>119,906</b>	<b>119,906</b>

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

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

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

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

### Credit Risk

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy which requires that deposits are only placed with institutions that meet specific creditworthiness criteria. The credit ratings of investments as at 31<sup>st</sup> March 2025 are detailed below:

<b>Deposits with Banks and Financial Institutions</b>	<b>Fitch Rating</b>	<b>Amount at 31<sup>st</sup> March 2025 £000</b>
<b>Cash and Cash Equivalents</b>		
FEDERATED LIQUIDITY MMF	AAA	9,200
ABERDEEN STANDARD MMF	AAA	17,000
LLOYDS BANK CALL ACCOUNT	A+	4,700
DUMRIES & GALLOWAY COUNCIL	AA-	5,000
HIGHLAND COUNCIL	AA-	5,000
	<b>Sub Total</b>	<b>40,900</b>
<b>Short Term Investments</b>		
ABERDEEN CITY COUNCIL	AA-	5,000
DUNDEE CITY COUNCIL	AA-	15,000
FALKIRK COUNCIL	AA-	10,000
HIGHLAND COUNCIL	AA-	10,000
LLOYDS BANK CORPORATE MARKETS	A	5,000
NATWEST	A+	15,000
NORTH LANARKSHIRE COUNCIL	AA-	5,000
SOUTH LANARKSHIRE COUNCIL	AA-	15,000

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STIRLING COUNCIL	AA-	5,000
SURREY COUNTY COUNCIL	AA-	10,000
WEST DUNBARTONSHIRE COUNCIL	AA-	5,000
	<b>Sub Total</b>	<b>100,000</b>
<b>Other non-specified investments (Pooled Funds)</b>		
CCLA BETTER WORLD CAUTIOUS FUND	n/a	915
	<b>Sub Total</b>	<b>915</b>
<b>Long Term Investment</b>		
CCLA PROPERTY FUND	n/a	4,009
	<b>Total</b>	<b>145,824</b>

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there is no evidence at 31<sup>st</sup> March 2025 that this was likely to crystallise.

**Amounts Arising from Expected Credit Losses**

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

During 2024/25 the impairment losses recognised related only to receivables (debtors) and was calculated on a lifetime basis.

The Council has assessed its investments with other Local Authorities and expected credit losses on those investments are considered immaterial.

## **WESTMORLAND AND FURNESS COUNCIL**

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#### **Refinancing and Maturity Risk**

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

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

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

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

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

#### **Market Risk**

##### **Interest Rate Risk**

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

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

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets are held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities are held at amortised cost, but will impact on the disclosure note for fair value.

## WESTMORLAND AND FURNESS COUNCIL

### SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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- However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Council's Treasury Management Strategy sets an upper limit on borrowing in variable rate loans (c.27% in 2024/25). 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 31<sup>st</sup> March 2025, 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 £1.552m. The impact of a 1% fall in interest rates would be a net decrease in income of £1.552m.

#### Price Risk

The Council only holds one long term investment (the CCLA Property Fund) for strategic purposes. The CCLA property fund is held at FV-P&L and subject to the statutory over-ride which defers the impact of value fluctuations on the general fund.

#### Foreign Exchange Risk

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

#### **Liquidity Risk**

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

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

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

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
	<b>Liquidity Risk</b>	
1,000	Less than one year	9,000
9,000	Between one and two years	15,000
17,000	Between two and five years	3,000
6,850	More Than 5 Years	21,850
152,652	More Than 10 years	136,640
<b>186,502</b>		<b>185,490</b>

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
	<b>Balance Sheet</b>	
1,000	Short Term Borrowings	9,000
185,502	Long term Borrowings	176,490
<b>186,502</b>		<b>185,490</b>

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
	<b>Lender</b>	
173,279	Public Works Loans Board	172,279
13,223	Market Debt	13,211
0	Other	0
<b>186,502</b>		<b>185,490</b>

In the more than 10 years category there are £13m of Lender Options Borrower Option (LOBOs) market loans which have a call date in the next 12 months. The LOBOs are unlikely to be called as the interest rate is higher than the prevailing rate.

### Note 27 - Cash and Cash Equivalents

The balances on the Council's various Imprest accounts, school bank accounts and cash in transit between internal accounts are included as cash and cash equivalents in Current Assets, at 31<sup>st</sup> March 2025 these amounted to £0.748m (31<sup>st</sup> March 2024: £4.591m). Short term deposits, which totalled £42.126m as at 31<sup>st</sup> March 2025 (31<sup>st</sup> March 2024: £56.675m), 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.

<b>31<sup>st</sup> March 2024 £'000</b>		<b>31<sup>st</sup> March 2025 £'000</b>
2,441	Cash and Bank Balances	748
58,825	Investments less than 90 days	42,126
<b>61,266</b>		<b>42,874</b>

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**Note 28 – Short Term Creditors**

An analysis of sums owed by the Council as at 31<sup>st</sup> March is:

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
(6,161)	Employee Leave Accrual	(6,034)
(137)	Lease Creditors	(1,780)
(3,755)	Accounts Payable Control	(3,604)
(437)	Accruals	(273)
(10,372)	Capital Payables	(11,812)
(25,404)	Other Payables	(27,581)
<b>(46,266)</b>	<b>Sub Total</b>	<b>(51,084)</b>
(23,125)	Central Government	(11,709)
(37,430)	Other Local Authorities	(83,697)
(3,217)	NHS Bodies	(3,669)
-	- Public Corporations & trading funds	-
(5,395)	Local Taxation (Council Tax & Non-domestic rates)	(6,800)
<b>(115,433)</b>	<b>Total Creditors</b>	<b>(156,959)</b>

**Note 29 – Provisions**

**Current Provisions**

<b>2024/25</b>	<b>Insurance - Motor and Fire £000</b>	<b>MMI Provision £000</b>	<b>Voluntary Redundancies £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
Opening Balance	(128)	(15)	0	(3,197)	(3,340)
(Increase) / decrease in provision during year	16	(1)	(120)	197	92
Utilised during year	0	0	0	0	0
<b>Closing Balance</b>	<b>(112)</b>	<b>(16)</b>	<b>(120)</b>	<b>(3,000)</b>	<b>(3,248)</b>

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

**Long Term Provisions**

<b>2024/25</b>	<b>Insurance - employers and public liability £000</b>	<b>Business Rates Appeals £000</b>	<b>Total £000</b>
Opening Balance	(2,542)	(1,500)	(4,042)
(Increase) / decrease in provision during year	(52)	(937)	(989)
Utilised during year	0	1,500	1,500
<b>Closing Balance</b>	<b>(2,594)</b>	<b>(937)</b>	<b>(3,531)</b>

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

<b>31<sup>st</sup> March 2024 £000</b>	<b>Total Provisions</b>	<b>31<sup>st</sup> March 2025 £000</b>
(4,602)	Opening Balance	(7,382)
(4,544)	(Increase) / decrease in provision during year	(897)
1,764	Utilised during year	1,500
<b>(7,382)</b>	<b>Closing Balance</b>	<b>(6,779)</b>

**Insurance Provision**

The Council self insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self insurance; the funds set aside have been separated into two elements – a provision and a reserve. The insurance provision (£2.594m for employers and public liability and £0.112m for motor and fire) represents the sum estimated to meet claims identified and also claims incurred but not reported at 31<sup>st</sup> March 2025. The estimate is based on the advice of consulting actuaries 'Marsh'. The balance of funding is held in an insurance reserve (£6.370m note 31) to support the ongoing self insurance programme for the period to 31<sup>st</sup> March 2025.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS**

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#### *Municipal Mutual Insurance (MMI)*

Municipal Mutual Insurance Ltd (MMI) was the insurer for Westmorland & Furness Council's legacy Councils until the early 1990s. MMI became insolvent in 1992 and entered into administration due to insufficient reserves to cover all its potential liabilities. A scheme of arrangement was agreed upon with policyholders, including each of the legacy Councils. As part of the dissolution of the legacy Councils their MMI liabilities were consolidated into one liability for Westmorland and Furness Council.

Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against the former policies with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. The Council retains a provision as at 31<sup>st</sup> March 2025 of £0.016m (£0.015m as at 31<sup>st</sup> March 2024) for known MMI liabilities.

In January 2020, Gallagher Insurance Brokers Ltd (the administrators for MMI) issued a report noting that they do not expect liabilities to be any more than 50% of all claims. Consequently, the Council consequently holds a reserve of £1.195m as at 31<sup>st</sup> March 2025 (£1.193m at 31<sup>st</sup> March 2024) based on it potentially being liable for 50% of total MMI liabilities attributed to the former legacy Councils.

#### *Other Provisions*

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

#### *Business Rates*

Since the introduction of Business Rates Retention Scheme effective from 1<sup>st</sup> April 2013, Local Authorities are liable for successful appeals against business rates. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31<sup>st</sup> March 2025. The impact of all appeals against the 2017 list have been estimated and an estimate for appeals against the 2023 list has been calculated based on the potential appeals against the Rateable Values that have increased. The provision as at 31<sup>st</sup> March 2025 is £0.937m (31<sup>st</sup> March 2024: £1.500m).

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**Note 30 - Usable Reserves**

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

<b>31<sup>st</sup> March 2024 £000</b>	<b>Usable Reserves</b>	<b>31<sup>st</sup> March 2025 £000</b>
(22,470)	General Fund Balance	(18,754)
(63,127)	Earmarked Reserves	(53,950)
<b>(85,597)</b>	<b>Total Statutory General Fund</b>	<b>(72,704)</b>
(14,894)	Capital Receipts Reserve	(13,663)
(21,915)	Capital Grants Unapplied	(22,562)
<b>(122,406)</b>	<b>Total Usable Reserves</b>	<b>(108,929)</b>

**General Fund Balance**

The General Fund Balance at the 1<sup>st</sup> April 2024 was £22.469m. The Medium Term Financial Plan for 2024/25 included a budgeted drawdown of £2.5m from General Fund. Given the continuing levels of inflationary pressures General Fund Reserves need to be robust. It is prudent and appropriate to retain General Reserves where possible, to be able to effectively respond to unanticipated pressures and this period of sustained uncertainty.

**Earmarked Reserves**

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

**Capital Receipts Reserve**

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

<b>31<sup>st</sup> March 2024 £000</b>	<b>Capital Receipts Reserve</b>	<b>31<sup>st</sup> March 2025 £000</b>
(14,869)	Balance 1 <sup>st</sup> April	(14,894)
(613)	Capital Receipts in year	(2,335)
52	Deferred capital receipts	(51)
536	Capital Receipts used for financing	3,617
<b>(14,894)</b>	<b>Balance 31<sup>st</sup> March</b>	<b>(13,663)</b>

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**Capital Grants Unapplied**

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

31 <sup>st</sup> March 2024			31 <sup>st</sup> March 2025	
£000	Capital Grants Unapplied		£000	
(20,277)	Balance 1 <sup>st</sup> April		(21,915)	
(3,782)	Capital grants recognised in year		(4,108)	
2,144	Capital grants utilised in financing		3,461	
<b>(21,915)</b>	<b>Balance 31<sup>st</sup> March</b>		<b>(22,562)</b>	

**Note 31 - Transfers to/from Earmarked Reserves**

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

	Balance at 1 <sup>st</sup> April 2023	Tfrs Between Reserves 2023/24	Tfr In 2023/24	Tfr Out 2023/24	Balance at 31 <sup>st</sup> March 2024	Tfrs Between Reserves 2024/25	Tfr In 2024/25	Tfr Out 2024/25	Balance at 31 <sup>st</sup> March 2025
	£000	£000	£000	£000	£000	£000	£000	£000	£000
DSG Funded Reserves - Schools ring fenced Reserves	(3,182)	0	0	2,732	(450)	0	0	2,586	2,136
Capital Earmarked reserves	(7,600)	(100)	(438)	2,980	(5,158)	(3,282)	(1,370)	1,770	(8,040)
Ring Fenced Earmarked Reserves:	(9,828)	0	(2,176)	1,192	(10,812)	1,681	(2,044)	4,861	(6,314)
Earmarked Reserves	(33,808)	100	(14,300)	10,061	(37,947)	1,601	(9,681)	14,644	(31,383)
<b>Total General Fund Earmarked Reserves</b>	<b>(54,418)</b>	<b>0</b>	<b>(16,914)</b>	<b>16,965</b>	<b>(54,367)</b>	<b>0</b>	<b>(13,095)</b>	<b>23,861</b>	<b>(43,601)</b>
Housing Revenue Account	(5,710)	0	0	729	(4,981)	0	0	52	(4,929)
Major Repairs Reserve	(3,766)	0	(2,332)	2,320	(3,778)	0	(2,361)	1,935	(4,204)
<b>Total HRA Earmarked Reserves</b>	<b>(9,476)</b>	<b>0</b>	<b>(2,332)</b>	<b>3,049</b>	<b>(8,759)</b>	<b>0</b>	<b>(2,361)</b>	<b>1,987</b>	<b>(9,133)</b>
<b>Total Earmarked Reserves</b>	<b>(63,894)</b>	<b>0</b>	<b>(19,246)</b>	<b>20,014</b>	<b>(63,126)</b>	<b>0</b>	<b>(15,456)</b>	<b>25,848</b>	<b>(52,734)</b>
<b>Net Transfer (to) / from Earmarked Reserves</b>			<b>(767)</b>				<b>10,392</b>		

*DSG Funded Reserves*  
*Schools*

Under the provisions of the Education Reform Act 1988, the governors of schools became responsible for managing their own budgets from 1<sup>st</sup> April 1990. The total budget available to governors is based on a local formula approved by the Secretary of State for Education. Any over or under spending by the governors is carried forward to the following year. Whilst such sums form part of the Council's revenue balances, they are not available to the Council when managing the finances of the Council.

As at 1<sup>st</sup> April 2024 the net surplus balance on maintained schools was (£0.450m), there has been a net decrease during 2024/25 of £2.586m. The table below shows a

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breakdown of these figures separately by surpluses and deficits excluding academies irrespective of whether the asset is on the Council's Balance Sheet or not.

31 <sup>st</sup> March 2024			31 <sup>st</sup> March 2025	
No.	£000	Schools Earmarked Reserves	No.	£000
73	(4,243)	Schools in surplus	65	(4,412)
33	3,793	Schools in deficit	38	6,548
<b>106</b>	<b>(450)</b>		<b>103</b>	<b>2,136</b>

The decrease in earmarked reserves can be explained by the following:

- 2 schools converted to academy status and one school closed during the year, their opening balances totalling a net deficit of (£0.215m) and in-year balances have transferred to the new Academy Trust (St Catherine's School) and the School Contingency Fund (Kirkby Thore School and North Walney Primary School).
- Of the remaining schools, there is an overall decrease in balances of £2.801m. The number of schools in surplus has fallen from 72 to 65 and the net value of schools in surplus has increased by (£0.214m). The number of schools in deficit has risen from 31 to 38 with the net value of schools in deficit increasing by £3.015m.

The total funding available for those schools that were maintained as at 31 March 2024 and 31 March 2025 was £120.298m representing an increase of £8.458m (7.56%) compared to 2023/24. This increase comprised of new grants totalling £4.094m, pre-existing grants and funding increased by £0.526m, core schools funding increased by £6.964m offset by ended grants totalling (£3.126m).

Total net expenditure was £123.100m against funding of £120.298m giving an in-year deficit of £2.801m. The 3 main pressures on school budgets related to an increase in staffing, supplies & services and professional fees. Staff costs increased by £9.670m (10.05%) compared to 2023/24 mainly due to the teachers and non-teaching pay awards, supplies and services costs increased by £0.766m (5.22%) which was mainly due to the cost of rising inflation and professional fees increased by £0.606m (19.82%) mainly due to an increase in the number of pupils requiring special education needs support. Other non-material expenditure increased by £0.110m. These increases were offset by a reduction in spend against premises costs of (£0.904m) (-9.98%) of which (£1.174m) related to a fall in energy costs following prices reaching a peak in 2023/24 due to the energy crisis and an increase in schools own generated income of (£1.070m) (9.67%).

*Dedicated Schools Grant (DSG) Reserve*

The deficit brought forward at 1<sup>st</sup> April 2024 was £13.926m, the in year deficit for 2024/25 is £8.209m. The DSG Adjustment Account is detailed in Note 32 Unusable Reserves.

*Revenue Grants*

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

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Statement as income and then in the Movement in Reserves Statement be transferred to an earmarked reserve.

The balance on the Revenue Grants Reserves at 31<sup>st</sup> March 2025 is £6.315m (31<sup>st</sup> March 2024 £6.760m).

### *Insurance*

The Council self-insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self-insurance; the funds set aside have been separated into two elements – a provision and a reserve. The insurance provision £2.685m (long term £2.542m and short term £0.143m, note 30) represents the sum estimated to meet claims identified at 31<sup>st</sup> March 2025. The estimate is based on the advice of consulting actuary 'Marsh'.

The balance of funding is held in an insurance reserve to support the ongoing self-insurance programme. As at 31<sup>st</sup> March 2025 the reserve is £6.370m (31<sup>st</sup> March 2024: £10.813m).

### *Financial Volatility Reserve*

The Financial Volatility reserve provides robustness to the financial sustainability of the Council, given the uncertainty relating to the ongoing financial resilience and sustainability of the Council. The total reserve at 31<sup>st</sup> March 2025 was £6.559m (31<sup>st</sup> March 2024: £7.490m).

## Note 32 - Unusable Reserves

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

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
(147,803)	Revaluation Reserve	(147,733)
(476,262)	Capital Adjustment Account	(468,892)
(1,881)	Deferred Capital Receipts	(1,830)
244	Financial Instruments Adjustment Account	217
(122)	Pooled Investment Adjustment Account	(146)
18,512	Pension Reserve	15,915
13,926	DSG Adjustment account	22,135
(191)	Collection Fund Adjustment Account	(4,115)
6,464	Accumulated Absences Account	5,848
<b>(587,113)</b>	<b>Total</b>	<b>(578,601)</b>

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**Revaluation Reserve**

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

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

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

<b>31<sup>st</sup> March 2024 £000</b>	<b>Revaluation Reserve</b>	<b>31<sup>st</sup> March 2025 £000</b>
(147,850)	Balance 1 <sup>st</sup> April	(147,803)
(26,883)	Upward revaluation of assets	(16,706)
22,020	Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	9,294
<b>(4,863)</b>	<b>(Surplus) or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(7,412)</b>
2,832	Difference between fair value depreciation and historical cost depreciation	3,047
1,603	Accumulated gains on assets sold or scrapped	4,432
<b>4,435</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>7,479</b>
<b>475</b>	<b>Other movements to the Surplus or Deficit on Provision of Service</b>	<b>3</b>
<b>(147,803)</b>	<b>Balance 31<sup>st</sup> March</b>	<b>(147,733)</b>

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

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<b>31<sup>st</sup> March 2024 £000</b>	<b>Capital Adjustment Account</b>	<b>31<sup>st</sup> March 2025 £000</b>
(498,998)	Balance 1 <sup>st</sup> April	(476,262)
46,398	Charges for depreciation and impairment of non-current assets	42,984
9,090	Revaluation losses on non-current assets	8,927
118	Amortisation of intangible assets	136
21,285	Revenue expenditure funded from capital under statute	12,444
12,357	Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	22,271
<b>89,248</b>	<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>86,762</b>
(4,435)	Adjusting Amounts written out of the Revaluation Reserve	(7,479)
<b>84,813</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>79,283</b>
(536)	Use of Capital Receipts Reserve to finance new capital expenditure	(3,617)
(46,084)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(58,685)
(8,751)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,978)
(6,792)	Capital expenditure charged against the General Fund and HRA balances	(8)
(62,163)	<b>Capital financing applied in year:</b>	<b>73,288</b>
179	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,185
26	Loans repaid in year and loss allowances charged	190
(475)	Other adjustments through Revaluation Reserve	-
<b>(476,262)</b>	<b>Balance 31<sup>st</sup> March</b>	<b>(468,892)</b>

**Deferred Capital Receipts**

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

<b>31<sup>st</sup> March 2024 £000</b>	<b>Deferred Capital Receipts Reserve</b>	<b>31<sup>st</sup> March 2025 £000</b>
(1,447)	Balance 1 <sup>st</sup> April	(1,881)
(853)	Deferred Capital Receipts in year	(802)
419	Transfer to the Capital Receipts Reserve upon receipt of cash	853
<b>(1,881)</b>	<b>Balance 31<sup>st</sup> March</b>	<b>(1,830)</b>

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**Financial Instruments Adjustment Account**

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

<b>31<sup>st</sup> March 2024</b>		<b>31<sup>st</sup> March 2025</b>
<b>£000</b>	<b>Financial Instruments Adjustment Account</b>	<b>£000</b>
280	Balance 1 <sup>st</sup> April	244
(36)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(27)
<b>244</b>	<b>Balance 31<sup>st</sup> March</b>	<b>217</b>

**Pooled Investment Adjustment Account**

Pooled investment funds adjustment account is a mechanism that is required by the capital finance and accounting regulations in England and Wales to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund balance with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations.

<b>31<sup>st</sup> March 2024</b>		<b>31<sup>st</sup> March 2025</b>
<b>£000</b>	<b>Pooled Investments Adjustment Account</b>	<b>£000</b>
(237)	Balance 1 <sup>st</sup> April	(122)
115	Fair value movements transferred to/from the General Fund in accordance with the statutory requirements	(24)
<b>(122)</b>	<b>Balance 31<sup>st</sup> March</b>	<b>(146)</b>

**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

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the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>31<sup>st</sup> March 2024</b>		<b>31<sup>st</sup> March 2025</b>
<b>£000</b>	<b>Pension Reserve</b>	<b>£000</b>
20,310	Balance at 1 <sup>st</sup> April	18,512
(1,644)	Remeasurements of the net defined benefit (liability)/asset	(1,514)
24,959	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	25,271
(25,113)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,353)
<b>18,512</b>	<b>Balance 31<sup>st</sup> March</b>	<b>15,915</b>

**Dedicated Schools Grant Adjustment Account**

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

As at 1<sup>st</sup> April 2024 the Dedicated Schools Grant (DSG) had an accumulated deficit of £13.926m excluding balances held within individual schools. As at 31<sup>st</sup> March 2025 the deficit is £22.135m, an increase of £8.209m since 1<sup>st</sup> April 2024.

<b>31<sup>st</sup> March 2024</b>		<b>31<sup>st</sup> March 2025</b>
<b>£000</b>	<b>DSG Adjustment account</b>	<b>£000</b>
8,741	Balance 1 <sup>st</sup> April	13,926
5,185	In Year Deficit on DSG	8,209
<b>13,926</b>	<b>Balance 31<sup>st</sup> March</b>	<b>22,135</b>

**Collection Fund Adjustment Account**

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

The amounts paid to the General Fund are fixed on the basis of forecast income as at the start of the financial year. Neither the timing nor the amount of these payments

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can be revised within the year. If there is under- or over-collection of local taxes in a given year against the forecast income, this difference is realised in councils' general funds in the following financial year as a surplus/deficit on the Collection Fund. Until then it is held in the Collection Fund Adjustment Account.

<b>31<sup>st</sup> March 2024 £000</b>	<b>Collection Fund Adjustment Account</b>	<b>31<sup>st</sup> March 2025 £000</b>
3,258	Balance 1 <sup>st</sup> April	(191)
(3,449)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,924)
<b>(191)</b>	<b>Balance 31<sup>st</sup> March</b>	<b>(4,115)</b>

**Accumulated Absences Account**

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

<b>31<sup>st</sup> March 2024 £000</b>	<b>Accumulated Absences Account</b>	<b>31<sup>st</sup> March 2025 £000</b>
5,877	Balance 1 <sup>st</sup> April	6,464
(5,877)	Settlement or cancellation of accrual made at the end of the preceding year	(6,464)
6,464	Amounts accrued at the end of the current year	5,848
(587)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(616)
<b>6,464</b>	<b>Balance 31<sup>st</sup> March</b>	<b>5,848</b>

**Note 33 - Pension Schemes Accounted for as Defined Contribution Schemes**

**Teachers**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2024/25, the Council paid £13.863m (2023/24 £11.091m) to Teachers'

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Pensions Scheme in respect of teachers' retirement benefits. The employer contribution rate is 28.68% (2023/24: 23.68%).

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

#### ***NHS Staff Pension Scheme***

Council staff who transferred from the NHS have maintained their membership in the NHS Pension Scheme. In 2024/25, the Council paid £0.046m (2023/24 £0.039m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay.

#### Nature of Funds

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

#### Governance

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

#### Funding the liabilities

Contributions to the arrangements are set by the government, having taken advice from the government actuary. Again, the Council has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the Council is responsible. The weighted average duration of these particular liabilities is 5 years, measured on the actuarial assumptions used for IAS19 purposes. The duration profile for all schemes used to determine the assumptions is "mature - retiree".

#### Investment Risks

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

#### Other risks

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34. Additional and discretionary pensions paid to retired teachers by the Council totalled £1.133m in 2024/25 (£1.148m in 2023/24).

## Note 34 - Defined Benefit Pension Scheme

### *Participation in Pensions Schemes*

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

### **Local Government Pension Scheme (LGPS)**

#### *Participation in Pensions Schemes*

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

The majority of the Council's staff belong to the Cumbria Local Government Pension Scheme (CLGPS). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated (based on the 2022 valuation) at a level intended to balance the pensions liabilities with investment assets by 2033.

#### Nature of LGPS Scheme

The LGPS is a funded defined benefit final salary scheme. The value of an individual's pension benefits depends on how long they are an active member of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31<sup>st</sup> March 2014 and on revalued average salary (a "career average" scheme) for service from 1<sup>st</sup> April 2014 onwards.

#### Governance

Management of the Scheme is vested in Westmorland & Furness Council as Administering Authority of the Scheme. Westmorland & Furness Council has appointed a Pensions Committee (comprised of eight Westmorland & Furness Councillors, three Cumberland Councillors and two employee representatives) to manage the Scheme.

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

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

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#### Funding the liabilities

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

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

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

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

#### Risks and Investment strategy

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

#### Market Risk

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

#### Interest Rate Risk

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

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#### Foreign exchange risk

The Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. The Fund seeks to manage its exposure to currency risk by investing in a diversified portfolio of assets using active management, holding its more stable contractual mandates (such as private debt and infrastructure) in sterling share classes where possible.

#### 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.

#### Other risks

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. The sensitivity to changes in these assumptions is set out on pages 126 and 127. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

#### **Employment Tribunal - McCloud / Sargeant**

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

#### Amendments, curtailments and settlements

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

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

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Settlements shown in the accounting figures relate to the transfer of employees out of the Fund (e.g. new academies), and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

*Transactions Relating to Post Employment Benefits*

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

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

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**34.1 Transactions Relating to Retirement Benefits**

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

LGPS £'000	2023/2024 Teachers Pension Schemes £'000	Total £'000		LGPS £'000	2024/25 Teachers Pension Schemes £'000	Total £'000
<b><u>Comprehensive Income and Expenditure Statement</u></b>						
<u>Service cost comprising:</u>						
22,069	0	22,069	Current service cost	23,635	0	23,635
32	0	32	Past service cost	0	0	0
1,659	0	1,659	Loss from curtailments	285	0	285
<u>Other Operating Expenditure:</u>						
977	0	977	Administration expenses	1,090	0	1,090
<u>Financing and Investment Income and Expenditure</u>						
(12)	384	372	Net interest expense / (income)	(83)	344	261
<b>24,725</b>	<b>384</b>	<b>25,109</b>	<b>Total charged to (Surplus) and Deficit on Provision of Services</b>	<b>24,927</b>	<b>344</b>	<b>25,271</b>
<b><u>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</u></b>						
<u>Re-measurement of the net defined benefit asset / liability comprising:</u>						
(40,824)	0	(40,824)	Return on plan assets (excluding the amount included in the net interest expense)	27,276	0	27,276
7,956	71	8,027	Actuarial (gains) and losses – experience	(1,293)	(11)	(1,304)
(13,107)	(122)	(13,229)	Actuarial (gains) and losses arising on changes in demographic assumptions	(3,011)	(15)	(3,026)
(15,814)	0	(15,814)	Actuarial (gains) and losses arising on changes in financial assumptions	(143,824)	(286)	(144,110)
60,196	0	60,196	Change in Asset Ceiling	119,650	0	119,650
<b>(1,593)</b>	<b>(51)</b>	<b>(1,644)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>(1,202)</b>	<b>(312)</b>	<b>(1,514)</b>
<b>23,132</b>	<b>333</b>	<b>23,465</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>23,725</b>	<b>32</b>	<b>23,757</b>

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LGPS £'000	2023/2024			LGPS £'000	2024/2025	
	Teachers Pension Schemes £'000	Total £'000			Teachers Pension Schemes £'000	Total £'000
<b><u>Movement in Reserves Statement</u></b>						
<b>(24,725)</b>	<b>(384)</b>	<b>(25,109)</b>	<u>Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services</u>	<b>(24,927)</b>	<b>(344)</b>	<b>(25,271)</b>
<u>Actual amount charged against the general fund balance for pensions in the year:</u>						
23,965	0	23,965	Employers' contributions payable to scheme	25,221	0	25,221
0	1,148	1,148	Retirement Benefits Payable to Pensioners	0	1,132	1,132
<b>23,965</b>	<b>1,148</b>	<b>25,113</b>	<b>Total Employers' Contributions and Retirement Benefits Payable</b>	<b>25,221</b>	<b>1,132</b>	<b>26,353</b>

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

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

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

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

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

#### **Asset Ceiling**

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

At 31<sup>st</sup> March 2025 the estimated present value of minimum funding contributions exceed the estimated present value of future service costs and therefore there is deemed to be no economic benefit and the asset ceiling is calculated as £nil.

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

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**34.2 Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

2023/2024				2024/2025		
LGPS £'000	Teachers Pension Schemes £'000	Total £'000		LGPS £'000	Teachers Pension Schemes £'000	Total £'000
(1,037,896)	(7,592)	(1,045,488)	Present value of the defined obligation	(930,163)	(6,492)	(936,655)
1,187,756	0	1,187,756	Fair value of plan assets	1,209,047	0	1,209,047
<b>149,860</b>	<b>(7,592)</b>	<b>142,268</b>	<b>Subtotal</b>	<b>278,884</b>	<b>(6,492)</b>	<b>272,392</b>
(160,779)	0	(160,779)	Effect of Asset Ceiling	(288,307)	0	(288,307)
<b>(10,919)</b>	<b>(7,592)</b>	<b>(18,511)</b>	<b>Net (liability) arising from the defined benefit obligation</b>	<b>(9,423)</b>	<b>(6,492)</b>	<b>(15,915)</b>

**34.2a Movement in the Value of Scheme Assets**

2023/2024				2024/2025		
LGPS £'000	Teachers Pension Schemes £'0000	Total £'000		LGPS £'000	Teachers Pension Schemes £'000	Total £'000
<b>1,105,637</b>	<b>0</b>	<b>1,105,637</b>	<b>Opening fair value of scheme assets</b>	<b>1,187,756</b>	<b>0</b>	<b>1,187,756</b>
52,817	0	52,817	Interest income	57,996	0	57,996
			<u>Re-measurement gain / (loss):</u>			
40,824	0	40,824	Return on plan assets, excluding the amount included in the net interest expense	(27,276)	0	(27,276)
23,965	1,148	25,113	Contributions from employer	25,221	1,132	26,353
7,896	0	7,896	Contributions from employees into the scheme	8,805	0	8,805
(42,406)	(1,148)	(43,554)	Benefits / transfers paid	(42,365)	(1,132)	(43,497)
(977)	0	(977)	Administration expenses	(1,090)	0	(1,090)
<b>1,187,756</b>	<b>0</b>	<b>1,187,756</b>	<b>Closing value of scheme assets</b>	<b>1,209,047</b>	<b>0</b>	<b>1,209,047</b>

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**34.2b Movement in the Value of Scheme Liabilities**

2023/2024				2024/2025		
LGPS £'000	Teachers Pension Schemes £'000	Total £'000		LGPS £'000	Teachers Pension Schemes £'000	Total £'000
<b>(1,021,413)</b>	<b>(8,407)</b>	<b>(1,029,820)</b>	<b>Opening value of scheme liabilities</b>	<b>(1,037,896)</b>	<b>(7,592)</b>	<b>(1,045,488)</b>
(22,069)	0	(22,069)	Current service cost	(23,635)	0	(23,635)
(48,198)	(384)	(48,582)	Interest cost	(50,035)	(344)	(50,379)
(7,896)	0	(7,896)	Contributions from scheme participants	(8,805)	0	(8,805)
			<u>Re-measurement gain / (loss):</u>			
(7,956)	(71)	(8,027)	Actuarial gains / (losses) - experience	1,293	11	1,304
13,107	122	13,229	Actuarial gains from changes in demographic assumptions	3,011	15	3,026
15,814	0	15,814	Actuarial gains / (losses) from changes in financial assumptions	143,824	286	144,110
(32)	0	(32)	Past service cost	0	0	0
(1,659)	0	(1,659)	(Losses) on curtailments	(285)	0	(285)
42,406	1,148	43,554	Benefits / transfers paid	42,365	1,132	43,497
<b>1,037,896</b>	<b>7,592</b>	<b>1,045,488</b>	<b>Closing value of scheme liabilities</b>	<b>(930,163)</b>	<b>(6,492)</b>	<b>(936,655)</b>

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**34.3 LGPS - Pension Scheme - Assets comprised of:**

**Fair value of scheme assets**

2023/24				2024/25		
Quoted £000	Unquoted £000	Total £000		Quoted £000	Unquoted £000	Total £000
			<b>Cash &amp; Cash Equivalents</b>			
20,192	0	20,192	Cash & Cash Equivalents	18,136	0	18,136
<b>20,192</b>	<b>0</b>	<b>20,192</b>	<b>Subtotal Cash &amp; cash equivalents</b>	<b>18,136</b>	<b>0</b>	<b>18,136</b>
			<b>Equity Instruments</b>			
55,825	0	55,825	UK Equity Pooled	22,972	0	22,972
339,698	0	339,698	Global Equity Pooled	292,589	0	292,589
64,139	0	64,139	Overseas Equity Pooled	102,769	0	102,769
<b>459,662</b>	<b>0</b>	<b>459,662</b>	<b>Subtotal Equity Instruments</b>	<b>418,330</b>	<b>0</b>	<b>418,330</b>
			<b>Bonds</b>			
0	156,784	156,784	UK Government Indexed Pool	0	175,312	175,312
<b>0</b>	<b>156,784</b>	<b>156,784</b>	<b>Subtotal Bonds</b>	<b>0</b>	<b>175,312</b>	<b>175,312</b>
			<b>Property</b>			
0	54,637	54,637	UK Property	0	1,209	1,209
0	33,257	33,257	Property Funds	0	93,097	93,097
<b>0</b>	<b>87,894</b>	<b>87,894</b>	<b>Subtotal Property</b>	<b>0</b>	<b>94,306</b>	<b>94,306</b>
			<b>Other Investment Funds</b>			
0	87,894	87,894	Private Debt Funds	0	97,933	97,933
0	108,086	108,086	Private Equity Funds	0	119,696	119,696
0	167,474	167,474	Infrastructure Funds	0	188,611	188,611
0	21,380	21,380	Healthcare Royalties	0	16,927	16,927
0	78,392	78,392	Multi Asset Credit	0	79,797	79,797
<b>0</b>	<b>463,226</b>	<b>463,226</b>	<b>Subtotal Other Investment Funds</b>	<b>0</b>	<b>502,964</b>	<b>502,964</b>
<b>479,854</b>	<b>707,904</b>	<b>1,187,758</b>	<b>Total Assets</b>	<b>436,466</b>	<b>772,582</b>	<b>1,209,047</b>

## WESTMORLAND AND FURNESS COUNCIL

### SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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#### **34.4 Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities for Local Government Pension Scheme, and the Teachers Discretionary Benefits have been assessed by Mercer Limited, an independent firm of actuaries. The estimates for the Council being based on a roll forward\* from the last the full valuation of the schemes. For the LGPS this is 31<sup>st</sup> March 2022.

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

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

#### **34.4a LGPS**

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

<b>2023/24</b>	<b>2024/25</b>
Mortality assumptions	
Longevity at retirement for current pensioners	
21.5 Men	21.5
23.9 Women	24.0
Longevity at retirement for future pensioners	
22.8 Men	22.8
25.7 Women	25.7
Other assumptions	
2.7% Rate of inflation	2.6%
4.2% Rate of increase in salaries	4.1%
2.8% Rate of increase in pensions	2.7%
4.9% Rate for discounting scheme liabilities	5.8%

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<b>Impact of assumptions on the LGPS obligation:</b>		
<b>Increase in Assumption £000</b>	<b>Assumption</b>	<b>Decrease in Assumption £000</b>
(19,007)	Longevity change by 1 year	19,007
(31,787)	Rate of inflation change by 0.25%	31,787
(4,973)	Rate of increase in salaries change by 0.25%	4,973
60,454	Rate for discounting scheme liabilities change by 0.5%	(60,454)
12,049	Investment returns change by 1%	(12,049)

**34.4b Teachers Pension Scheme**

The significant assumptions used by the actuary have been:

<b>2023/24</b>	<b>Teachers Pension Schemes</b>	<b>2024/25</b>
Mortality assumptions		
Longevity at retirement for current pensioners aged 65		
21.5	Men	21.5
23.9	Women	24.0
Longevity at retirement for current pensioners aged 75		
13.1	Men	13.0
15.0	Women	14.9
Other assumptions		
2.7%	Rate of inflation	2.7%
2.8%	Rate of increase in pensions	2.8%
4.9%	Rate for discounting scheme liabilities	5.7%

**Impact of assumptions on the Teachers Pension obligation:**

<b>Increase in Assumption £000</b>	<b>Assumption</b>	<b>Decrease in Assumption £000</b>
322	Longevity change by 1 year	(322)
89	Rate of inflation change by 0.25%	(89)
(172)	Rate for discounting scheme liabilities change by 0.5%	172

**Impact on the Council's Cash Flows**

One of the objectives of CLGPS is to keep employers' contributions at as constant a rate as possible. As part of the 2022 valuation the Fund agreed a strategy with the Fund's Actuary to achieve a funding level of 100% by adopting an average recovery period of 10 years from 1<sup>st</sup> April 2023. The resultant contribution rates from this valuation are effective from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2026. Funding levels are monitored on an annual basis.

The pension contributions expected to be made by the Council in the year to 31<sup>st</sup> March 2026 are:

- Local Government Pension Scheme £24.880m.
- Teachers Discretionary Benefits Scheme £1.132m.

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**Note 35 - Cash Flow from Operating Activities**

The cash flows for operating activities include the following items:

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
(13,517)	Interest received	(8,097)
7,104	Interest paid	5,747
<b>(6,413)</b>	<b>Total</b>	<b>(2,350)</b>

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

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
(46,398)	Depreciation	(42,984)
(9,090)	Impairment and downward valuations	(8,927)
(118)	Amortisation	(136)
(48,530)	(Increase) in creditors	(40,915)
42,989	Increase in debtors	5,642
(158)	Increase/(decrease) in inventories	0
0	Impairment losses on loans and advances	(764)
154	Movement in pension liability	1,085
(12,357)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(22,338)
(3,056)	Other non-cash movements charged to the surplus or deficit on provision of services	(442)
<b>(76,564)</b>	<b>Total</b>	<b>(109,779)</b>

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

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
683	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,335
47,644	Capital Grants	55,784
<b>48,327</b>	<b>Total</b>	<b>58,119</b>

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**Note 36 - Cash Flow from Investing Activities**

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
57,920	Purchase of property, plant and equipment, investment property and intangible assets	66,992
240,000	Purchase of short-term and long-term investments	758,000
(183)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,386)
(286,782)	Proceeds from short-term and long-term investments	(700,700)
(48,092)	Capital Grants	(87,319)
<b>(37,137)</b>	<b>Net cash flows from investing activities</b>	<b>(34,587)</b>

**Note 37 - Cash Flow from Financing Activities**

<b>31<sup>st</sup> March 2024 £000</b>		<b>31<sup>st</sup> March 2025 £000</b>
96	Cash payments for the reduction of outstanding liabilities relating to on-Balance-Sheet leases	3,553
6,000	Repayments of short-term and long-term borrowing	1,000
<b>6,096</b>	<b>Net cash flows from financing activities</b>	<b>4,553</b>

**Note 38 - Related Parties**

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

**Central Government**

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from Government departments are set out in Notes 4.2 and 4.3 on expenditure and income analysed by nature and by segment. Grant receipts in advance at 31<sup>st</sup> March 2025 are shown in Note 17.

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### **SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS**

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#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2024/25 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 2024/25 there were no significant amounts paid.

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

#### Officers

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

#### Other Public Bodies

##### *Pooled Funds*

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

##### *Border to Coast Pensions Partnership Ltd (BCPP Ltd)*

BCPP Ltd is the organisation set up to run pooled LGPS investments for 11 Pension Funds including Cumbria LGPS. The company is a private limited company limited by shares and its company number is 10795539. BCPP Ltd was incorporated in May 2017 and each of the 11 Pension Funds holds one of the eleven £1 'A' Ordinary shares in the company. The shares have full voting rights, dividend and capital distribution rights. Westmorland & Furness Council as Administering Authority for the Cumbria Local Government Pension Scheme holds one £1 'A' Ordinary share capital. For Accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

#### Entities Controlled or Significantly Influenced by the Council

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

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS**

normally best serves its contribution to economic regeneration within Cumbria. This support is made in a number of ways but can include:

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

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

The Council has an investment valued at £1.591m representing a 50% shareholding in Cumbria County Holdings Ltd (CCHL), a private limited company (company number 08259197). The other 50% shareholding is held by Cumberland Council, with whom the Council shares joint control, as such this arrangement is a Joint Venture. CCHL is a holding company. As at 31 March 2025 it owned 100% of Orian Solutions Ltd which provides cleaning & catering services (Company number 8237164). At 31 March 2025 Orian Solutions Ltd owned 100% of South Lakes Services (Cumbria) Ltd (9957315) which provides cleaning services, 100% of Britton-Hillary Limited which provides cleaning and integrated support services (Company number 07560663) and CCG Cleaning Ltd provides cleaning and integrated support services (Company number 13758975). Copies of the accounts can be obtained from The Company Secretary, Stocklund House, Castle Street, Carlisle, Cumbria, CA3 8SY.

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

The results of Cumbria County Holdings Group (CCHL) and Barrow Forward are set out in the tables below.

Company Name	Nature of Business	Shareholding %	2023/24 (Audited Accounts)				2024/25 (Audited Accounts)	
			Retained Profit / (Loss) for the year			Net Assets £000	Retained Profit / (Loss) for the year £'000	Net Assets £'000
			Continuing Operations £000	Discontinued Operations £000	Total £000			
Cumbria County Holdings Ltd Group (08259197)	Waste Disposal Services, Cleaning / Catering Services	50% owned by Westmorland & Furness Council	384	216	600	8,901	(440)	8,461

Company Name	Nature of Business	Shareholding %	2023/24 (Restated Unaudited Accounts)		2024/25 (Unaudited Accounts)	
			Retained Profit / (Loss) for the year £000	Total members' funds £000	Retained Profit / (Loss) for the year £000	Total members' funds £000
Barrow Forward Limited (13358547)	Operation of Barrow Park Leisure Centre	100% owned by Westmorland & Furness Council	(113)	(139)	(148)	(287)

## Note 39 - Contingent Liabilities

### **Accountable Body Status**

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

### **Local Government Pension Scheme**

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

Where an employer is unable to meet their financial obligations to the Pension Scheme and this is not covered by a bond or guarantee, all other employers within the Pension Scheme (of which there are 109 at 31<sup>st</sup> March 2025 (120 at 31<sup>st</sup> March 2024)) are jointly and severally liable for these liabilities. As the Council comprises approximately 36% of the Pension Scheme, the Council would be liable for approximately 36% of any resulting liabilities.

### **Municipal Mutual Insurance Ltd**

Municipal Mutual Insurance Ltd (MMI) was the insurer for Westmorland & Furness Council's legacy Councils until the early 1990s. MMI became insolvent in 1992 and entered into administration due to insufficient reserves to cover all its potential liabilities. A scheme of arrangement was agreed upon with policyholders, including each of the legacy Councils. As part of the dissolution of the legacy Councils their MMI liabilities were consolidated into one liability for Westmorland and Furness Council.

Under the scheme of arrangement, the Council currently has financial liability for 25% of all claims lodged against the former policies with MMI. This figure has increased in previous years as new claims have been lodged and existing claims have been settled. The Council retains a provision as at 31<sup>st</sup> March 2025 of £0.016m (31 March 2024: £0.015m) for known MMI liabilities.

In January 2020, Gallagher Insurance Brokers Ltd (the administrators for MMI at that time) issued a report noting that they do not expect liabilities to be any more than 50% of all claims. Consequently, the Council consequently holds a reserve of £1.195m (£1.193m at 31<sup>st</sup> March 2024) based on it potentially being liable for 50% of total MMI liabilities attributed to the former legacy Councils.

### **Business Rates**

The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements came into effect on 1<sup>st</sup> April 2013. The Council, acting as agent on behalf of the major preceptors, central government and

## WESTMORLAND AND FURNESS COUNCIL SECTION 6 - NOTES TO THE ACCOUNTING STATEMENTS

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themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list. The overall provision for appeals outstanding at 31<sup>st</sup> March 2025 has been assessed as £1.912m, the Council's share is £0.937m (31<sup>st</sup> March 2024: £3.061m and £1.5m respectively). 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.

### Equal Pay Claims

Westmorland and Furness Council and Cumberland Council were notified by ACAS on 11<sup>th</sup> July 2023 that equal pay claims had been lodged against both Councils that related to the former Cumbria County Council. The Councils received the claims in October 2023 with both Councils defending the claims. As legal proceedings are ongoing it would not be appropriate for further details to be included at this stage.

### Note 40 - Trust Funds

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

Trust Funds for which the Council acts as Trustee include:

<b>Name of Trust</b>	<b>Charity Number</b>
Barrow-in-Furness Science and Technology Educational Trust	1064721
Ramsden Hall Trust	1064867
Mayor's Relief Fund - Charity	503263
Archibald Carmichael Trust	208386
Furness Maritime Trust	519627
Miller Riches Trust	250568
The Alston with Garrigill Educational Foundation	526861
Archives Trusts	700513
Education Trusts	n/a
Social Services Trusts	n/a
Bequests	n/a
Maintenance of Graves & Open spaces	n/a

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

## Note 41 - Accountable Body Funds

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

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

- Social Enterprise
- Barrow Town Deal
- Team Barrow
  
- Barrow Social Impact Fund: In February 2025, the Council signed a Memorandum of Understanding (MOU) with the Ministry for Housing, Communities and Local Government (MHCLG) for a Section 31 grant of up to £5,000,000. The Council is acting as Accountable Body for the Barrow Delivery Board from 2024/25 – 2028/29 for the fund, known as the Barrow Social Impact Fund. The grant for 2024/25 was £1,000,000.
  
- UK Shared Prosperity Fund (UKSPF): The UKSPF aims to help kickstart economic growth and promote opportunities in all parts of the UK by investing in communities and place, supporting local business, and people and skills. The UKSPF replaces the European Regional Development Fund and European Social Fund, with all areas of the UK receiving an allocation. The grant awarded in 2024/25 was £5,286,628.
  
- Rural England Prosperity Fund (REPF): is a top-up to the UKSPF and succeeds EU funding from LEADER and the Growth Programme which were part of the Rural Development Programme for England. The REPF supports capital projects for small businesses and community infrastructure. This will help to improve productivity and strengthen the rural economy and rural communities. The grant awarded in 2024/25 was £1,642,239.
  
- Local Nutrient Mitigation Fund (LMNF) grant: In October 2024, Cabinet agreed, in principle, that the Council would take on the role of accountable body for the management and use of the Local Nutrient Mitigation Fund (LMNF) grant on behalf of the partnership comprising Westmorland and Furness Council, the Lake District National Park Authority and Cumberland Council. The LMNF grant supports local planning authorities to bring forward nutrient mitigation schemes and progress stalled housing development. The grant awarded in 2024/25 was £16.511m (£15.280m capital and £1.231m revenue).
  
- Cumbria Local Enterprise Partnership (LEP): From April 2024, funding to Local Enterprise Partnerships (LEPs) ceased. Support is now provided to local authorities to deliver the core functions previously delivered by LEPs – namely, business representation, local economic planning, and the delivery of government programmes where directed. In Cumbria, the function and purpose of the Cumbria Enterprise Partnership (CLEP) was taken on by Enterprising Cumbria. Cumberland Council is the Accountable Body for Enterprising Cumbria and Westmorland and Furness Council provides support for the assurance function.

## Note 42 - Events After the Reporting Period

The Code requires the disclosure of the date the financial statements are authorised for issue and therefore, the date after which events will not have been recognised in the Statement of Accounts. This date has been set at 20<sup>th</sup> February 2026 in respect of the audited Statement of Accounts for 2024/25.

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

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

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

On 25<sup>th</sup> July 2025 the Chief Executive, Sam Plum, announced her retirement with effect from 31<sup>st</sup> December 2025. Miranda Cannon was appointed Chief Executive in October 2025 and took up her post on 12<sup>th</sup> January 2026.

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 7 – HOUSING REVENUE ACCOUNT**

## Housing Revenue Account and Expenditure Statement

### 7.1 Introduction

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

2023/2024			2024/25
£'000		Note	£'000
	<b>Expenditure</b>		
4,701	Repairs and maintenance		5,201
3,180	Supervision and management		3,167
274	Rents, rates, taxes and other charges		146
2,093	Depreciation, impairment and revaluation of dwellings	4	2,063
226	Depreciation and revaluation of other HRA property	5	212
12	Debt management costs		13
118	Movement in the allowance for bad debts		110
-	Sums directed by the secretary of state that are income in accordance with proper practices		
<b>10,604</b>	<b>Total Expenditure</b>		<b>10,912</b>
	<b>Income</b>		
(10,397)	Dwelling rents		(11,027)
(573)	Non-dwelling rents		(723)
(1,014)	Charges for services and facilities		(1,106)
-	Sums directed by the secretary of state that are income in accordance with proper practices		-
<b>(11,984)</b>	<b>Total Income</b>		<b>(12,856)</b>
<b>(1,380)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(1,944)</b>
262	HRA services' share of Corporate and DRC		1,031
0	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		-
<b>(1,118)</b>	<b>Net (Income)/Expenditure for HRA Services</b>		<b>(913)</b>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
-	Gain or (loss) on sale of HRA non-current assets	8	(187)
9	Pension administration expenses		8
890	Interest payable and similar charges		62
131	Pensions interest cost and expected return on pension assets		(63)
<b>(88)</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>(1,092)</b>

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The Housing Revenue Account is included within Thriving Communities in the Comprehensive Income and Expenditure Statement.

**Movement on the HRA Statement**

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

<b>2023/24</b>		<b>2024/25</b>	
		<b>£'000</b>	
<b>(1,000)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(1,000)</b>
(88)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(1,092)	
817	Adjustments between accounting basis and funding basis under statute	(1,216)	
<b>729</b>	<b>(Increase) or decrease in the year on the HRA</b>		<b>(2,308)</b>
(729)	Transfer to or (from) earmarked reserves		2,308
<b>(1,000)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(1,000)</b>

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

**Notes to the Housing Revenue Account**

**1. Dwelling Stock**

The dwelling stock held by the Authority consists of:

	<b>31 March 2024</b>	<b>Movements</b>	<b>31 March 2025</b>
1 bed house	142		142
2 bed house	359	(5)	354
3+ bed house	822	(2)	820
<b>Total houses</b>	<b>1,323</b>	<b>(7)</b>	<b>1,316</b>
1 bed flat	928	(4)	924
2 bed flat	337	5	342
3+ bed flat	6		6
<b>Total flats</b>	<b>1,271</b>	<b>1</b>	<b>1,272</b>
<b>Dwelling stock</b>	<b>2,594</b>	<b>(6)</b>	<b>2,588</b>

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**2. HRA Non-current Assets**

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

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
91,806	Council dwellings	96,416
2,790	Land and buildings	2,944
330	Equipment	275
<b>94,926</b>		<b>99,635</b>

**3. Vacant Possession of Dwellings**

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. For the North West this is 40%. As a consequence, the Council recognises dwellings at a value of £96.416m on the Balance Sheet. At vacant possession the same dwellings would have a value of £241.040m with the difference of £144.624m being the cost of providing Council housing at less than open market rents. The reduced Balance Sheet value for Council dwellings also reflects the secure tenancy rights which differ from other tenancies, including the Right to Buy and the right to assign the property or apply for a transfer.

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
91,856	Balance Sheet value EUV-SH	96,416
137,709	Difference of EUV-SH and EUV-VP	144,624
<b>229,565</b>	<b>Value of dwelling stock at EUV-VP</b>	<b>241,040</b>

**4. Depreciation and Revaluation of Dwellings**

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

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
0	Net Revaluation loss / (Reversal of previous revaluation loss)	(80)
2,093	Depreciation for current year	2,143
<b>2,093</b>		<b>2,063</b>

**WESTMORLAND AND FURNESS COUNCIL  
SECTION 7 – HOUSING REVENUE ACCOUNT**

**5. Depreciation and Revaluation of Other HRA Property**

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

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
	Net Revaluation loss / (Reversal of previous revaluation loss)	(6)
226	Depreciation for current year	218
<b>226</b>		<b>212</b>

**6. HRA Capital Financing Requirement**

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

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
<b>15,571</b>	<b>Opening Capital Financing Requirement</b>	<b>17,441</b>
	<b>Capital Investment:</b>	
2,673	Council dwellings	1,935
14	Other properties	-
	<b>Sources of finance:</b>	
(1,053)	Major Repairs Reserve	(1,935)
(817)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(817)
<b>17,441</b>	<b>Closing Capital Financing Requirement</b>	<b>16,624</b>
	<b>Explanation of movements in year</b>	
(817)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(817)
<b>(817)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(817)</b>

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

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

Although the calculation was originally performed to arrive at the subsidy charges for capital, the determination remains in force and the calculation for 2024/25 is set out in the following table:

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2023/24		2024/25	
£'000		£'000	£'000
	<b>Item 8 Credit</b>		
-	Reversal of previous year revaluation loss – dwellings	-	
-	Reversal of previous year revaluation loss – non dwellings	-	-
	<b>Item 8 Debit</b>		
741	Interest payable on external loans	715	
2,093	Depreciation of dwelling	2,143	
226	Depreciation of non-dwellings	218	
62	Interest payable on notional cash balances	62	
12	Debt management expenses	13	
-	Revaluation loss - dwellings	(80)	
-	Revaluation loss – non dwellings	(6)	<b>3,065</b>
<b>3,134</b>			<b>3,065</b>

**8. HRA Non-Current Asset Disposals**

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

31 March 2024		31 March 2025	
£'000		£'000	
411	Carrying value of dwellings sold		744
(425)	Sale proceeds from dwellings		(931)
<b>(14)</b>	<b>Net gain on disposals</b>		<b>(187)</b>

**9. Major Repairs Reserve**

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

31 March 2024		31 March 2025	
£'000		£'000	
	<b>MRR transfers in year</b>		
2,093	From HRA for dwellings depreciation		2,143
0	Difference between MRA and dwellings depreciation		0
<b>2,093</b>	<b>MRA for the year</b>		<b>2,143</b>
163	Increase for depreciation of non-dwelling assets		218
(2,245)	Capital expenditure financed by MRR		(1,935)
<b>3,766</b>	<b>Balance brought forward</b>		<b>3,777</b>
<b>3,777</b>	<b>Balance carried forward</b>		<b>4,203</b>

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**10. Transactions relating to post-employment benefits**

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make on the HRA is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out via the Movement on the HRA Statement.

<b>2023/24*</b>		<b>2024/25</b>
<b>£'000</b>		<b>£'000</b>
	<b>HRA</b>	
	<i>Cost of Services</i>	
182	• Current service cost	168
	<i>Financing and Investment Income and Expenditure</i>	
397	• Interest cost	398
(435)	• Expected return on scheme assets	(460)
	<i>Other operating expenditure</i>	
8	• Pension administration expenses	8
<b>152</b>	<b>Total post-employment benefit charged to the HRA income and Expenditure Account</b>	<b>113</b>

	<b>Movement in Reserves Statement</b>	
(152)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(113)
	<i>Actual amounts charged against the HRA balance for pensions in the year</i>	
198	Employers' contributions payable to scheme	181

\* This note was omitted from the published 2023/24 Financial Statements. The comparatives included here are the amounts which would have been included in the 2023/24 Financial Statements had this note been included.

**11. Rent Arrears**

At 31 March 2025 the HRA rent arrears and the provision in respect of credit losses was:

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
1,284	Arrears at year end	1,420
1,072	Allowance for impairment	(1,183)
<b>83%</b>	<b>Percentage of provision</b>	<b>83%</b>

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

**WESTMORLAND AND FURNESS COUNCIL**  
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**12. HRA Balance**

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

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

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
1,000	HRA fund balance	1,000
3,982	HRA earmarked reserves	3,930

**WESTMORLAND AND FURNESS COUNCIL  
SECTION 8 – COLLECTION FUND ACCOUNT**

**The Collection Fund**

**8.1 Introduction**

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

2023/24				2024/25		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Income</b>			
(191,259)	(79,824)	(271,083)	Income Receivable	(206,300)	(83,041)	(289,341)
-	(6,627)	(6,627)	Transitional Protection Payment	-	(1,794)	(1,794)
(430)	-	(430)	Discounts Funded by the Billing Authority	(92)	-	(92)
<b>(191,689)</b>	<b>(86,451)</b>	<b>(278,140)</b>	<b>Total Income</b>	<b>(206,392)</b>	<b>(84,835)</b>	<b>(291,227)</b>
			<b>Expenditure</b>			
			<i>Precepts and Demands</i>			
156,610	-	156,610	• Westmorland & Furness Council	167,819	-	167,819
26,059	-	26,059	• Cumbria Police, Fire & Crime Commissioner	27,763	-	27,763
7,942	-	7,942	• Cumbria Police, Fire & Crime Commissioner – Fire & Rescue Service (FRS)	8,349	-	8,349
			<i>Business Rates</i>			
	41,275	41,275	• Central Government	-	42,039	42,039
-	40,450	40,450	• Westmorland & Furness Council	-	41,198	41,198
-	825	825	• Cumbria Police, Fire & Crime Commissioner – Fire & Rescue Service (FRS)	-	841	841
			<i>Charges to Collection Fund</i>			
(152)	(72)	(224)	• Write-Offs of Uncollectable Amounts	-	1	1
435	219	654	• Increase/ (Decrease) in Provision for credit loss	1,784	1,494	3,278
-	607	607	• Increase/ (Decrease) in Provision for Appeals	-	(1,150)	(1,150)
-	264	264	• Renewable Energy Retention	-	348	348
-	537	537	• Cost of Collection Allowance	-	537	537
<b>190,894</b>	<b>84,105</b>	<b>274,999</b>	<b>Total Expenditure</b>	<b>205,715</b>	<b>85,308</b>	<b>291,023</b>
<b>(795)</b>	<b>(2,346)</b>	<b>(3,141)</b>	<b>Surplus/Deficit (-/+) During the Year</b>	<b>(677)</b>	<b>473</b>	<b>(204)</b>

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 8 – COLLECTION FUND ACCOUNT**

**Collection Fund balances:**

2023/24				2024/25		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000			£'000	£'000	£'000
1,236	6,048	7,284	<b>Balance brought forward at 1 April</b>	(22)	(391)	(413)
(463)	(4,093)	(4,556)	Distribution of previous year (surplus) / deficit	(228)	(6,995)	(7,223)
(795)	(2,346)	(3,141)	(Surplus) / deficit for the year (as above)	(677)	473	(204)
<b>(22)</b>	<b>(391)</b>	<b>(413)</b>	<b>Balance carried forward at 31 March</b>	<b>(927)</b>	<b>(6,913)</b>	<b>(7,840)</b>
			<b>Allocated to:</b>			
-	(196)	(196)	• Central Government	-	(3,472)	(3,472)
(18)	(172)	(190)	• Westmorland & Furness Council	(763)	(3,352)	(4,115)
(3)	-	(3)	• Cumbria Police, Fire & Crime Commissioner	(126)	-	(126)
(1)	(23)	(24)	• Cumbria Police, Fire & Crime Commissioner (FRS)	(38)	(89)	(127)
<b>(22)</b>	<b>(391)</b>	<b>(413)</b>	<b>Balance Carried Forward at 31 March</b>	<b>(927)</b>	<b>(6,913)</b>	<b>(7,840)</b>

## 8.2 Notes to the Collection Fund

### 1. Collection Fund General Note

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

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

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

### 2. Income from Business Ratepayers

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

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

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 8 – COLLECTION FUND ACCOUNT**

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The business rates payable for 2024/25 were estimated before the start of the financial year as £42.039m to Central Government, £0.841m to the Cumbria Police and Fire Commissioner for Cumbria Fire & Rescue service and £41.198m to this Authority. These sums have been paid in 2024/25 and charged to the collection fund in year.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31<sup>st</sup> March 2025. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in the proportion of the precepting shares. There was a decrease in the provision charged to the collection fund for 2024/25 that has been calculated at (£1.150m).

The total non-domestic rateable value at 31<sup>st</sup> March 2025 was £248.838m (£250.318m as at 31<sup>st</sup> March 2024).

The national non-domestic rate multiplier for 2024/25 was 54.6 pence in the pound (51.2 pence in the pound for 2023/24). A small business rate relief scheme was also introduced on the 1<sup>st</sup> April 2005 whereby, providing certain conditions are met, occupiers of properties with a rateable value of less than £15k pay a reduced rate of 49.9 pence in the pound (49.9 pence in the pound for 2023/24) and can also qualify for rate relief.

**3. Bad and Doubtful Debts**

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

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
	<b>Council Tax</b>	
14,171	Arrears	16,685
(6,512)	Provision for possible credit losses	(8,050)
46%	Percentage of provision	48%
	<b>Business ratepayers</b>	
7,300	Arrears	9,633
(3,658)	Provision for possible credit losses	(4,777)
50%	Percentage of provision	50%

2023/24 - The business ratepayer arrears included in the provision exclude a significant backdated liability of £9.340m that was paid in full at the beginning of April 2024 and it was therefore unnecessary to include this in the provision for potential loss.

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

**WESTMORLAND AND FURNESS COUNCIL**  
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The Council's share of the balances are:

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£'000</b>		<b>£'000</b>
	<b>Council Tax</b>	
11,662	Arrears	13,737
(5,359)	Provision for possible credit losses	(6,628)
46%	Percentage of provision	48%
	<b>Business ratepayers</b>	
3,577	Arrears	4,697
(1,793)	Provision for possible credit losses	(2,342)
50%	Percentage of provision	50%

**4. Council Tax Base**

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

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

The Council Tax base for 2024/25 was 89,542.67 (87,714.75 for 2023/24). The tax base for 2024/25 was approved by Council on 22<sup>nd</sup> February 2024. The collection rate was assumed to be 99% for 2024/25 (99% for 2023/24). The Council Tax base for the year was set as:

2023/24 Band D equivalent number of chargeable dwellings	Band	Standard Factor	2024/25 Band D equivalent number of chargeable dwellings
12,865.06	A	6/9	13,393.84
14,557.67	B	7/9	14,809.31
17,301.00	C	8/9	17,607.55
15,720.71	D	9/9	15,899.87
13,896.85	E	11/9	14,155.19
8,478.20	F	13/9	8,680.38
5,218.19	G	15/9	5,319.47
563.04	H	18/9	581.52
88,600.75	Equivalent chargeable dwellings		90,447.14
<b>87,714.75</b>	99% of which gives the Council Tax base		89,542.67

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

**WESTMORLAND AND FURNESS COUNCIL**  
**SECTION 8 – COLLECTION FUND ACCOUNT**

	2023/24	2024/25		
	TOTAL	Core Spending	Adult Social Care precept	TOTAL
		2.99%	2.00%	
Increase:				
Band A (up to £40,000)	£1,160.59	£34.70	£23.21	£1,218.50
Band B (£40,001 to £52,000)	£1,354.03	£40.49	£27.08	£1,421.60
Band C (£52,001 to £68,000)	£1,547.46	£46.27	£30.95	£1,624.68
Band D (£68,001 to £88,000)	£1,740.89	£52.05	£34.82	£1,827.76
Band E (£88,001 to £120,000)	£2,127.75	£63.62	£42.56	£2,233.93
Band F (£120,001 to £160,000)	£2,514.62	£75.19	£50.29	£2,640.10
Band G (£160,001 to £320,000)	£2,901.48	£86.75	£58.03	£3,046.26
Band H (£320,001 and over)	£3,481.78	£104.11	£69.64	£3,655.53

## Glossary

### AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

### AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

### A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

### ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1<sup>st</sup> April. The end of the accounting period is the Balance Sheet date.

### ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31<sup>st</sup> March.

### ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 9 - GLOSSARY OF TERMS**

---

#### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

#### **BORROWING**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

#### **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

#### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

#### **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

#### **CAPITAL PROGRAMME**

The capital schemes the Authority intends to carry out over a specific period of time.

#### **CAPITAL RECEIPT**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

#### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

#### **COMMUNITY ASSETS**

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

#### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

#### **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 9 - GLOSSARY OF TERMS**

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#### **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

#### **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

#### **CREDITOR**

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

#### **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

#### **DEBTOR**

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

#### **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

#### **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

#### **DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

#### **EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 9 - GLOSSARY OF TERMS**

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#### **EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

#### **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

#### **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

#### **GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

#### **GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

#### **IMPAIRMENT**

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

#### **INFRASTRUCTURE ASSETS**

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

#### **INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

#### **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

#### **INVENTORIES**

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

#### **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 9 - GLOSSARY OF TERMS**

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#### **LIABILITY**

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

#### **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

#### **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

#### **MHCLG**

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

#### **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

#### **NET BOOK VALUE (NBV)**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

#### **NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services.

#### **NON-DOMESTIC RATES (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 9 - GLOSSARY OF TERMS**

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#### **NON-OPERATIONAL ASSETS**

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

#### **OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

#### **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

#### **PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

#### **PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

#### **PRECEPT**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

#### **PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

#### **PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

#### **PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

#### **RELATED PARTIES**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

#### **RELATED PARTY TRANSACTIONS**

The Code of Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

## **WESTMORLAND AND FURNESS COUNCIL**

### **SECTION 9 - GLOSSARY OF TERMS**

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#### **REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

#### **RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves cannot be used to meet current expenditure.

#### **RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

#### **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

#### **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

#### **REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)**

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

#### **REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

#### **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

#### **TRUST FUNDS**

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

#### **USEFUL ECONOMIC LIFE (UEL)**

The period over which the Authority will derive benefits from the use of a fixed asset.

# THE PENSION FUND ACCOUNTS

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## FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

### 1 THE FINANCIAL STATEMENTS

#### PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2023/24		2024/25	
		£000's	£000's	£000's	£000's
<b>Dealings with members, employers and others directly involved in the fund</b>					
Contributions	3		96,083		101,313
Transfers in from other pension funds	4		6,236		10,280
			<b>102,319</b>		<b>111,593</b>
Benefits paid	5		(114,305)		(128,055)
Payments to and on account of leavers / employer exit	6		(5,414)		(7,488)
<b>Net additions / (deductions) from dealings with members</b>			<b>(17,400)</b>		<b>(23,950)</b>
Management expenses	7 & 8		(22,420)		(25,457)
<b>Net additions / (deductions) including fund management expenses</b>			<b>(39,820)</b>		<b>(49,407)</b>
<b>Returns on investments</b>					
Investment Income		61,635		78,134	
Taxes on Income		(8)		(271)	
Net investment income	9	61,627		77,863	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(c)	222,989		39,123	
Net return on investments			<b>284,616</b>		<b>116,986</b>
<b>Net increase (decrease) in the net assets available for benefits during the year</b>			<b>244,796</b>		<b>67,579</b>
<b>Net assets at the start of the year</b>			<b>3,163,315</b>		<b>3,408,111</b>
<b>Net assets at the end of the year</b>			<b>3,408,111</b>		<b>3,475,690</b>

## NET ASSETS STATEMENT AS AT 31 MARCH 2025

	Notes	31 March 2024	31 March 2025
		£'000	£'000
Long-term Investments	10	1,182	1,182
Investment assets	10	3,399,115	3,465,770
Investment liabilities	10	(2,882)	(410)
<b>Total net investment assets</b>		<b>3,397,415</b>	<b>3,466,542</b>
Long term assets		-	-
Current assets	12	12,544	17,800
Long term liabilities		-	-
Current liabilities	13	(1,848)	(8,652)
<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>3,408,111</b>	<b>3,475,690</b>

## 2 NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 (a): DESCRIPTION OF THE FUND AND BASIS OF PREPARATION

The Cumbria Local Government Pension Scheme (“Cumbria LGPS”, “the Fund” or “Cumbria Pension Fund”) is a contributory defined benefit scheme to provide pensions and other benefits for all members of the Fund. The Fund is administered by Westmorland and Furness Council.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage employers’ liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;
- achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Membership to the Cumbria LGPS is open to:

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

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

As at 31 March 2025 the total membership of the Fund was 67,223 (2023/24: 65,570) and consisted of 21,244 contributors/actives (2023/24: 22,430), 25,160 deferred members (2023/24: 23,344) and 20,819 pensioners (2023/24: 19,796). The 2024/25 active membership numbers include scheme members who are not actively contributing into the scheme. This may be due to a break in service or potentially in the process of being transferred to deferred leaver status.

At 31 March 2025 there were 109 (31 March 2024: 120) employer bodies in the Cumbria LGPS (for the full list see **Note 25**). Two new employers joined the Fund during the year, seven existing Academy employers joined a Multi Academy Trust, and six other employers left the Fund.

Basis of Preparation:

**The Statement of Accounts for Cumbria LGPS is presented in its entirety and separately from the General Fund in Westmorland and Furness Council's Accounts. Although the Council is the Administering Authority, the Fund covers a number of other scheduled, and admitted bodies.**

The Accounts for the Cumbria LGPS summarise the Fund transactions for the financial year 2024/25 and the position at the year-end date, 31 March 2025. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

They do not take account of obligations to pay pensions, lump sums or other benefits which fall due after the financial year end. IAS 26 'Retirement Benefit Plans' requires the actuarial present value of promised retirement benefits to be disclosed and this information can be found in **Note 23** 'Actuarial Position of the Fund'.

The accounts have been prepared on a going concern basis.

**NOTE 1 (b): INVESTMENT MARKET ACTIVITY DURING 2024/25**

Following a strong 2024 for global equity markets and US equities, 2025 began with the US unexpectedly falling behind returns in the UK, China and Europe. The financial year 2024/25 will mostly be remembered for the significant volatility during the first quarter of 2025, when investors rotated away from US 'mega-cap' stocks amid fears about US tariffs.

Despite experiencing a great deal of volatility, one-year returns in listed equities were mostly positive for the 2024/25 period. The UK FTSE All Share index was the strongest of the major indexes over twelve months with a return of 10.5%, ahead of the next best index, Emerging Markets, which recorded a return of 6.3%. The MSCI All Country

World Index recorded a return of 4.9%, in sharp contrast to the strong returns of 20.6% for the previous twelve months.

The impact on other asset classes was varied. Government bond yields have experienced some volatility over the past twelve months with values trending downwards through the year, with the UK Over-5 year index-linked gilts index showing a -10.4% return. UK real estate capital values increased over the past twelve months. Private market assets (i.e. private equity, private debt and infrastructure funds) were relatively stable at protecting capital and exceeded the returns from public equities.

### NOTE 1 (c): FUND PERFORMANCE 2024/25

As at 31 March 2025 the audited value of the Fund’s net assets was £3,475.690m (an increase of £67.579m from £3,408.111m as at 31 March 2024). The Fund’s Actuary has estimated that the Cumbria LGPS was approximately 111% funded as at 31 March 2025. This was calculated by revising the results of the actuarial valuation as at 31 March 2022 to include an update to the real discount rate, reflecting changes in real yields since the valuation and the correlation of the Fund’s holdings to those yields (based on assumptions per the full actuarial valuation as at 31 March 2022; these assumptions will be reviewed as part of the 2025 Actuarial Valuation).

In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets. The Fund’s long-term approach to investment meant that, whilst it was affected by the market movements described at 1(b) above, the impact on performance was reduced. Overall, the Fund made a positive return on its investments of 2.6% (net of fees) for the year-ended 31 March 2025.

As a long term investor, the Fund is primarily focussed on longer-term performance. It has outperformed its 5 year and 10 year benchmarks and lagged the 3 year benchmark. The Fund’s performance (net of fees) to 31 March 2025 in relation to the Fund’s bespoke benchmark over these timeframes is shown in the table below.

	Cumbria Pension Fund Performance	Bespoke Benchmark	Variance to Benchmark
1 year performance	2.6%	3.0%	- 0.4%
3 year performance (per year)	1.9%	2.6%	- 0.7%
5 year performance (per year)	6.5%	6.3%	+ 0.2%
10 year performance (per year)	6.0%	5.8%	+ 0.2%

During 2024/25, the Fund completed its Investment Strategy Review, including a review of its Investment Beliefs and its Responsible Investment policy. In June 2024, the Pensions Committee approved a revised Investment Strategy, including the target investment asset allocation, along with the required changes to the Fund’s Investment Strategy Statement. The key theme was ‘evolution, not revolution’ and the weightings in the main building blocks of assets (growth, fixed income, real assets) remains very similar to the previous strategy.

Some revisions to sub-asset classes took place during 2024/25 in light of the agreed new target allocations, with the associated investment decisions being taken in a managed way. Key changes made in 2024/25 included:

- The continuation of capital drawdowns to previously agreed commitments to infrastructure, private equity and private debt funds;
- The commencement of capital drawdowns to commitments made in March 2024 to new Border to Coast Pensions Partnership Ltd (BCPP) funds for Climate Opportunities and UK Opportunities;
- Rebalancing to address larger underweight and overweight positions within the Fund that had developed through market movements during the year. This was accomplished by reducing equity and reinvesting these proceeds into index-linked gilts;
- The transfer of the Fund's eligible English property holdings into Border to Coast's UK Real Estate fund, launched from October 2024;
- The selection of suitable investments for the Private Markets portfolio in March 2025, including new investment commitments made to BCPP private markets funds to be launched following the year-end (£50m to BCPP Infrastructure 2025 and £50m to BCPP Private Credit 2025); and
- The agreement of a new weighting structure within the public equity allocation (35% of the Fund) with implementation steps commencing in March 2025 and continuing in 2025/26.

## **NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS**

### 2024/25 Business Plan:

All targets set within the 2024/25 Business Plan have been achieved during the year with key tasks either completed, or ongoing work that is on track for completion. Key highlights of this work are summarised below.

- **Continual improvement activities**

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

- **Major annual pieces of work**

Preparation of the Annual Report and Accounts. The 2023/24 Financial Accounts and Annual Report were compiled in accordance with CIPFA's example accounts requirements. The accounts were audited by Grant Thornton UK LLP, who found that the accounts had been produced to a very high standard. An unmodified opinion was given with only minor recommendations being made. The auditor formally signed off the accounts on 18 February 2025 and the 2023/24 Annual Report (including draft financial statements) was published on 1 December 2024 in line with regulatory timeframes.

- **Complete the Fund’s Investment Strategy Review and identify suitable investment options to implement the Investment Strategy**

Informed by the Responsible Investment Policy, the Fund’s Investment Strategy (including the core investment objectives and asset allocations) was reviewed and a revised Strategy approved in June 2024, including target asset allocations and ranges. The Fund has also undertaken a review of its equity allocations throughout the year with this being approved by Pensions Committee in March 2025.

The review of the investment strategy included work to evaluate and agree allocations to two new BCPP investments: UK Opportunities and Climate Opportunities.

The Committee agreed the transition of the directly invested UK real estate to a new pooled fund, and all bar one of the identified properties were transitioned to the new fund in September.

The Fund has worked with BCPP on a draft plan to transition the remaining un-pooled assets to BCPP by March 2026 in accordance with the requirements of the Government’s Pensions Review.

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

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

Administration KPIs have improved to above target. Further work has been undertaken by LPPA to better monitor the customer journey which started to be reported to Committee and Board during the year. LPPA are also making use of technology to speed up casework including automation of many retirements from deferred status which has seen a significant increase in the speed of these retirement cases.

There has been significant work undertaken by the Fund and LPPA in readiness for the statutory implementation and connection to Pension Dashboards. Regular reports have been made to the Pension Committee and Board setting out progress which has remained on track throughout 2024/25.

Correct data is paramount to a successful launch onto the dashboard and consequently Officers have continued to work with employers to assess and improve the quality of data held by the Fund.

- **Assess the Fund’s compliance with the Pension Regulator’s General Code of Practice and develop a plan to address any areas of governance that are considered to not be compliant with the Code.**

The Pension Regulator’s new General Code sets out in detail what it expects of a scheme that is required to maintain an effective system of governance.

The Code came into effect on 27 March 2024 and the Fund assessed its compliance with this and produced an action plan to address the limited number of areas where further development of governance arrangements was required.

Implementation of the plan is ongoing and is being monitored by the Local Pension Board.

In addition to the 2024/25 Business Plan, originally approved in March 2024, the Fund has undertaken a number of other pieces of work and responded to unforeseen activities throughout the year. These activities included:

- Responding to the Government’s Pensions Review and its consultation on “LGPS - Fit for the Future” including engagement with BCPP on the impact for the pool, the Fund and the wider LGPS;
- Review of equity holdings within the Fund’s asset allocation;
- Projects to enhance the quality of data held by the LPPA and the Pension Fund. In particular a project to review 4,838 pending leavers within the Fund of which 88% were resolved; and
- Undertaking a further external review of cyber resilience. The action plan from the previous review of cyber resilience was substantially completed, and the review showed that the Fund is in a strong position compared to other pension funds. A new action plan was agreed and is being monitored by the Local Pension Board.
- Ongoing staffing vacancies within the team managing the Fund.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting policies have been reviewed in line with good practice. There have been no changes to accounting policies in 2024/25.

### **Fund Account – revenue recognition**

#### **2.1. Contribution Income**

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

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund Actuary or on receipt if earlier than the due date.

Other Employers’ contributions including pension strain costs are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current debtor. Amounts not due until future years are classed as long-term debtors. There are no such long-term debtors at 31 March 2025.

Where an employer leaves the scheme, any contributions required or exit credit payable on closure is accrued in the year of departure. (See **Note 3** for further details).

#### **2.2. Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year. These are calculated

in accordance with the Local Government Pension Scheme Regulations (see **Note 4 and Note 6**).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see 2.14) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see **Note 4**).

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

### 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**: would be recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement.
- c) **Distributions from pooled funds**: are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement. In pooled funds with accumulation units, the Fund does not receive investment income directly from dividends or bonds, as this is received by the pooled fund and increases the value of the unitised holdings.
- d) **Property-related income**: consists primarily of rental income. This is recognised on an accruals basis.
- e) **Movements in the net market value of investments**: changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised gains/losses during the year. Realised gains/losses have been classified where a purchase or sale of investments has occurred. Gains/losses on transfers of investments within the portfolio of an individual manager have been classified as unrealised gains/losses (i.e. where no cash transactions have taken place). (See **Note 10(c)**).

### Fund Account – expense items

#### 2.4. Benefits payable (Note 5)

Pensions and lump-sum benefits payable include all amounts known to be due as at

the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

## **2.5. Taxation**

The Scheme is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments is subject to withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and is shown on the Fund Account as 'Taxes on income'.

## **2.6 Administrative expenses (Note 7)**

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

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

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

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

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

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

The Fund has reviewed any fee information received from managers prior to the cut-off date for the 2024/25 accounts and used this to include in the Management Fees disclosed in the Accounts. Where fee information was not available from the manager, officers have estimated these fees based on the market value of the investments and respective investment manager mandate.

The majority of the Fund's investment managers have signed up to the cost transparency code (the voluntary code which covers the provision of transparent and consistent investment cost and fee information between investment managers and Funds). However, the deadline for the returns was 30 June 2025 so the majority of the returns were received from managers after the cut-off date for inclusion within these Accounts. The cost transparency templates are assessed as they are received and will

inform additional disclosures of investment costs in the Fund's 2024/25 Annual Report to be published by 1 December 2025. It is anticipated that in future years the templates received will provide greater consistency and completeness in reporting by managers. This will enable the Fund to further enhance the transparency of investment costs in coming years.

## **2.8. Oversight and Governance costs (Note 7)**

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

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

## **Net Assets Statement**

### **2.9 Financial Assets**

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

#### **Investment Assets**

Northern Trust Corporation, as independent Custodians to the Fund, value any directly held assets other than direct property and unquoted investments. This is done on a daily basis by a series of data quality verifications. All discrepancies outside a tolerance level are researched with a secondary source and resolved. This additional scrutiny provides an extra level of independence. The values on investment assets as shown in the net assets statement have been determined as follows:

- a) Unquoted investments: The fair value of investments for which market quotations are not readily available is determined as follows:
  - Directly held investments include investment in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools of directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Fund. Where the valuations are not audited as at 31 March 2025, the valuation is reported based on known transactional movement from the previous audited position. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

- In the case of the unquoted equity shares for Cumbria LGPS’s ownership of share capital in Border to Coast Pensions Partnership Ltd (BCPP), as no market or comparable market exists, there is no intention for the company to generate any material profit and as the financial accounts for the Company show the shareholder funds to be equivalent to the regulatory capital invested (at cost). Consequently, the shares are valued at cost as an appropriate estimate of fair value. At 31 March 2025, these are valued at £1,181,818 as detailed in **Note 22**.
  - Investments in private equity funds and unquoted limited partnerships (**Note 14**) are valued based on the Fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.
- b) Limited partnerships: Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. All valuations are performed in accordance with the appropriate Uniform Standards of Professional Appraisal Practices (“USPAP”) and International Valuation Standards (“IVS”) or provides an IPEVC (International Private Equity and Venture Capital) (or other recognised industry standard) compliant valuation as applicable. The General Partner is responsible for preparing financial statements which give a true and fair view in accordance with International Financial Reporting Standards and applicable laws. The Fund reviews the Annual Reports of the partnerships which have been independently audited.
- c) Pooled investment vehicles: Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March 2025. Unquoted pooled investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. For further information on pooled investment vehicles see **Note 10**.
- d) Freehold and leasehold properties: The properties are valued at fair value at 31 March 2025 by an independent valuer, Knight Frank LLP, in accordance with the Royal Institution of Chartered Surveyors’ Valuation - Global Standards (incorporating the International Valuation Standards) and the UK national supplement (“the Red Book”) current as at the valuation date.
- The valuer’s opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm’s-length terms.
  - Each valuation has been prepared on the basis of "Fair Value", which is defined as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" in International Financial Reporting Standard (IFRS) 13.
    - "Fair Value", for the purpose of financial reporting under International Financial Reporting Standards and UK GAAP (FRS 102), i.e. "the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm’s-length transaction", is effectively the same as "Market Value", which is defined in the Red Book as: "the estimated amount for which an asset or liability should exchange on the valuation

date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."

- The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date.
  - i. No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal.
  - ii. The properties are valued individually, and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in "lots" or as a whole.
  - iii. Acquisition costs have not been included in the valuation.
  - iv. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charges.
  - v. No account has been taken of the availability or otherwise of capital grants.

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

- e) Financial Assets measured at amortised cost: These are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost i.e. principal amount adjusted for any interest payable / receivable at the year-end date and may be referred to as Investment receivables or trade/other debtors.

## 2.10. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. Northern Trust Corporation value all overseas securities and foreign currency balances outstanding at year end in local currency then convert to sterling using the WM Reuters 4pm exchange rates at 31 March 2025.

## 2.11. Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

## 2.12. Financial liabilities

The 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.

### **2.13. Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund Actuary in accordance with the requirements of IAS 26 and relevant actuarial standards.

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

### **2.14. Additional voluntary contributions**

Cumbria LGPS provides an additional voluntary contributions (AVC) scheme for its members. The Fund currently has three appointed AVC providers: Prudential Assurance Company, Standard Life and Scottish Widows. The previous AVC scheme on offer to employees was operated by Equitable Life Assurance Society but in December 2000 it closed to new business. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

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

AVCs are not included in these accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see **Note 15**).

### **2.15. Contingent assets and contingent liabilities**

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the Net Assets Statement date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

### **2.16. Stock Lending**

The Fund's active equity is managed by BCPP who have a stock lending programme, where it is permissible, and as lenders of stock do not generally retain voting rights on lent stock. There are procedures in place to enable stock to be recalled prior to a shareholder vote if considered necessary from a responsible investment perspective. The Fund's passive global equity holding is managed by Legal and General who also operate a stock lending programme in selective overseas equity markets under strict conditions.

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

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

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

Where the basis for measurement of an amount is uncertain, the Fund will use a suitable estimation technique determined by the Director of Resources (Section 151 Officer). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Director of Resources (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 would be corrected retrospectively by amending opening balances and comparative amounts for the prior period. However, no such amendments have been necessary for the opening balance of the 2024/25 accounts.

### **NOTE 3: CONTRIBUTIONS**

Benefits (see **Note 5**) are funded by contributions and investment earnings. Contributions are received both from active members and employers of the Fund. Contributions from active members are made in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) while individual employers' contribution rates are based on triennial actuarial funding valuations (see **Note 23**).

Contribution rates for 2024/25 are as follows:

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

- Employers - range from 14.4% to 31.0% of pensionable pay for future service, plus a lump sum payment for deficit recovery contributions where appropriate. Individual employer rates are set by the Actuary on a three-yearly cycle, taking into account the employer’s own attributes and particular circumstances. This includes the maturity profile of the membership, if the Admission is open or closed to new members, and the maximum deficit recovery period as determined by the Fund Actuary in relation to the employer’s covenant and membership profile.

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

By Category	2023/24 £'000	2024/25 £'000
Employee contributions to the fund	24,085	25,872
Employer contributions to the fund:		
Normal contributions	71,386	74,282
Deficit recovery contributions	612	1,159
Total Employer contributions	71,998	75,441
<b>Total Contributions receivable</b>	<b>96,083</b>	<b>101,313</b>
By Employer Type	2023/24 £'000	2024/25 £'000
Administering Authority	30,393	32,683
Other Scheduled bodies	64,615	67,655
Admitted bodies	1,075	975
<b>Total Contributions receivable</b>	<b>96,083</b>	<b>101,313</b>

In addition to future service contributions and historic deficit payments from employers, the contributions figure also includes the costs of pension strain arising from non ill-health early retirements and, where applicable, ill-health early retirements:

Non ill-health early retirements: Employers can make lump sum contributions towards pension strain costs or pay an additional employer contribution rate (as calculated by the Actuary). These contributions are recognised in line with the agreement with the employer. If there is no agreement, they are recognised when the Fund receives them.

Ill-health early retirements: Details of this are contained in the full [Actuarial Valuation Report as at 31 March 2022](#), which is available on the Cumbria Pension Fund website. All other Cumbria LGPS employer policies that are relevant to the 2024/25 financial year are available under ‘Forms and Publications / Policies’.

**NOTE 4: TRANSFERS IN FROM OTHER PENSIONS**

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

	2023/24 £'000	2024/25 £'000
Individual transfers	6,236	10,280
	<b>6,236</b>	<b>10,280</b>

**NOTE 5: BENEFITS**

Pension benefits within the LGPS are based on final pensionable pay or career average, and duration of pensionable service. Members have access to the schemes depending upon the period their active membership in the LGPS covers, i.e. whether their employment was previous to 1 April 2008, during the period 1 April 2008 to 31 March 2014, and employed post 1 April 2014. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service 1 April 2008 to 31 March 2014	Service Post 1 April 2014
<b>Basis</b>	Final salary	Final Salary	Career Average Revalued Earnings (CARE)
<b>Pension</b>	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.
<b>Lump sum</b>	Each year worked is worth 3/80 x final pensionable salary.  In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum.  Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum.  Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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

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

By Category	2023/24 £'000	2024/25 £'000
Pensions paid	92,586	102,044
Lump sums on retirement	18,957	23,254
Lump sums on death	2,762	2,757
<b>Total Pensions paid</b>	<b>114,305</b>	<b>128,055</b>
By Employer Type	2023/24 £'000	2024/25 £'000
Administering Authority	14,826	17,720
Scheduled bodies	89,452	100,083
Admitted bodies	10,027	10,252
<b>Total Pensions paid</b>	<b>114,305</b>	<b>128,055</b>

As shown in the above table the Administering Authority (Westmorland & Furness Council) benefits paid for 2024/25 were £17.720m. This comprises of pension payments of ex-employees of Barrow Borough Council, Eden District Council, South Lakeland District Council and pensioners of Westmorland & Furness Council.

For information, the benefits paid relating to legacy Cumbria County Council pensioners is included in the Scheduled bodies category.

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

Transfers out from the Fund have been made by individual members, where they have decided to take pension benefits accrued from previous employment within the Fund to a pension elsewhere. These are variable year to year depending on choices made by individual members.

	2023/24 £'000	2024/25 £'000
Refund of member contributions	175	258
Individual transfers out to other Schemes	5,204	5,264
Group transfer out to other Schemes	35	1,966
	<b>5,414</b>	<b>7,488</b>

**NOTE 7: MANAGEMENT EXPENSES**

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

Further details of management expenses are as follows:

	2023/24 £'000	2024/25 £'000
Administrative costs	1,980	2,487
Investment management costs	19,561	21,965
Oversight and governance costs	879	1,005
	<b>22,420</b>	<b>25,457</b>

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency and comparability, the Council has opted to disclose its pension fund management expenses in accordance with best practice outlined in the CIPFA guidance on LGPS management costs (July 2016). To further aid comparison a detailed breakdown is provided for information in the next note.

Administrative costs were £0.507m (25.6%) higher in 2024/25 than the previous year. For further details refer to **Note 8**.

Investment management costs were £2.404m (12.3%) higher in 2024/25 than the previous year. For further details refer to **Note 8 and 8(a)**.

Oversight and governance costs were £0.126m (14.3%) higher in 2024/25 than the previous year. For further details refer to **Note 8**.

**NOTE 8: MANAGEMENT EXPENSES ADDITIONAL INFORMATION**

The Code of Practice does not require any breakdown of pension fund management expenses. However, for information only, to further aid comparison using the disclosure into the three headings suggested by CIPFA guidance, a detailed breakdown is provided below.

	2023/24 £'000	2024/25 £'000
<b>Administrative costs:</b>		
Pensions Administration	1,611	2,080
Employee costs	358	401
Legal advice	8	5
Other	3	1
	1,980	2,487
<b>Investment management costs: See Note 8 (a)</b>		
Management fees	14,934	15,961
Performance fees	4,595	5,972
Custody fees	32	32
	19,561	21,965
<b>Oversight and governance costs:</b>		
Employee costs	432	398
Pensions Committee	36	27
Pensions Board	40	54
Investment consultancy fees	57	153
Performance monitoring service	43	43
Shareholder voting service	11	12
Actuarial fees	67	133
Audit fees - current year	90	97
Audit fees - prior years	9	10
Legal and tax advice	64	27
Other (including bank charges)	30	51
	879	1,005
	<b>22,420</b>	<b>25,457</b>

Variations on expenditure between years include:

- Pension Administration costs increased in 2024/25 due to increased numbers of Scheme Members in the Fund as well as higher costs within LPPA arising from additional scheme complexity, enhanced technology and improved customer service processes. Additionally the Fund commissioned LPPA to undertake a specific project associated with data quality ahead of the 2025 valuation.
- Investment Management Costs – Investment management costs increased in 2024/25 from £19.561m to £21.965m. In accordance with the CIPFA guidance, disclosure note 8(a) has been included below to provide more detailed disclosure of Investment Management fees.
- Oversight and Governance costs – The principal increase was in respect of investment consultancy to complete the Fund's Strategy Review. Actuarial fees increased during 2024/25 associated with preparation for the actuarial valuation of the Fund (which is undertaken every three years).

#### **NOTE 8(a): INVESTMENT EXPENSES ADDITIONAL INFORMATION**

As detailed above, in accordance with CIPFA Guidance this note provides more detailed disclosure of investment management fees across the more specific asset

class headings for the Fund’s pooled investment holdings. The investment management fee values for 2023/24 are also provided for comparison purposes.

2024/25 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2024/25 £'000
<b>Asset Classes</b>				
Public markets				
Pooled equity investments with BCPP	2,363	-	258	2,621
Pooled multi-asset credit with BCPP	404	-	-	404
Governance & development costs of BCPP	325	-	-	325
Pooled passive investments	32	-	41	73
	3,124	-	299	3,423
Private markets				
Infrastructure funds	3,802	3,042	-	6,844
Private equity funds	5,007	2,211	-	7,218
Private debt funds	2,119	719	-	2,838
Other multi asset funds	401	-	-	401
Property funds	741	-	-	741
	12,070	5,972	-	18,042
Directly held property	291	-	177	468
	15,485	5,972	476	21,933
Custody fees				32
<b>Total Investment Management Expenses</b>				<b>21,965</b>

- Total investment management expenses of £21.965m equate to 0.64% of the year-end asset value of £3.4 billion.
- BCPP asset pool – the 2024/25 fees represent the cost for the pooled public market funds (equity and multi-asset credit). In addition, there are the annual charges from the pool in relation to the governance costs and ongoing development of the company and related investment management projects to increase capacity. The Fund also invests in private markets with BCPP including a property fund.
- Private Markets - the objective of the Fund’s strategic investment allocation to private markets is to select a portfolio of private market assets which aids cash flow and increases diversification and stability. The significant growth in the portfolio values together with additional investments in private market funds has led to increased management fees. In accordance with the CIPFA guidance, management fees and performance fees that have been deducted from within the private market funds during the year have been estimated and included in the table.

The management fees on private markets were £12.070m in 2024/25 which was an increase on the previous year (£10.499m in 2023/24). There was an increase in performance fees to £5.972m (£4.595m in 2023/24). However, it is recognised the levels of these fees are not consistent year on year, as the performance varies over the life cycle of the investment and is specific to the individual profitability and value of each investment. In the context of the year-end valuation of these assets at £1,531m, the management and performance fees of £18m equate to around 1.2% of the asset value (1.2% for 2023/24).

- Transaction and Entry costs – there were transactions costs paid directly from investments during 2024/25 due to trading out of pooled equity funds, and due to the transfer of direct property to a pooled fund with BCPP.

2023/24 Investment Management Expenses:

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

**NOTE 9: NET INVESTMENT INCOME**

The investment income of £77.863m net of £0.271m irrecoverable tax (2023/24 £61.627m net of £0.008m irrecoverable tax on dividends) can be analysed as follows:

	2023/24 £'000	2024/25 £'000
Income from equities	624	409
Infrastructure funds income	12,770	21,778
Private equity funds income	13,909	25,261
Private debt funds income	12,211	12,523
Multi-asset credit funds income	7,758	4,726
Property funds income	3,191	5,833
Rents from directly held property	8,115	4,890
Interest on cash deposits	3,049	2,443
	<b>61,627</b>	<b>77,863</b>

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

The majority of income earned relates to the Fund's private market portfolio (infrastructure, private equity, and private debt funds). The increase in amounts received between 2023/24 and 2024/25 is due to the underlying investments maturing to varying degrees in each year. Overall, the Fund is committed to more investment in private markets. Timing of income is dependent on the investment stage of the underlying investments with higher returns later in the investment cycle. The Fund invests in these assets with the objective of generating stable and / or inflation protected income streams to support the payment of pensions.

**NOTE 10: INVESTMENT ASSETS**

	Notes	31 March 2024		31 March 2025	
		Total £'000	Total £'000	Total £'000	Total £'000
<b>Long-Term assets</b>					
<b>Unquoted Equities (shares in BCPP Ltd)</b>			1,182		1,182
<b>Investment Assets</b>					
<b>Pooled investment vehicles</b>					
Pooled equity/fixed income (active):					
- UK equities		160,748		64,983	
- Global equities		797,033		770,891	
- Overseas equities		183,770		293,167	
- Fixed income funds		160,667		164,544	
		1,302,218		1,293,585	
Unitised insurance policies (passive):					
- Global equities		177,054		61,311	
- UK index-linked securities		445,233		498,387	
		622,287		559,698	
Other pooled funds and limited partnerships:					
- Infrastructure funds		480,712		540,210	
- Private Equity funds		370,640		396,444	
- Private Debt funds		253,073		291,016	
- Mixed asset private market funds				9,033	
- Multi Asset Credit / Fixed Income funds		63,468		63,186	
- Property funds		93,762		264,435	
		1,261,655		1,564,324	
<b>Pooled investment vehicles &amp; managed funds total</b>			<b>3,186,160</b>		<b>3,417,607</b>
<b>Investment properties</b>	10(b)		<b>157,675</b>		<b>3,625</b>
<b>Cash &amp; cash equivalents</b>			<b>53,575</b>		<b>43,960</b>
<b>Amounts receivable for sales *</b>			-		-
<b>Investment income accrued *</b>			<b>372</b>		<b>298</b>
<b>Property rental debtors *</b>			<b>1,333</b>		<b>280</b>
			<b>55,280</b>		<b>44,538</b>
Subtotal investment assets			<b>3,399,115</b>		<b>3,465,770</b>
<b>Investment liabilities</b>					
<b>Amounts payable for purchases *</b>			-		-
<b>Property creditors *</b>			<b>(2,882)</b>		<b>(410)</b>
Subtotal investment liabilities			<b>(2,882)</b>		<b>(410)</b>
<b>Total Net Investments</b>			<b>3,397,415</b>		<b>3,466,542</b>

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

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

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

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

The Fund's largest manager is BCPP. The Fund's liquid investments with BCPP total £1,293.585m and are shown in Note 10 as 'Pooled equity/fixed income (active)'. These consist of investments in the BCPP UK Equity Fund; the Equity Alpha Fund; the Overseas Developed Listed Equity fund; and the Multi-Asset Credit (MAC) fund, shown as 'Fixed income funds'. In addition to this, the Fund has invested in a number of private market investments managed by BCPP (infrastructure, private equity, and private credit) and transferred the majority of the Fund's directly held property into a new fund with BCPP during 2024/25. For the Fund's total investments managed by BCPP please refer to **Note 10(a)**.

The Fund's second largest manager holding is the unitised insurance policies with Legal and General (LGIM) totalling £599.698m, shown in the table categorised into the underlying asset types. These unitised, index-tracking (passive) funds are used as an efficient low-risk method of investing in the asset classes. The underlying assets, the index-tracking funds held on behalf of clients, are quoted assets i.e. fixed interest gilts and equity.

The Fund holds a portfolio of private market investments (infrastructure, private equity, property funds, private debt and multi-asset funds) which are investment vehicles for collective investment such as limited partnerships and are shown as 'Other Pooled Funds and Limited Partnerships' in the table. The Fund is increasing its investment into private markets with the objective of generating diversification and more stable and / or inflation protected income streams. This portfolio totals £1,564.324m at 31 March 2025.

**NOTE 10(a): INVESTMENTS ANALYSED BY EXTERNAL MANAGER**

Manager	Asset Class	31 March 2024		31 March 2025	
		£'000	%	£'000	%
<b>Investments Managed by Border to Coast Pensions Partnership Ltd</b>					
Border to Coast Global Equity Alpha Fund	Equities	797,033	23.5%	770,891	22.2%
Border to Coast Overseas Developed Eq	Equities	183,770	5.4%	293,167	8.5%
Border to Coast UK Equity Fund	Equities	160,748	4.7%	64,983	1.9%
Border to Coast Multi Asset Credit Fund	Fixed Income	160,667	4.7%	164,544	4.7%
Border to Coast UK Real Estate Fund	Property fund	0	0.0%	167,796	4.8%
Border to Coast Cumbria LP	Infrastructure funds	180,113	5.3%	232,715	6.7%
Border to Coast Cumbria LP	Private Equity funds	162,330	4.8%	217,940	6.3%
Border to Coast Cumbria LP	Private Credit funds	98,920	2.9%	190,220	5.5%
Border to Coast Cumbria LP	Climate Opportunities fund	0	0.0%	6,963	0.2%
Border to Coast Cumbria LP	UK Opportunities fund	0	0.0%	2,070	0.1%
	<b>Managed by BCPP Pool</b>	<b>1,743,581</b>	<b>51.3%</b>	<b>2,111,289</b>	<b>60.9%</b>
<b>Investments Managed outside Border to Coast Pensions Partnership Ltd</b>					
Legal & General	Index-linked gilts	445,233	13.1%	498,387	14.4%
JP Morgan	Infrastructure fund	186,021	5.5%	192,924	5.6%
Partners Group	Private Market Credit funds	112,161	3.3%	71,721	2.1%
Partners Group	Infrastructure funds	72,201	2.2%	71,389	2.1%
Legal & General	Global equities	177,054	5.2%	61,311	1.8%
Pantheon	Private Equity funds	70,656	2.1%	62,241	1.8%
Apollo	Multi Asset Credit fund	53,731	1.6%	53,397	1.5%
Healthcare Royalty Partners	Royalties funds	61,941	1.8%	48,122	1.4%
abrtn (formerly Aberdeen SL Capital)	Private Equity funds	42,197	1.2%	45,640	1.3%
Strategic cash allocation	Cash	50,096	1.5%	43,231	1.2%
abrtn (formerly Aberdeen SL Capital)	Infrastructure fund	42,377	1.3%	43,183	1.2%
Aviva	Property fund	34,681	1.0%	34,152	1.0%
M&G	Property fund	31,780	0.9%	31,901	0.9%
Hearthstone	Residential Property fund	27,301	0.8%	30,586	0.9%
Barings	Private Loan funds	41,992	1.2%	29,076	0.8%
Unigestion	Private Equity funds	31,180	0.9%	20,730	0.6%
CQS	Multi Asset Credit fund	9,737	0.3%	9,789	0.3%
abrtn (formerly Aberdeen Standard)	Direct property	159,605	4.7%	4,222	0.1%
BlackRock	Private Equity fund	2,336	0.1%	1,771	0.1%
Border to Coast Ltd	Share capital	1,182	0.0%	1,182	0.0%
Interest and tax accruals	Cash/Overseas/UK equities	372	0.0%	298	0.0%
	<b>Outside of BCPP Pool</b>	<b>1,653,834</b>	<b>48.7%</b>	<b>1,355,253</b>	<b>39.1%</b>
<b>Total Net Investments</b>		<b>3,397,415</b>	<b>100.0%</b>	<b>3,466,542</b>	<b>100.0%</b>

**NOTE 10(b): INVESTMENT PROPERTIES**

The Fund invests in UK property holdings for rental income and capital growth, and to maximise diversification thereby reducing the risk across the portfolio. During 2024/25, the Fund transferred the majority of its directly owned property portfolio into a new Border to Coast Pensions Partnership (BCPP) UK Real Estate Fund at the time of its launch, 1 October 2024.

At the prior year-end, 31 March 2024, the Fund held a portfolio valued at £157.675m as 22 properties ranging from £1.800m to £15.650m each. One property was purchased during the first half of the year, and transferred to the BCPP fund at 1 January 2025. The transfer of property to BCPP is shown as 'Disposals' of £165.135m in 2024/25 and is also shown within 'Purchases' of 'Other Managed funds' in Note 10(c).

Following the transfer, one property located in Scotland remains in the ownership of Cumbria Pension Fund at 31 March 2025 valued at £3.625m, as shown in the following tables.

Property holdings do not fall into the definition of a financial instrument, and therefore are not covered in **Note 11(a)** 'Valuation of Financial Instruments carried at fair value'. However, they are valued at fair value (as detailed in Note 2.9(e)). As these assets are illiquid and prices are not readily quantifiable, they are categorised as level 3 assets in the Fair Value analysis in **Notes 10(e) to (g)**.

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

	2023/24 £'000	2024/25 £'000
Rental income from investment property	8,601	5,244
Direct operating expenses arising from investment property	(486)	(354)
	<b>8,115</b>	<b>4,890</b>

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

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

	2023/24 £'000	2024/25 £'000
<b>Balance at the start of the year</b>	<b>156,540</b>	<b>157,675</b>
Additions:		
<b>Purchases</b>	6,225	10,909
Subsequent expenditure	734	263
<b>Disposals</b>	0	(165,135)
Net gains/(losses) from fair value adjustments	(5,824)	(87)
<b>Balance at the end of the year</b>	<b>157,675</b>	<b>3,625</b>

The Fund's one remaining directly-owned property investment is a commercial leased out property, which is an operating lease. The future minimum lease payments

receivable under non-cancellable lease in future years are shown below:-:

	2023/24 £'000	2024/25 £'000
Not later than one year	8,428	192
Later than one year and not later than five years	25,462	560
Later than five years	44,175	405
<b>Total future lease payments due under existing contracts</b>	<b>78,065</b>	<b>1,157</b>

To satisfy the requirements of IFRS 9 Credit Losses, an individual targeted assessment has been performed to quantify possible credit losses (or bad debt provisions) on rental income, rather than adopting a matrix based collective assessment. Historical loss rates have been assessed to adjust forward looking information. A combination of the assessment of historic rental payment trends for individual occupiers by the managing agents, with the use of a credit check risk score based on company accounts, payment information and up to date news reports, gives an individual assessment of balances. Where a provision is recommended, it is for 100% of the arrears rather than on a probability-adjusted basis.

The full potential rental income receivable for the properties going forward is currently £0.192m per year, and due to the above targeted and prudent approach to the certainty of payment and bad debt provision, the future lease payments did not need to be reduced by an allowance for expected credit losses. To provide context to this, it is worth noting that as at 31 March 2025 the Fund held £0.048m of deposits paid by tenants which help to mitigate loss to the Fund should rents not be paid.

As at 31 March 2025, an allowance of £0.227m for expected credit loss on outstanding rent arrears (which totalled £0.271m as at 31 March 2024), is recognised within the 'Property rental creditors' figure of £0.410m at Note 10. This represents approximately 4.6% of the 2024/25 net rental income of £4.890m. It is considered that the level of provisioning is appropriately prudent in the context of the financial statements.

#### **NOTE 10(c): PROFIT AND LOSSES ON DISPOSAL OF INVESTMENTS AND CHANGES IN THE MARKET VALUE OF INVESTMENTS**

During the financial year the following purchases and sales of investments were made. Purchases and sales also include transfers of investments if appropriate, and cash transfers from and to the Administering Authority.

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

Asset Class	Value at 1 April 2024 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Changes in value during the year £'000	Value at 31 March 2025 £'000
<b>Equities</b>					
UK equities	1,182	-	-	-	1,182
<b>Pooled investment vehicles</b>	1,924,505	216,711	(277,728)	(10,205)	1,853,283
<b>Other Managed funds</b>	1,261,655	384,046	(131,219)	49,842	1,564,324
<b>Property (See Note 10b)</b>	157,675	11,172	(165,135)	(87)	3,625
	<b>3,345,017</b>	<b>611,929</b>	<b>(574,082)</b>	<b>39,550</b>	<b>3,422,414</b>
<b>Cash &amp; cash equivalents</b>	53,575			(427)	43,960
<b>Amounts receivable for sales</b>	-				-
<b>Investment income accrued</b>	372				298
<b>Property rental debtors</b>	1,333				280
<b>Amounts payable for purchases</b>	-				-
<b>Property creditors</b>	(2,882)				(410)
<b>Total Net Investments</b>	<b>3,397,415</b>			<b>39,123</b>	<b>3,466,542</b>

<b>Analysis of gains/(losses) for the year</b>	<b>2024/25 £'000</b>
Realised - Profit and losses on disposal of investments	100,742
Unrealised - Changes in the market value of investments	(61,619)
	<b>39,123</b>

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

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

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

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

It is a requirement of the Pensions Statement of Recommended Practice (SORP) and the CIPFA Code of Practice on Local Authority Accounting to declare if an investment accounts for more than 5% of the Fund. The occurrences of this within the Cumbria Fund in 2024/25 are five pooled sub-funds managed by BCPP, one unitised insurance fund held with Legal and General, and an infrastructure investment with JP Morgan.

Holding	31 March 2024 £'000	% of Total Net Investments	31 March 2025 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - Global Equity Alpha	797,033	23.5%	770,891	22.2%
Border to Coast Pension Partnership Ltd - Overseas Equity	183,770	5.4%	293,167	8.5%
Border to Coast Pension Partnership Ltd - Infrastructure funds	180,113	5.3%	232,715	6.7%
Border to Coast Pension Partnership Ltd - Private Equity funds	162,330	4.8%	217,940	6.3%
Border to Coast Pension Partnership Ltd - Private Credit funds	98,920	2.9%	190,220	5.5%
<b>Investments over 5% managed by Border to Coast</b>	<b>1,422,166</b>	<b>41.9%</b>	<b>1,704,933</b>	<b>49.2%</b>
Legal and General Over 5 Yr Index-Linked Gilts Index	445,233	13.1%	498,387	14.4%
<b>Investments over 5% managed by Legal and General</b>	<b>445,233</b>	<b>13.1%</b>	<b>498,387</b>	<b>14.4%</b>
<b>Other pooled investments over 5% of Net Investment Assets</b> JPMorgan - Institutional Infrastructure fund	186,021	5.5%	192,924	5.6%
	<b>2,053,420</b>	<b>60.4%</b>	<b>2,396,244</b>	<b>69.2%</b>

NB: Due to the removal of Legal & General World equity (below 5%) and the addition of BCPP Private Equity and Private Credit funds for comparator purposes (over 5%), the totals no longer agree to that stated in this note in the prior year accounts.

During the year Cumbria LGPS agreed a revised structure for the public equity allocation and had part-completed the transfer between funds at 31 March by reducing UK equity and increasing Overseas equity by £110m. The Fund withdrew £40m from the BCPP Global Equity Alpha fund and £120m from L&G FTSE World Equity fund to address an overweight position which had developed due to growth in equity values in the Fund, this was used to both rebalance £110m into index-linked gilts and to make investments in private market assets.

#### NOTE 10(e): FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value.

Description of Asset/Liability	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
<b>LEVEL 1</b>			
Cash and cash equivalents	Carrying value is fair value because of short-term nature (daily access)	Not required	Not required
<b>LEVEL 2</b>			
Pooled investments - unitised funds with underlying assets in quoted equity (UK or overseas), quoted fixed income, index-linked gilts or cash	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis	Not required
<b>LEVEL 3</b>			
Investment Properties: Freehold and leasehold properties and property funds	The properties are valued at fair value at the year-end using the investment method of valuation by independent valuers CBRE Ltd in accordance with the <i>RICS Valuation Global Standards</i> (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Private equity and other private market assets (Pooled funds in infrastructure, private equity, private debt, unquoted multi-asset credit)	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

**NOTE 10(f): FAIR VALUE – SENSITIVITY OF ASSET VALUES AT LEVEL 3**

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above for the Level 3 investments are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of Level 3 investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value at 31 March 2025 £'000	Value on increase £'000	Value on decrease £'000
Private market funds - Infrastructure	9.4%	549,243	600,872	497,614
Private market funds - Private Equity	7.9%	396,444	427,763	365,125
Private market funds - Private Debt	4.3%	291,016	303,530	278,502
Private market funds - Multi Asset Credit	4.4%	63,186	65,966	60,406
Property - direct and pooled funds	16.2%	268,060	311,486	224,634
<b>Total</b>		<b>1,567,949</b>	<b>1,709,617</b>	<b>1,426,281</b>

Further details on estimates and sensitivities of values are set out in **Note 22** to the Accounts (Critical judgements in applying accounting policies and the use of estimates and uncertainties).

Potential price changes are determined based on the observed historical volatility of the Fund's own asset class returns. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). This volatility can be applied to the investment assets of the Fund at the period end in the above table to show the potential increase and decrease of value.

#### **NOTE 10(g): FAIR VALUE – HIERARCHY**

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair value. Transfers between levels are recognised in the year in which they occur.

To show the liquidity of the assets the Fund holds, under IFRS the valuation of investments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The aim being to show how much can be easily liquidated and thereby readily made available as cash if required with level 1 representing the most liquid and level 3 the most illiquid. This illiquidity assessment is subjective. As with any assessed additional investment risk investors should expect to be rewarded for illiquidity through higher investment returns.

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

#### **Level 1: 1% of Total Investments (2023/24: 2%)**

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 are mainly quoted equity shares, quoted fixed interest securities,

quoted index linked securities, cash and unit trusts that can be freely traded in active markets.

These are considered the most reliably quantifiable and easily liquidated i.e. converted into cash, assets carrying the lowest valuation and liquidity risk.

**Level 2: 54% of Total Investments (2023/24: 56%)**

Assets and liabilities at level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value, the techniques used are based significantly on observable market data.

While these assets are not usually convertible into cash immediately, they are still considered to be relatively liquid with easily verified and relatively certain asset pricing of the underlying stocks if not the pooled fund itself.

This includes pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. Though the funds themselves are not traded on active markets, they have pre-set, often weekly trading dates, such that liquidation is relatively easy with a short lead-in time.

**Level 3: 45% of Total Investments (2023/24: 42%)**

Assets and liabilities at level 3 are those where quoted market prices are not available and at least one input that could have a significant effect on the valuation is not based on observable market data.

For many of these assets, prices are not readily quantifiable, and they often prove to be the most illiquid. As such they hold both the highest liquidity and valuation risk.

Such investments include unquoted equity investments, limited partnerships and property, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. These estimation techniques are referred to in **Note 2**. The investment may be tied in for some time (in particular with private equity) and withdrawal would take longer than levels 1 or 2. The values of funds are based on the net asset value provided by the fund manager. Assurances are gained from the fact that valuations are audited for each investment manager by their respective auditors and reported to the Fund.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable. Those current and long term assets/liabilities detailed in **Note 10**

Investment Assets which are not measured at ‘fair value through profit and loss’ have not been included in this or the following table.

	31 March 2024				31 March 2025			
	Quoted market price	Using observable inputs	With significant unobservable inputs	Total	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>								
Unquoted Equities (shares in BCPP Ltd)	-	-	1,182	1,182	-	-	1,182	1,182
Pooled Investments	-	1,924,505	1,261,655	3,186,160	-	1,853,283	1,564,324	3,417,607
Cash & cash equivalents	57,487	-	-	57,487	50,848	-	-	50,848
<b>Total Financial assets at fair value through profit and loss</b>	<b>57,487</b>	<b>1,924,505</b>	<b>1,262,837</b>	<b>3,244,829</b>	<b>50,848</b>	<b>1,853,283</b>	<b>1,565,506</b>	<b>3,469,637</b>
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	157,675	157,675	-	-	3,625	3,625
<b>Total Investments at Fair Value</b>	<b>57,487</b>	<b>1,924,505</b>	<b>1,420,512</b>	<b>3,402,504</b>	<b>50,848</b>	<b>1,853,283</b>	<b>1,569,131</b>	<b>3,473,262</b>
<b>Percentage of Total Investments</b>	<b>2%</b>	<b>56%</b>	<b>42%</b>	<b>100%</b>	<b>1%</b>	<b>54%</b>	<b>45%</b>	<b>100%</b>

### NOTE 10(h): RECONCILIATION OF FAIR VALUE MEASUREMENT WITHIN LEVEL 3

The following table sets out the reasons for movement in the valuations within the Fund’s assets categorised at level 3. More information regarding transfers is provided below the table as appropriate. Unrealised and realised gains and losses are recognised in the ‘profit and losses on disposal and changes in market value of investments’ line of the Fund Account.

Period 2024/25	Market value 1 April 2024 £'000	Transfers into level 3 £'000	Transfers out of level 3 £'000	Purchases during the year and derivatives payments £'000	Sales during the year and derivatives receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Market value 31 March 2025 £'000
Unquoted Equities	1,182	-	-	-	-	-	-	1,182
Level 3 pooled investments (i.e. Other managed funds)	1,261,655	-	-	384,046	(131,219)	14,747	35,095	1,564,324
Investment Properties	157,675	-	-	11,172	(165,135)	3,399	(3,486)	3,625
	<b>1,420,512</b>	-	-	<b>395,218</b>	<b>(296,354)</b>	<b>18,146</b>	<b>31,609</b>	<b>1,569,131</b>

### 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 2024 £'000	31 March 2025 £'000
Financial Instruments	3,243,992	3,464,771
Statutory debts / liabilities & provisions	6,444	7,294
Investment Property	157,675	3,625
<b>Net Assets of the Fund</b>	<b>3,408,111</b>	<b>3,475,690</b>

### NOTE 11(a): CLASSIFICATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The following table analyses the carrying amount of financial instruments by category and net asset statement heading.

	31 March 2024				31 March 2025			
	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CLASSIFICATION</b>								
<b>Financial Assets</b>								
<b>Investments</b>								
Equities	1,182	-	-	1,182	1,182	-	-	1,182
Pooled investment vehicles	3,186,160	-	-	3,186,160	3,417,607	-	-	3,417,607
<b>Cash &amp; cash equivalents</b>	46,829	10,658	-	57,487	42,082	8,766	-	50,848
Investment receivables/debtors	-	1,705	-	1,705	-	578	-	578
Current & long-term assets	-	1,070	-	1,070	-	2,198	-	2,198
	<b>3,234,171</b>	<b>13,433</b>	<b>-</b>	<b>3,247,604</b>	<b>3,460,871</b>	<b>11,542</b>	<b>-</b>	<b>3,472,413</b>
<b>Financial Liabilities</b>								
Investment payables/creditors	-	-	(2,882)	(2,882)	-	-	(410)	(410)
Current/long-term liabilities	-	-	(730)	(730)	-	-	(7,232)	(7,232)
<b>Total Financial Instruments</b>	<b>3,234,171</b>	<b>13,433</b>	<b>(3,612)</b>	<b>3,243,992</b>	<b>3,460,871</b>	<b>11,542</b>	<b>(7,642)</b>	<b>3,464,771</b>
<b>ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH</b>								
Financial Assets	228,813	-	-	228,813	39,210	-	-	39,210
Financial Liabilities	-	-	-	-	-	-	-	-
<b>Total Net Gains/(Losses)</b>				<b>228,813</b>				<b>39,210</b>

The values shown in the above table for 'Assets at amortised cost' and 'Financial liabilities at amortised cost' are equivalent to the fair value.

### NOTE 12: CURRENT ASSETS

Revenue transactions are recorded on a system of receipts and payments. Capital and income accruals (debtors) have been introduced in respect of major items of income

due but not received at 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2024 £'000	31 March 2025 £'000
<b>Cash balances</b>	<b>3,912</b>	<b>6,888</b>
<b>Current Debtors</b>		
Contributions due	6,462	8,711
Miscellaneous	2,170	2,201
<b>Total Current Debtors</b>	<b>8,632</b>	<b>10,912</b>
<b>Total Current Assets</b>	<b>12,544</b>	<b>17,800</b>

Cash balances held by the Administering Authority are variable as the need arises to have cash available for pension payments and deployment into new investments.

Contributions due at 31 March vary from year to year, depending on the actual dates that payments are made by employers in respect of contributions and in settlement of invoices.

#### NOTE 13: CURRENT LIABILITIES

Payments during the year have been converted to an expenditure basis by the introduction of capital and expense accruals (creditors), to record significant amounts owed at 31 March. The following table shows those expected to be realised within twelve months of the Net Assets Statement date.

	31 March 2024 £'000	31 March 2025 £'000
<b>Current Creditors</b>		
Investment Managers fees	565	7
Tax payable	1,118	1,420
Miscellaneous	165	7,225
<b>Total Current Liabilities</b>	<b>1,848</b>	<b>8,652</b>

#### 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. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk. These risks are a function of investing and cannot be completely avoided. They are however closely monitored and where possible appropriate mitigation methods are used to limit the Fund's exposure.

The following table presents a summary of financial risks to provide an overview of the different types of risks that apply to the asset categories held by the Fund, with the corresponding values of those assets to provide context. The darkness of each marker against the asset categories indicates the varying degree to which the respective risk affects the different assets and thereby allow for comparison.

Summary of Financial Risks	Credit Risk	Market Risk				2023/24 £'000	2024/25 £'000
		Foreign Exchange	Interest rate	Liquidity	Other risks		
UK Equities	●	●	●	○	●	161,930	66,165
Overseas Equities	●	●	●	○	●	1,157,857	1,125,369
Index Linked Gilts	○	○	●	○	●	445,233	498,387
Property *	●	○	●	●	●	157,675	3,625
Alternative Investments	●	●	●	●	●	1,422,322	1,728,868
UK Cash	●	○	●	○	●	52,854	42,758
Overseas Cash	●	●	●	○	●	4,633	8,090
<b>Total Investments at Fair Value</b>						<b>3,402,504</b>	<b>3,473,262</b>

In the above table the risks noted effect the asset class either:

○ Minimally      ● Partially      ● Significantly

\* Property is not a Financial instrument, it has been included above to provide a complete picture of investment assets.

## Overall Procedures for Managing Risk

The principal powers under which a LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and require an Administering Authority to invest any pension scheme money that is not needed immediately to make payments from the Fund. These regulations require the Fund to formulate a policy for the investment of its Fund money. Cumbria LGPS practices are outlined in the Fund Policy Document and can be found on-line on the Cumbria Pension Fund website under ‘Forms and Publications / Policies’.

With regards to investing, to minimise risks in this area the Administering Authority’s risk management procedures focus on the unpredictability of financial markets, implementing operating restrictions on managers and diversification across the managers and asset classes within the portfolio.

The Fund annually reviews its policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. These are detailed in the Fund’s Investment Strategy Statement.

The Investment Strategy Statement (ISS) and the Cash Investment Policy can both be found in the Fund Policy Document published on-line, on the Cumbria Pension Fund website under ‘Forms and Publications / Policies’.

The Fund keeps its Investment Strategy under continual review. Local Government Pension Schemes have a long term liability profile, and their investment strategy should be undertaken with a view to matching this. Switching asset allocations is expensive, resource intensive and time consuming. While conducting an annual review to keep abreast of trends in market conditions and liability profiles (e.g. discounted future pensions payments) is appropriate, a more detailed review, leading to material changes in asset classes should only be undertaken every 3-5 years.

The Investment Strategy review concluded in June 2024 with the Pensions Committee approving a revised target investment asset allocation, along with the required changes to the Fund's Investment Strategy Statement. The key theme of the review was 'evolution, not revolution' and the weightings in the main building blocks of assets (growth, fixed income, real assets) remain very similar to previously. Follow up work regarding the equity allocation was considered by the Investment Sub-Group and Pensions Committee in early 2025.

As at 31 March 2025, the Fund had in place a longer-term target strategic allocation. Undertaking reviews to continually evolve the strategy, ensures the Fund fully considers the risk being taken within the investment portfolio, and therefore challenges its ability to meet the Actuarial objectives of the Fund.

The key elements considered in the design of the Fund's strategic asset allocation, were:

- Return generation – the Fund needs to continue to generate sufficient return to meet its liabilities.
- Stability for employers - a strategy needs to deliver both a return in line with the funding strategy and reduced volatility to help protect those employers with lower funding levels which are therefore more vulnerable to sudden changes in employer contributions.
- Inflation risk – the Fund's inflation-linked discount rate means that it is largely protected against day to day inflation volatility. However the Fund recognises that, as part of its diversified portfolio, it requires allocations to assets that are linked to inflation e.g. long lease property, index-linked gilts and infrastructure equity/debt, to maintain its strong funding position.
- Illiquidity premium – the Fund is long-term and can lock up capital for longer to take advantage of the additional premium this offers. The Strategy seeks to increase the Fund's exposure to less liquid assets in order to benefit from the illiquidity premium.

The targeted investment asset allocation is specified in the Fund's Investment Strategy Statement, which has been agreed by the Pensions Committee, and also includes a section detailing the Fund's Investment Beliefs.

The Pensions Committee reviews the total Fund investment performance against its bespoke total benchmark return on a quarterly basis. Individual managers' performance is monitored by the Investment Sub-Group and reported by exception to the Pensions Committee quarterly, enabling Committee time to focus on more strategic issues such as risk and wider governance. Performance of the external Investment

Managers is compared to both benchmark and target returns, and against a wider set of metrics. The Investment Sub-Group and associated governance processes have been developed and strengthened over the 10+ years it has been in place. The process continues to evolve as the Fund continues to enhance its governance and monitoring.

As a further control, a substantial amount of due diligence is performed at the appointment stage both by Officers and the Fund's independent advisors and / or consultants to ascertain managers' risk control, audit and monitoring procedures.

### **Credit Risk**

Credit Risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing. Consequently, the risk of loss is implicitly provided for in the carrying values of the Fund's financial assets and liabilities. In addition to this, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund has had no experience of default or uncollectable deposits over recent years.

Through review of annual internal control reports from the Fund's external Investment Managers the Fund monitors its exposure to credit and counterparty risk. This review is aimed at ensuring that Managers exercise reasonable care and due diligence in its activities on behalf of the Fund.

The Fund's cash and cash-like holdings as at 31 March 2025 were £6.888m (2023/24: £3.912m) within current assets (see **Note 12**), and £43.960m (2023/24: £53.575m) shown as cash and cash equivalents within investments (see **Note 10**). These funds were held in cash awaiting drawdowns for new investments. The credit ratings of the accounts and funds were as follows:

Cash and Cash Equivalents	Rating at 31 March 2025	Balances as at 31 March 2024 £'000	Balances as at 31 March 2025 £'000
<b>Money Market Funds</b>			
Northern Trust GBP Liquidity Fund	AAA	42,326	33,995
Northern Trust USD Liquidity Fund	AAA	3,875	5,273
Northern Trust EUR Liquidity Fund	AAA	628	2,814
<b>Bank deposit accounts</b>			
National Westminster Bank	A+	3,912	6,888
<b>Bank current accounts</b>			
Barclays Bank	A+	3,479	729
Northern Trust Company (GBP)	AA	3,137	1,146
Northern Trust Company (USD, EUR)	AA	130	3
<b>Total</b>		<b>57,487</b>	<b>50,848</b>

## Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk reflects interest rate risk, currency risk and other price risks.

The Fund is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Fund's assets failing to deliver the returns required to match the underlying liabilities of the Fund over the longer term.

To mitigate against market value risk, the Fund has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. Details can be found in the Fund's Investment Strategy Statement (ISS). The Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic / political regions within each asset class.

Mitigation against market risk is also achieved by diversification across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

To increase diversification across the Fund and, amongst other things, further reduce the Fund's overall market risk, the Investment Strategy includes private market asset

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

### Market Risk – Sensitivity Analysis

The Fund’s funding position is sensitive to changes in market prices (which affect the net assets available to pay benefits) and the Consumer Price Index (CPI) (which affect the value placed on the Fund’s liabilities). The valuation of liabilities is based on a CPI+ model in the actuarial valuation.

Potential price changes are determined based on the observed historical volatility of the Fund’s own asset class returns. Historical evidence suggests that ‘riskier’ assets such as equities are expected to display greater potential volatility than bonds as an example. The potential volatilities represent a one standard deviation movement in the change in value of the assets over the latest three years (i.e. 68% of the observed values were within these ranges). This volatility can be applied to the investment assets of the Fund at the period end in the following table to show the potential increase and decrease of value.

Market Risk - Sensitivity Analysis	2024/25 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Equities	1,191,534	11.8%	1,332,135	1,050,933
Index-linked gilts	498,387	16.1%	578,627	418,147
Infrastructure funds	549,243	9.4%	600,872	497,614
Private Equity funds	396,444	7.9%	427,763	365,125
Private Debt funds	291,016	4.3%	303,530	278,502
Multi Asset Credit funds	227,730	4.4%	237,750	217,710
Property and property funds	268,060	16.2%	311,486	224,634
Cash	50,848	4.9%	53,340	48,356
	<b>3,473,262</b>		<b>3,845,503</b>	<b>3,101,021</b>

### Foreign Exchange Risk

The Fund holds a range of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31 March 2025, the Fund had overseas investments of £2,188.771m denominated in currencies other than sterling.

To assess the risk the Fund is exposed to as a result of holding these currencies, taking into account information provided by Pensions & Investment Research Consultants Ltd (PIRC), it is considered that the movements shown below are a reasonable measure to apply to the currencies. The potential volatilities represent a one standard deviation movement in the volatility of currencies over the latest three years (i.e. 68% of the observed values were within these ranges). The use of actual data is included in the 3 year period being assessed to develop the volatility percentages.

The impact of these movements in the value of foreign currencies against sterling would be to increase (or decrease) the fund value by approximately £151.018m, or 4.4% of the Fund’s total value.

Foreign Exchange - Sensitivity Analysis	2024/25 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	1,453,934	8.3%	1,574,611	1,333,257
European currency denominated assets	385,377	4.2%	401,563	369,191
Other currency denominated assets	262,133	5.4%	276,288	247,978
UK assets within Global equity funds	87,327	0.0%	87,327	87,327
	<b>2,188,771</b>		<b>2,339,789</b>	<b>2,037,753</b>

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

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

### Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The UK Bank Rate had been 5.25% in March 2024 and was decreased in the twelve months, to 4.50% in March 2025. The interest rate risk is that if rates rise, it causes the value of bonds and bond funds to fall.

The Fund’s direct exposure to interest rate movements is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Therefore a 0.75% change in interest rates (which would bring the base rate up to 5.25% or down to 3.75%) will increase or reduce the Fund's return by £4.119m (2023/24 £3.770m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2024	31 March 2025
	£'000	£'000
Fixed interest securities (including pooled investments)	445,233	498,387
Cash and cash equivalents	10,658	8,766
Money market funds and pooled cash vehicles	46,829	42,082
	<b>502,720</b>	<b>549,235</b>

### Liquidity Risk

Liquidity Risk is the risk that the Fund will not be able to meet its financial obligations when they fall due.

The main liquidity risk for the Fund is not having monies available to meet commitments to make pension payments to members as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Fund to ensure its obligations can be covered.

As part of both the Triennial Valuation and the investment reviews, Fund membership and projected maturity profiles are reviewed. Currently the Fund is cash positive (i.e. it collects more in annual income from contributions and investments than it requires to fulfil all obligations).

In 2024/25, as in past years, the Fund experienced a contribution cash deficit, i.e. the income received from contributions from members and employers was less than payments paid to members.

On advice from the Fund's Actuary it is projected that the Fund will remain cash positive (including yield from investments) for the medium term. However, this will be kept under active review and reassessed in the next Actuarial Valuation.

**Note 10(g)** explains the Fair Value hierarchy and how the Fund holds a large value of very liquid securities which could be promptly realised if required (levels 1 and 2). As at 31 March 2025 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £1,904.131m, i.e. 55% of net assets (31 March 2024 £1,981.992m). The value of the illiquid assets including investment properties was £1,569.131m which represented 45% of net assets (31 March 2024 £1,420.512m).

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

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

### **Counterparty Risk**

The principal mitigation of the counterparty risk on investment assets including foreign currency trades is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by advisors and investment managers as part of the oversight of risks. Subject to overriding requirements as the Fund's fiduciary agent to demonstrate best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- previous dealing experience of the counterparty,
- level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks, and
- the bank's position in the market for sourcing Private Finance Initiative (PFI), corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty in a deal they traded. As part of the manager's credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis.

### **Settlement Risk**

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Fund has delivered payment but before the counterparty has delivered its payment then there would be a small time-limited risk of payment versus non-payment. This occurs when a party faces possible loss between the time a settlement payment is made and a payment is received on the same business day. This risk is more frequent in exchange of different currencies. Investment managers usually apply operational settlement netting, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

### **Unquoted Investments**

The Fund holds significant amounts of unquoted securities and has increased since the pooling of investment assets in the LGPS and the creation of the BCPP pool to do so. It is also due to the fact that the unitised insurance policy held by the passive manager, Legal and General, is invested in unquoted, unitised, index-tracking funds, used as an efficient liquid method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as bonds and equity.

The Fund has allocations to unquoted pooled investment vehicles including infrastructure, pooled property funds, private loan funds and other pooled investments. These provide an efficient method of accessing exposure to these assets for a fund of Cumbria’s size.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31 March. Unquoted pooled investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. The valuations are audited for each investment manager by their respective auditors and reported to the Fund as clients.

The unquoted investments held at 31 March 2025 are as follows:

Asset Class	2023/24 £'000	2024/25 £'000	Manager	Holding Details
<b>Pooled investment vehicles</b>				
Managed by Pool	1,302,218	1,293,585	Border to Coast	UK, overseas and global equity, fixed income multi-asset fund
	180,113	232,715	Border to Coast	Infrastructure funds
	162,330	217,940	Cumbria LP	
			Border to Coast	Private Equity funds
	98,920	190,220	Cumbria LP	
			Border to Coast	Private Credit funds
		167,796	Cumbria LP	
		6,963	Border to Coast	UK Real Estate fund
			Cumbria LP	Climate Opportunities fund
		2,070	Border to Coast	UK Opportunities fund
			Cumbria LP	
Unitised insurance policies	622,287	559,698	Legal and General	Index tracking funds
Other managed funds	186,021	192,924	JP Morgan	Infrastructure fund
	112,161	71,721	Partners Group	Private Market Credit funds
	72,201	71,389	Partners Group	Infrastructure funds
	70,656	62,241	Pantheon	Private Equity funds
	53,731	53,397	Apollo	Multi Asset Credit fund
	61,941	48,122	Healthcare Royalty Partners	Royalties funds
	42,197	45,640	abrtn (formerly Aberdeen SL Capital)	Private Equity funds
	42,377	43,183	abrtn (formerly Aberdeen SL Capital)	Infrastructure fund
	34,681	34,152	Aviva	Property fund
	31,780	31,901	M&G	Property fund
	27,301	30,586	Hearthstone	Residential Property fund
	41,992	29,076	Barings	Private Loan funds
	31,180	20,730	Unigestion	Private Equity funds
	9,737	9,789	CQS	Multi Asset Credit fund
	2,336	1,771	BlackRock	Private Equity fund
<b>UK equity unquoted</b>	1,182	1,182	Border to Coast	Company share capital
	<b>3,187,342</b>	<b>3,418,791</b>		

**NOTE 15: ADDITIONAL VOLUNTARY CONTRIBUTIONS**

The Fund operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of three independent AVC scheme providers. To comply with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the transactions are treated separately to the Fund's accounts and therefore do not form part of these accounts.

The three AVC providers offered by the Fund are Prudential Assurance Company, Standard Life and Scottish Widows. The Fund gives no guarantee of investment performance of the providers and makes no contribution to the employees' funds. The previous scheme on offer to employees was the Equitable Life Assurance Society but in December 2000 it stopped accepting new business. From January 2020, the Equitable Life AVC closed with investments transferring to Utmost Life.

The values of the three active schemes for Cumbria LGPS, along with the value of Utmost Life, are shown below:

	2023/24 £'000	2024/25 £'000
Standard Life	407	368
Scottish Widows*	820	820
Utmost Life *	279	279
Prudential Assurance Company	5,227	7,265
<b>Total AVCs</b>	<b>6,733</b>	<b>8,732</b>

\*At the time of publication, two providers have been unable to provide values as at 31 March 2025, hence the value shown for 2024/25 in the above table is a carry forward of the 31 March 2024 valuation.

AVC contributions of £2.606m were paid from employees to the providers during the year, or via their employer as part of a salary sacrifice shared cost AVC scheme.

Members have the option of contributing to the various Schemes offered by their chosen provider. The purpose of contributions paid by a member is the securing of a pension at retirement, usually by taking a lump sum payment, buying an annuity or transferring the investment into the main Scheme. The investment could be realisable earlier in the event of a member's death before retirement.

**NOTE 16: RELATED PARTY TRANSACTIONS**

In day-to-day operations the Fund has many transactions with Westmorland and Furness Council as the Administering Authority of the Fund, including the pension contributions as an employer, payments on the Fund's behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The Fund has not, for example, invested in schemes of economic regeneration sponsored by any of the employing bodies including the Council.

There are normal transactions with all the employers who have members in the Fund, who may be regarded as related parties, predominantly relating to employee and employer contributions. These transactions are reported as part of the income and expenditure statements.

Border to Coast Pension Partnership Ltd (BCPP) is the organisation set up to run pooled LGPS investments for the Fund and 10 other Pension Funds. The company is a private limited company limited by shares and its company registration number is 10795539 (England & Wales). The shares have full voting rights, dividend and capital distribution rights. Westmorland and Furness Council as Administering Authority for the Cumbria Local Government Pension Scheme holds £1 of A Ordinary share capital. For accounting purposes this holding is included and reported within the Cumbria LGPS Annual Report and Accounts.

There are no material transactions in respect of related parties requiring separate reporting for 2024/25.

Senior employees of the main Employer organisations within the Cumbria Local Government Pension Scheme (LGPS), Members of the Cumbria Pensions Committee and Cumbria Local Pension Board, and senior officers with significant influence on the Fund are required to complete an annual declaration on related parties. The 2024/25 returns revealed no material transactions between the members/officers and their families affecting involvement with the Fund.

Related parties returns are also sent to the main employer organisations, and the aim is for receipt of returns to cover at least 85% of the active membership. This target has been exceeded in 2024/25, with 90% coverage.

Each member of the Pensions Committee formally considers conflicts of interest at each meeting and the outcome is declared in the public minutes. Any transactions as have been identified are either non-material or are associated with the normal activities of the individuals in question.

**Key Management Personnel**

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit

(England) Regulations 2015) satisfy the key management personnel disclosure requirements of paragraph 17 of IAS 24. This applies equally to the accounts of Cumbria Local Government Pension Scheme.

The Fund does not employ any staff directly. Westmorland and Furness Council employed the staff involved in providing the duties of the Administering Authority (excluding the pensions administration service which is provided by 'LPPA') for the Fund. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers' remuneration disclosure in the notes to the Westmorland and Furness Council Annual Financial Report 2024/25 (see Note 14 to those statements).

In the interests of transparency, the Fund has incorporated disclosure of the remuneration of Senior Officers employed by Westmorland and Furness Council and elected Members who have responsibility of the management of the Fund to the extent that they have power to direct or control the major activities of the Fund (in particular activities involving the expenditure of money) whether solely or collectively with other persons.

Notes on below table:

- Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.
- Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses. For 2024/25 the Council's mileage rate, applicable for the reimbursement of business mileage travelled, was at or below the HMRC rate so there is deemed to be no benefit received. There were no benefits in kind in 2024/25.
- Westmorland and Furness Council's Employer's Future Service Rate – LGPS 18.9%.
- Time spent on LGPS – as noted above no officers are employed by Cumbria LGPS. The Fund is therefore charged by Westmorland and Furness Council for the time spent by officers undertaking Scheme work. These percentages are the time spent by Senior Officers during 2024/25 on Cumbria LGPS specific work.
- In addition to the basic allowance paid to elected members of Westmorland & Furness Council, the Chair of the Pensions Committee receives a Special Responsibility Allowance. This allowance in 2024/25 was £6,919.
- The Independent Chair of the Local Pension Board received remuneration of £10,000 during 2024/25 in relation to his role. The Chair was paid £7,150 in 2023/24 reflecting that he was appointed during the year.
- Other Members of the Pensions Committee and Local Pension Board are not remunerated for their attendance.

**2024/25 Remuneration as charged to Cumbria LGPS of Senior Officers of Westmorland & Furness Council who had significant management responsibilities for Cumbria LGPS:**

Post Title	Salary recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
<b>Director of Resources</b> (S151 Officer)	17,715	17,715	2,943	20,658
<b>Senior Manager – Cumbria Pension Fund</b> (Deputy S151 Officer - LGPS) (from 03 June 2024)	67,323	67,323	11,647	78,970
<b>Interim Senior Manager – Pensions &amp; Financial Services</b> (Deputy S151 Officer - LGPS) (to 02 June 2024)	13,089	13,089	2,265	15,354
	<b>98,128</b>	<b>98,128</b>	<b>16,854</b>	<b>114,982</b>

**2023/24 Remuneration as charged to Cumbria LGPS of Senior Officers of Westmorland and Furness Council who had significant management responsibilities for Cumbria LGPS:**

Post Title	Salary recharged to Cumbria LGPS £	Total Remuneration excluding pension contributions recharged to Cumbria LGPS £	Employer's Pension contributions recharged to Cumbria LGPS £	Total Remuneration including pension contributions recharged to Cumbria LGPS £
<b>Director of Resources</b> (S151 Officer)	16,421	16,421	2,841	19,262
<b>Senior Manager – Pensions &amp; Financial Services</b> (Deputy S151 Officer - LGPS)	37,028	37,028	6,406	43,434
<b>Interim Senior Manager – Pensions &amp; Financial Services</b> (Deputy S151 Officer - LGPS)	44,050	44,050	7,534	51,584
	<b>97,499</b>	<b>97,499</b>	<b>16,781</b>	<b>114,280</b>

## NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There are no contingent liabilities or outstanding contractual commitments at 31 March 2025, other than outstanding investment drawdown commitments to be made to closed-ended funds in private markets of c£807m at 31 March 2025.

## NOTE 18: CONTINGENT ASSETS

### Tax Reclaims

Cumbria Pension Fund has potential claims against some European countries for tax withheld on foreign income dividends. These claims are made on the basis that within the European Union all member states should enjoy the same status. In respect of tax, resident investors should not be treated differently from non-residents.

**Fokus Bank:** In June 2024, following an appeal, the Fund received confirmation that the French Tax Authorities (FTA) had agreed to pay the outstanding withholding tax claims for 2007 and 2008. The payout of the refund was delayed but finally in March 2025 the Fund received a total of £0.296m (including interest). This payout resolves all the historic French claims which were submitted between December 2006 and January 2010 and takes the total amount recovered from the FTA to £0.697m.

Fees incurred to date by the Fund on the resolution of all the French claims amounts to £0.107m (including an estimate of the charges to secure the latest payout).

The estimated value of Fokus Bank claims still outstanding at 31 March 2025 is £0.476m (value in GBP based on exchange rates at 31.3.2025). These are now the only claims in which the Fund remains as an ongoing participant and this total can be split by region as, Germany £0.276m and Italy £0.200m.

In summary, Cumbria has recovered approximately £0.969m from settled withholding tax claims in the Netherlands, Austria, Norway Spain and France. The fees incurred to date for the tax claims mentioned above total £0.296m and have been charged as expenditure to the fund account in the appropriate accounting period.

### Class Actions

Where shareholder value has been eroded by wrongful action by company directors, it may be possible for monies to be recovered via the courts through a shareholder class action against the company or its directors. The Fund uses Institutional Protection Services Ltd to monitor these class actions. The Fund will seek to recover any significant monies due where professional advice has been received detailing that the probability of success is believed to outweigh the additional cost of doing so.

## **NOTE 19: IMPAIRMENT LOSSES**

All outstanding debts for non-recovery of pension overpayments and all other debts raised during 2024/25 are considered to be recoverable with no further impairment beyond the existing provision for credit losses or bad and doubtful debts.

There were no impairments of investments during 2024/25.

### **Financial Assets That Are Past Due As At 31 March But Not Impaired:**

The Fund generally allows a payment period of 30 days. Included within the £10.912m (£8.632m at 31 March 2024) of current debtors (see **Note 12**) is £1.270m of debtors aged between two and six months (£0.869m at 31 March 2024) and £0.847m of debtors aged greater than six months (£0.052m 31 March 2024).

## **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).

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

The Fund had no securities on loan at 31 March 2025 and earned no income directly in 2024/25 through stock lending.

## **NOTE 21: EVENTS AFTER THE REPORTING DATE**

Conflicts in Ukraine and the Middle East continued to be ongoing issues and along with US tariffs are a cause of instability in global financial markets. In addition, high interest rates and inflation in the UK continue to affect valuations in index-linked gilt markets. The impact of these matters on the valuation of the Fund's assets continued to be assessed up until the publication of the audited accounts.

Post year-end market moves and transactions has led to an increase to valuations of the Fund's assets in the following quarters; as at 30 September 2025 the estimated total Fund value is £3,650m. This represents a 5.3% increase compared to the reported Fund value of £3,476m at 31 March 2025. There have been no material events after the reporting date that are required to be taken into account in the financial statements.

The Fund’s Investment Strategy is positioned to absorb downside risk as well as being targeted at achieving long-term stability and asset growth. This is achieved by diversification across the portfolio (e.g. between asset classes, sectors, risk appetite and geographic regions).

**NOTE 22: JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND THE USE OF ESTIMATES AND UNCERTAINTIES**

In applying the policies, the Fund has had to make certain judgements about complex transactions, or those involving uncertainty.

**Critical Judgements**

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

**Use of Estimates and Major Sources of Uncertainty:**

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

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

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. Pension Fund Accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed in the following table:

Item	Uncertainties	Effect if actual differs from assumptions
Market Value of Investments	Investments at Level 1 & 2 - Valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. Investments have been valued at the IFRS accepted method of ‘Fair Value’ since 2008/09, this being the ‘bid price’ where possible and therefore there is not expected to be any material uncertainty of the valuation of these assets.	For every 1% increase in market value of all assets, the value of the Fund will increase by approx. £34.402m, with a decrease having the opposite effect.  Level 3 investments including property – often income will be inflation linked e.g. CPI uplifts, based on throughput e.g. power production or infrastructure usage, or underlying company performance in the case of private equity. If actual outcomes for these variables differ greatly from

Item	Uncertainties	Effect if actual differs from assumptions
	<p>Investments at Level 3 – the hardest to value holdings often do not depend on market forces but are subject to uncertainties unique to each holding. Valuations are mostly based on future cash flow so will depend on the expectations of the specific income streams and inflation linkage.</p> <p>Property – Fair Value (IFRS 13) valuations use the expected cashflow streams from current leases with reference also to the value of the property on the open market.</p>	<p>expectations, valuations can be lower than expected and also higher too. Manager skill and experience is essential in predicting the variables, and planning and controlling the outcomes.</p> <p>Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons. For each case the underlying factors would be considered before acceptance or otherwise of the sale.</p> <p>For further information on the Sensitivity of Asset values at Level 3 including property, please refer to Note 10(f). Further information on the sensitivity analysis of market prices for the Fund's investments (excluding derivatives) is included in the Market Risk section of Note 14.</p>
Pensions Liability (or Surplus)	<p>Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases.</p> <p>For further information on the assumptions contained in the Actuarial valuation, and how sensitive the funding position is to changes in those assumptions, please refer to the published Actuarial Valuation report which is available on the Cumbria Pension Fund website.</p>	<p>The effects on the funding level of changes in the individual assumptions can be measured but interact in complex ways.</p> <p>For instance:</p> <ul style="list-style-type: none"> <li>• a 0.25% increase in life expectancy would result in a £23m decrease in funding surplus;</li> <li>• a 0.25% reduction in the real investment return achieved would result in a £134m decrease in the funding surplus, or;</li> <li>• a 25% reduction in Asset values would result in a £829m decrease in the funding surplus;</li> </ul> <p>as determined at the 2022 valuation.</p>

The valuation of 'level 3' assets

Valuations for private market investments are received at least a quarter in arrears, and these investments are therefore valued in the unaudited accounts at an estimate to the fair value at 31 March, as best as is available at the time of preparation. The audited accounts include all private equity, infrastructure and multi-asset private market funds valuations as at 31 March 2025.

**NOTE 23: ACTUARIAL POSITION OF THE FUND**

The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31 March 2022 to determine the employer contribution rates with effect from 1 April 2023 to 31 March 2026.

The Actuary is currently undertaking the 2025 valuation based on the value of assets and liabilities of the Fund as at 31 March 2025. This valuation will determine the employer contribution rates for the period 1 April 2026 to 31 March 2029.

The full [Actuarial Valuation Report as at 31 March 2022](#) is available on the Cumbria Pension Fund website at [www.cumbriapensionfund.org](http://www.cumbriapensionfund.org).

The Scheme Actuary is also required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) to present a statement detailing both the actuarial valuation result and the actuarial value of the Fund's past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26.

The calculation of the liabilities in compliance with IAS 19 uses different assumptions than those used for the valuation basis. For example:

- The IAS 19 valuation calculates growth on the basis of bond yields at balance sheet date. The actuarial valuation, whilst also based on bond yields at balance sheet date, will generally look to dampen the effect of any perceived short term market volatility on yields (i.e. it takes a 'smoothing' approach).
- The IAS 19 valuation calculation requires that all entities assume their pension Fund grows at a standard rate, whereas the actuarial valuation considers the expected investment return of the assets actually held by the Fund, (e.g. IAS 19 requires that all funds use a generic discount rate whereas the discount rate used by the Fund in the actuarial valuation basis reflects the expected investment return based on the unique combination of assets it holds).

The table below details the valuation of the assets and liabilities of the Fund using both the valuation basis and the IAS 19 methodology.

	31 March 2024 £'m	31 March 2025 £'m
<b>Valuation Basis</b>		
Present value of past service liabilities	(3,084)	(3,093)
Net assets of the Fund	3,408	3,476
<b>Net Surplus (Liability)</b>	<b>324</b>	<b>383</b>
<b>IAS 19 Basis</b>		
Present value of past service liabilities	(2,967)	(2,630)
Net assets of the Fund	3,408	3,476
<b>Net Surplus (Liability)</b>	<b>441</b>	<b>846</b>

The statement from the Scheme Actuary as required by the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) and in compliance with IAS 26 and on the basis of IAS19 is presented below.



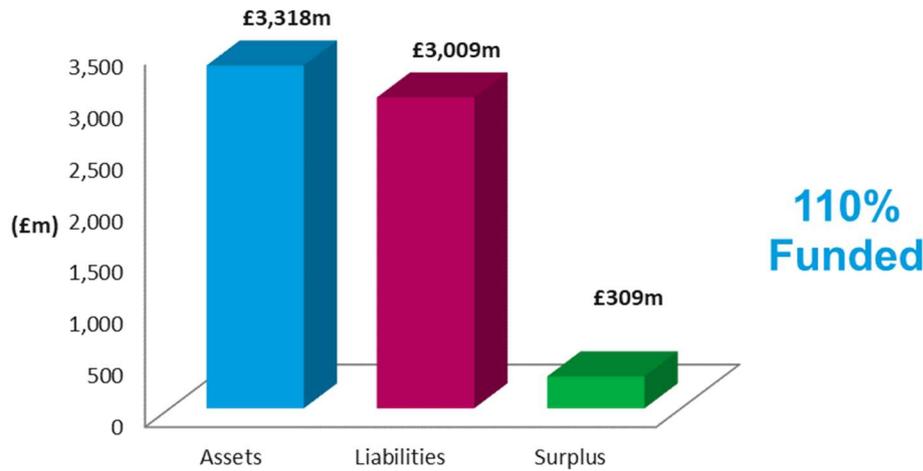
## CUMBRIA LOCAL GOVERNMENT PENSION SCHEME ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Cumbria Local Government Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

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

### Actuarial Valuation as at 31 March 2022



The valuation also showed that a Primary contribution rate of 18.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus, it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years, and the total initial recovery payment (the “Secondary rate” for 2023/26) was a surplus offset of approximately £2.1m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer’s position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
<b>Rate of return on investments (discount rate)</b>	4.35% per annum	5.10% per annum
<b>Rate of pay increases (long term)</b>	4.6% per annum	4.6% per annum
<b>Rate of increases in pensions in payment (in excess of GMP)</b>	3.1% per annum	3.1% per annum

The assets were assessed at market value.

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

### Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund’s promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the liability value of the benefits, we have used the following assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison):

	31 March 2024	31 March 2025
<b>Rate of return on investments (discount rate)</b>	4.9% per annum	5.80% per annum
<b>Rate of CPI Inflation / CARE benefit revaluation</b>	2.7% per annum	2.60% per annum
<b>Rate of pay increases</b>	4.2% per annum	4.10% per annum
<b>Increases on pensions (in excess of GMP) / Deferred revaluation</b>	2.8% per annum	2.70% per annum

The base tables are set based on the most recent mortality analysis for the Fund (undertaken as part of the 2022 actuarial valuation). The future improvements allow

for a best estimate long-term improvement rate of 1.5%, and have been updated to allow for the latest base tables available (the “S4” series of tables and CMI 2023 at the end of period), with a reweighting to maintain consistency with the underlying mortality analysis.

The other demographic assumptions are the same as those used for 2022 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2023.

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

<b>Start of period liabilities</b>	<b>£2,967m</b>
<b>Interest on liabilities</b>	£143m
<b>Net benefits accrued/paid over the period*</b>	(£30m)
<b>Actuarial (gains)/losses (see below)</b>	(£450m)
<b>End of period liabilities</b>	<b>£2,630m</b>

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

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased over the year, with a corresponding increase in discount rate from 4.9% p.a. to 5.8% p.a. The long-term assumed CPI is slightly lower at the end of year than it was at the start of year. In combination, these factors lead to a significant reduction in liabilities.
- **Change in demographic assumptions:** As noted above, the mortality assumptions have been updated to reflect the latest mortality tables and future life expectancy improvement model. This acts to slightly reduce the liabilities.
- **Pension increases / high short-term inflation:** The figures allow for the impact of actual CPI experienced over the year compared to the start of period assumption (experience to September 2024 fed into the April 2025 pension increase of 1.7%, and actual inflation from that point will feed into the 2026 increase). As inflation over the year was a little lower than the long-term assumption, this slightly decreases the liabilities.

**Mark Wilson**

**Fellow of the Institute and Faculty of Actuaries**

**Mercer Limited**

**June 2025**

### **Appendix - additional considerations**

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

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

**Market volatility and tariffs:** There was significant volatility in markets shortly after the accounting date, in part due to the announcements on tariffs coming from the USA. The period-end figures reflect market conditions as at the accounting date, but do not allow for any subsequent experience.

**Virgin Media Court Case:** Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to public service pension schemes. Given this, and the unknown impact on benefits even if it were to be required, we have not made any allowance for the Virgin Media judgment.

#### **NOTE 24: ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED**

The Fund is required to disclose information relating to the impact of Accounting Standards that have been issued but have not yet been adopted.

There have been no accounting standards issued but not yet adopted that would materially impact on the 2024/25 financial statements.

#### **NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND**

As at 31 March 2025 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2025 (total 109)		
<b>Scheduled Scheme Employers (9)</b>	<b>Scheduled Bodies - Academies (cont)</b>	<b>Admitted Bodies Transferee (cont)</b>
Cumberland Council Westmorland and Furness Council Cumbria Commissioner Fire and Rescue Cumbria Chief Constable Cumbria Police, Fire & Crime Commissioner Furness College Kendal College Lake District National Park Authority Lakes College (West Cumbria)	Furness Education Trust George Hastwell School Academy Ghyllside Academy Great Corby Academy James Rennie Academy Keswick Academy Kirkbie Kendal Academy Learning for Life Trust Lunesdale MAT Mater Christi MAT Richard Rose Academies Seaton Academy South Cumbria MAT South Westmorland MAT - Dallam Academy Stanwix School Academy The Good Shepherd MAT Trinity Academy	Mellors Catering - Appleby Mellors Catering - Kirkby Stephen People First Priority Facilities (Ashfield Infs) Priority Facilities (St Mary's, Work) Tullie House Trust
<b>Scheduled Designated Bodies (15)</b>		<b>Admitted Bodies Community (11)</b>
Barrow Forward Ltd Brampton Parish Council Cleator Moor Town Council Cockermouth Town Council Egremont Town Council Grange Town Council Kendal Town Council Keswick Town Council Maryport Town Council Orion Solutions Penrith Town Council Ulverston Town Council Whitehaven Town Council Wigton Town Council Workington Town Council	<b>Scheduled Designated Bodies No Actives (2)</b> Millom Town Council Seaton Parish Council	Cumbria Cerebral Palsy Cumbria Deaf Vision Eden Housing Association Glenmore Trust Higham Hall Home Group (Copeland) Lakeland Arts Trust Morton Community Centre Oaklea Trust South Lakes Housing West House
<b>Scheduled Bodies - Academy Employers (29)</b>	<b>Scheduled Bodies No Actives (10)</b>	<b>Admitted Bodies No Actives (20)</b>
Appleby Grammar Academy Armside National CofE Academy Bassenthwaite Academy Branthwaite Academy (formerly Cumbria Academy for Autism) Burton Morewood Primary Academy Caldew Academy Cartmel Priory Academy Changing Lives Learning Trust Crosby on Eden Academy Cumbria Education Trust Eaglesfield Paddle Academy Energy Coast UTC	Allerdale Waste Services Charlotte Mason College Cumbria Institute of the Arts Cumbria Primary Teacher Training Cumbria Sea Fisheries Dept Constt Affairs (Cumbria Magistrates) Health Authority Port of Workington Practical Alternatives to Custody (Ltd) Water Authority	Carlisle Mencap - Huntley Ave Carlisle Mencap - Hart St Caterlink - Longtown Caterlink - W/Lakes Caterlink - WHT Cumbria Teacher Training Cumbria Training Partnership Direct Training Services Egremont & District Pool Trust Henry Lonsdale Trust Kendal Citizens Advice Lake District Cheshire Homes Longtown Memorial Hall Community Centre Mellors Catering Services - Rockcliffe NRCS Ltd (Neighbourhood Revitalisation) Orion (Ghyllside) new Project Homeless Soundwave Troutbeck Bridge Swimming Pool Wigton Joint Burial Committee
	<b>Admitted Bodies Transferee (13)</b>	
	Bulloughs (Caldew Academy) Carlisle Leisure Ltd Caterlink - St Bernard's CHS Computeam Ltd (new) Dolce Ltd (St Martin & St Mary's) Greenwich Leisure (Copeland) Greenwich Leisure (South Lakes)	

### Independent auditor's report to the members of Westmorland and Furness Council on the pension fund financial statements of Cumbria Pension Fund

#### Opinion on financial statements

We have audited the financial statements of Cumbria Pension Fund (the 'Pension Fund') administered by Westmorland and Furness Council (the 'Authority') for the year ended 31 March 2025, which comprise the Fund Account, the Net Assets Statement, and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Assistant Director - Finance (Deputy S151 Officer)' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Assistant Director - Finance (Deputy S151 Officer)' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Assistant Director - Finance (Deputy S151 Officer)' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as

## SECTION 11 – INDEPENDENT AUDITOR’S REPORT

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a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Assistant Director - Finance (Deputy S151 Officer) with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund’s financial statements and our auditor’s report thereon, the Pension Fund accounts actuarial valuation, and our auditor’s report on the Authority’s and group’s financial statements. The Assistant Director - Finance (Deputy S151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund’s financial statements, the other information published together with the Pension Fund’s financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

### Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### Responsibilities of the Authority and the Assistant Director - Finance (Deputy S151 Officer)

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Assistant Director - Finance (Deputy S151 Officer). The Assistant Director - Finance (Deputy S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Director - Finance (Deputy S151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the Pension Fund’s financial statements, the Assistant Director - Finance (Deputy S151 Officer) is responsible for assessing the Pension Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund’s financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003), the Public Services Pension Act 2013, the Local Government Pension Scheme Regulations 2013, and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of management, the Pension Fund Committee, and the Audit Committee, concerning the Authority’s policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit, the Pension Fund Committee, and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, focussing on journal entries that impact the Fund’s financial position and potential management bias in determining accounting estimates for the valuation of Level 3 Investments and Directly Held Property.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large post year-end journals, journals posted by senior management, and large journals that impacted the Fund Account or changes in the valuation of investments;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of Level 3 Investments; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk

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of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner’s assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Beth Bowers**, Key Audit Partner

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

Bristol

Date: 25 February 2026