Westmorland & Furness Council

Statement of Accounts for the year 2025/26

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Narrative Statement

1. Introduction and Overview

1.1. The Statement of Accounts for Westmorland and Furness Council 2025/26 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2025/26 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 2025/26.

1.3. The Council approved the 2025/26 Budget and Medium Term Financial Plan (MTFP) in February 2025. 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.

1.4. The 2025/26 revenue budget and 2025-2030 Capital Programme and MTFP 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.

1.5. It continues 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.

1.6. During 2025/26 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

1.7. 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 km2 and its population is estimated to be c.228,000.

1.8. 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.

1.9. 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.

1.10. The Council has 121 primary schools, 20 secondary schools and 3 special schools. It also has 135 parish councils and 10 town councils.

1.11. The Westmorland and Furness Council Plan ('Council Plan') was approved by the Shadow Authority Councillors in December 2022 and covered a period of five years (2023-28), setting out the Council's vision for Westmorland and Furness to be a great place to live, work and thrive.

1.12. **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.

1.13. **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.

1.14. **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.

1.15. 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

1.16. 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.

1.17. To support the delivery of the Council Plan, the Council developed a more detailed operational Council Plan Delivery Framework (CPDF) that built on the content of the Council Plan. The CPDF helps to explain how the Council will deliver improved outcomes for residents, communities and businesses. The first edition of the CPDF was agreed by Full Council in September 2023, with the intention that an updated framework was agreed each year. The second iteration was then agreed in April 2024.

1.18. The Council Plan identified 10 strategic themes or missions; Communities, Environment, Growth, Connections, Homes, Learning, Care, Health & Wellbeing, Culture, and Effective Services and sets out the related ambition for the themes as Mission Statements.

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

Themes	Mission Statement
	and to access a rich and varied choice of local employment opportunities that contribute to a fulfilled and happy life.
Care	Children, young people and adults are supported to achieve a good life, safeguarded from harm, in the place they call home, with the people and things that matter most to them.
Health & Wellbeing	No matter where you are born or where you live, there is equal opportunity for everyone to live an active, happy, healthy life, and to feel empowered and confident to choose the best ways in which this is achieved for each individual and for every community.
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.
Effective Services	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.

1.19. 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.

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

2. Leadership and workforce

2.1. The Council's Constitution set out the rules and procedures by which the Council operated and was available on the Council's website. The Council had 65 members (or 'Councillors'), elected by the public to represent a particular local area, or 'Division'. Collectively they were responsible for the democratic structure of the council, overseeing key policies and services and setting the Council's annual budget and capital programme. More information can be found on the website.

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

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

2.4. As at 31st March 2026 the Council's staff complement stood at 3,323 FTE (full-time equivalent) posts, representing 4,085 employees. This excludes school-based staff.

3. Performance

3.1. The Council's Q4 performance report for 2025/26 will be reported to Cabinet in July 2026 and published on the Council's website.

3.2. For 2025/26 an Annual Plan has been developed, it is grounded in the ten missions described in the Council Plan Delivery Framework (CPDF) in para 1.18. The CPDF helps to explain how the Council will deliver improved outcomes for residents, communities and businesses.

3.3. The 2025/26 Annual Plan was approved at full Council on 7th May 2025. It describes a range of activity under each of the ten missions. It also specifically highlights 16 delivery priority programmes for 2025/26. These are activities which are critical to achieving the Council's vision, essential to achieving a balanced budget in future years, or fundamental to the efficient and effective operation of its services. As such, they are considered 'must do' activities for the year. Following this approval, Quarterly Corporate Performance Reports have been developed to explicitly link public performance reporting to the ten Westmorland and Furness delivery framework missions; using the agreed set of 82 metrics and sixteen named priority programmes for 2025/26. The intention of this approach is to enable effective oversight and scrutiny of the delivery of the Westmorland and Furness Council Plan priorities.

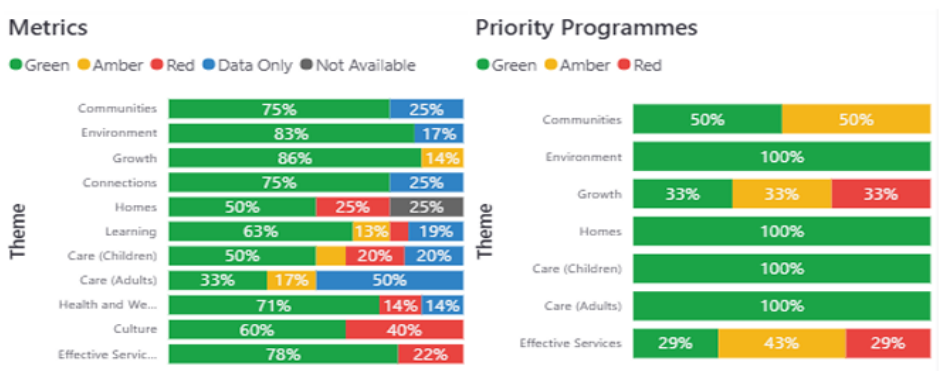
3.4. Figure 1 - Summary Position of Corporate Performance Metrics and Priority Programmes at Quarter 4 2025/26:

3.5. The overall position by the end of Quarter 4 2025/26 is that 53 of the 82 metrics (65%) were performing well, met or were on track to meet the planned milestone and rated green. A further 5 metrics (6%) were in progress but at risk of missing the milestone and rated amber, while 10 metrics (12%) were expected to miss a key milestone or not fully deliver as intended and therefore rated red. Finally, 12 metrics (15%) were 'data only' metrics with no target currently set and 2 metrics (2%) were not yet available for Quarter 4. 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 2025/26, 8 priority programmes (50%) were performing well, met or were on track to meet the planned milestone and rated green. However, 5 priority programmes (31%) were in progress but at risk of missing the milestone and rated amber, while 3 priority programmes (19%) were expected to miss a key milestone or not fully deliver as intended and therefore rated red.

3.7. Summaries of the position of metrics and priority programmes broken down by Westmorland and Furness Delivery Framework Mission, and Red Amber Green (RAG) rated against progress at the end of Quarter 4 2025/26 are provided in figure 3.

3.8. Figure 2 – Metrics and Priority Programmes Summary Position at End of Quarter 4:



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 Cabinet. 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. As previously noted in para 3.3 the Annual Plan for 2025/26 was approved and published in May 2025. Against each of the Councils 10 delivery missions outlined in the plan, the plan outlines the key areas of focus and the delivery priorities for each mission during 2025/26. The content of the Annual Plan as well as local service delivery plans provide the collective context for the ongoing assessment of Strategic Risks throughout 2025/26.

4.3. At the end of quarter 4 2025/26, 16 risks remain on the strategic risk register. There are 9 risks rated as high (rated at 15 or above) and 7 rated as medium risk. A summary of the high rated risks are listed in the table below.

Risk No	High rated risks	During Q4 & Q1 - work ongoing to improve risk maintenance or risk mitigation.
2	Workforce Engagement, Capacity & Skill	The risk score has remained at 20 through Q4, reflecting the ongoing and sustained pressures on workforce capacity, capability and resilience. This risk description has been updated to reflect continuing financial pressures and the requirement to delivery significant savings alongside business and usual activity. During Q4 and Q1 progress has been made in implementing workforce savings, including the completion of the voluntary redundancy scheme and implementation of Phase 1 of the Senior Leadership restructure, with further phases and service led restructures currently in development. There remains a risk that the pace and scale of change may result in change fatigue, reduced engagement and the loss of key skills where not effectively managed. This could impact the Council's ability to consistently deliver statutory services, maintain safe operations and deliver transformation at the required pace. Managing this risk needs collective organisational ownership, with services, leadership and HR working together to ensure effective workforce planning, support for staff and retention of critical skills. This will be essential to maintaining safe service delivery and enabling the pace of change required.
6	Childrens Services Insufficiency Placement Sufficiency.	The risk score remains at 16 over the Q4 period. We anticipate seeing the positive impact of the recent purchase of a new residential children's home by Q3, as we continue to prepare for opening during Q1 and Q2 2026/27.

Risk No	High rated risks	During Q4 & Q1 - work ongoing to improve risk maintenance or risk mitigation.
		Disaggregation of the Fostering Service is a key priority for 2026/27 as this will allow us scope to address the impact of falling numbers and therefore increase sufficiency. However, in preparation we are already undertaking work to review and refresh our Foster Carer Offer. Also, assuring the quality of external providers within W&F contributes to the mitigation of this risk, and we have placed new emphasis on this through the new Provider Quality Partnership Forum, allowing us to more easily triangulate information gathered in due diligence. This risk is linked to a key priority in the 2026/27 Children's Services Directorate Plan.
8	Adults Deprivation of Liberty Safeguards	The risk score has remained at 20 over the Q4 period while mitigating actions continue. Referral volumes are still rising, and while we are clearing more caseload, the risk of challenge remains high. It remains difficult to recruit Best Interests Assessors (BIA) but agency resource has now been agreed.
9	Information Security Incident (RR 20)	The risk score has remained at 20 over the Q4 period. Further details on this risk are not for publication by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial and business affairs of any particular person (including the authority holding the information). This risk is being monitored and reported to Cabinet as a Part 2 agenda item.
13	Deliver a Financially Sustainable Authority	The risk score has remained at 25 over the Q4 period. The Q3 budget forecast was c£6m overspend for 31 March 2026. The Director of Resources (Section 151 Officer) has introduced a new series of actions including. - a new series of meetings covering the complementary aspects of service health, including HR, Finance, Performance, and Data. - cross-directorate discussions, and workshop engagement for the 2026/27 budget setting process, which included the current year pressures and mitigations, and evidence supporting our understanding of service demands/triggers. - a Spend Control Board that meets weekly to review spend requests of £30k and above, and recruitment requests. The MTFP, and particularly the forecast reserves position are high risks to future sustainability. The 2026/27 budget proposals are for a balanced budget and include significant savings. Large deficits remain to be addressed in future years. The DSG deficit is growing and although there are changes in 2026/27 through to 2028/29, the balance at 31 March 2028 will, in some part, fall to the Council. There are also over 30 schools in deficit and a cumulative deficit balance held as part of the DSG deficit to be addressed.
18	Priority Delivery Programme	The risk score has remained at 16 over the Q4 period.

Risk No	High rated risks	During Q4 & Q1 - work ongoing to improve risk maintenance or risk mitigation.
		A number of activities within 25/26 programmes are to set the scene, identify the change needed and make decisions on those changes for implementation in 26/27, meaning 25/26 is a year for discovery, identification & decision making. At the end of the 25/26 financial year there are a number of priority programme objectives that have not been delivered, or the scope has been altered to ensure altered outcomes were achieved. Throughout this Q4 period we continued to escalate where support, visibility and decisions were required. We are seeing an improvement in programme ownership & accountability with increased effectiveness of CMT Delivery Programme Board. The arrival of our new CEX has shifted the focus on delivery, with new tighter governance put in place to keep pace, unblock issue and provide early steer. Risks and issues to delivery continue to be escalated as required and specific programme updates are being provided to the Programme Assurance Board to provide oversight on progress.
24	Financially unsustainable Special Educational Needs system	The risk score has reduced from 20 to 15 over the Q4 period because of the government's recognition that this is a national, systemic issue affecting all local authorities. The publication of the White Paper (Every Child Achieving and Thriving), SEND Reform consultation and guidance on applications for a HNB Stability Grant has allowed for a reduction in the likelihood of the risk arising, but there remains uncertainty as to the proportion of the cumulative deficit which could be written-off and this is dependent on the submission of a complex SEND Reform Plan in the next quarter. In addition, we continue to address this risk by: a) Reducing demand through early identification. b) Reducing unit cost by developing more internal and local provision. c) Reviewing all expenditure on the Dedicated Schools Grant against legislation and d) Maximising income where possible.
25	Financially unsustainable school system	The risk score has remained at 20 over the Q4 period. Outturn is significantly worse than predicted at Q3 although, on balance the risk score has remained the same. Draft outturn is an overall school deficit balance £4.820m an increase of £0.909m compared to Q3. There are 46 schools in deficit as at 31 March 2026. Finance review meetings have been held with 35 affected schools with more meetings planned in the Autumn term. The School Deficit Balance Policy has been strengthened, and escalation meetings have been held, and Finance notes of concern have been issued.
26	Risk to sustaining and increasing investment in	The risk score has remained at 16 over the Q4 period.

Risk No	High rated risks	During Q4 & Q1 - work ongoing to improve risk maintenance or risk mitigation.
	prevention to meet rising demand for health and care services and the needs of an ageing population.	This is a national issue being faced by all local authorities however, in Westmorland and Furness the 'dependency ratio' is much more pronounced, and we have specific areas of high health inequality. The People Place Prevention Transformation programme is supporting an increased focus on prevention and ensuring that prevention is systematically considered across the Council, and that targeted work is undertaken to address the rising demand for health and care services. However, the scale of financial challenge facing the Council, and wider health system partners, mean that the impact and likelihood of this risk cannot be reduced at this time.

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 2025–2030. 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).

6. Revenue Financial Outturn position

6.1. The Council's 2025/26 provisional outturn position will be considered at Cabinet on 14th July 2026, the report - 2025/26 Revenue and Capital Budget Monitoring Report (Provisional Year End Outturn) will be published on the Council's website.

6.2. As set out on the below table, the Net Revenue Budget at provisional outturn is £309.860m, which is £7.284m higher than the original net budget, plus a £0.031m shortfall in the Business Rates retained from renewables of £0.031m, result in an overall spend that is £5.220m higher than the revised net budget. This comes from underspends in Treasury Management of (£6.300m) reduced by overspends in services of £10.947m, Corporate Items £0.521m and Sources of Finance £0.052m.

Original Budget 2025/26	Directorate	Revised Budget 2025/26	Prov'l Outturn 2025/26	Prov'l Outturn Variance 2025/26	Q3 Forecast Variance 2025/26	M'vmt from Q3
£m		£m	£m	£m	£m	£m
4.317	Chief Executive & Assistant Chief Executive	4.545	4.445	(0.100)	(0.175)	0.075
74.209	Adult Services	82.038	88.199	6.161	4.926	1.235
61.542	Children's Services	77.187	81.549	4.362	5.111	(0.749)
30.983	Enabler Services	34.728	34.004	(0.724)	(0.447)	(0.277)
49.388	Thriving Places	53.928	56.015	2.087	2.901	(0.814)
18.557	Thriving Communities	15.636	14.980	(0.656)	(0.389)	(0.267)
3.238	Locality Boards	3.239	3.239	0.000	0.000	0.000
25.973	Resources (inc. Revenues & Benefits)	28.443	28.260	(0.183)	(0.578)	0.395
16.452	Treasury Management	14.650	8.350	(6.300)	(5.564)	(0.736)
284.659	**Total Service Expenditure**	**314.394**	**319.041**	**4.647**	**5.785**	**(1.138)**
17.497	Other Corporate Items Net Budget	14.319	14.840	0.521	0.037	0.484
0.000	Dedicated Schools Grant	(13.582)	(13.582)	0.000	12.640	(12.640)
0.420	Use of Reserves (inc. DSG)	(5.271)	(5.271)	0.000	(12.624)	12.624
302.576	**Net Revenue Budget**	**309.860**	**315.028**	**5.168**	**5.839**	**(0.670)**
(302.576)	Sources of finance	**(309.860)**	**(309.808)**	**0.052**	**0.000**	**0.052**
0.000	**Total Budget**	**0.000**	**5.220**	**5.220**	**5.839**	**(0.618)**

6.3. ***Financial Risks**:* During 2025/26 the Council managed a number of financial risks. It should be noted that some of these risks will continue into 2026/27. These include:

6.4. Staffing allocation v establishment budget - the risk remains that staffing costs are greater than staffing budgets, in part due to reshaping requirements due to aggregation and disaggregation of services. The need to use agency staff to cover vacancies, especially within front line services and for statutory roles, also impacts this.

6.5. Fees and Charges income - it is assumed that all fees and charges income will be achievable unless otherwise noted in the body of the report. By exception, income may be reduced due to a one-off circumstance, including reactive and planned maintenance of assets.

6.6. Adults and Children's demand pressures – for both services, there is a risk that statutory demand increases above forecast. The 2026/27 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.

6.7. Severe winter - the 2025/26 budget was increased in line with the previous two winters, but expenditure each year depends on the weather.

6.8. DSG High Needs Block - the DSG is not sufficient to meet the in-year costs that it is specifically awarded for. There has been a statutory override in place for a number of years and that was extended to the 31st March 2028 on the 20th June 2025. The statutory override transfers the net deficit from the DSG activities out of the Council's General Fund and holds the cumulative deficit on the Balance Sheet. The statutory override means that the Council's general reserves are not required to mitigate this deficit whilst it is in place. This is clearly an area of future risk that will continue to be monitored.

6.9. Delivery of Budget Savings - the Local Government Finance Settlement published in February 2026 confirmed the Council's funding from the Revenue Support Grant and Retained Business Rates as the Fair Funding Allocation. The settlement confirmed the 2026/27 allocation and indicated the next two years; the Council faces a severe reduction in core funding. The 2026/27 revenue budget includes a significant £31m savings programme to begin the transition to a future sustainable financial position with at least £51m of further savings to deliver by 2028/29.

6.10. ***Budget Savings Delivery:*** The approved revenue budget includes savings to be delivered in 2025/26 of (£11.045m). At provisional outturn (£9.634m) has been realised in full. This results in a provisional outturn deficit against the original savings plan of £1.411m.

6.11. Schemes which have not delivered to plan are detailed below.

- Promoting Independence - Diagnostic (Adults) £1.000m variance: significant delays in the diagnostic work mean this saving has not been achieved in 2025/26. No alternatives were proposed to mitigate this.

- Ambition for Every Child - Home to School Transport (Children's) £0.100m variance: increased demand throughout 2025/26 offset any savings that were achieved; cost avoidance of £0.268m was realised.

- Staff Turnover (Cross-Cutting) £0.311m variance: both Adults and Children's did not deliver their share of overall saving of £0.600m. Although there are vacancies within both Directorates, these are largely being covered by agency staff.

6.12. The table below summarises delivery of these savings.

£m	Plan 2025/26	Q3 Forecast 2025/26	Variance 2025/26
Savings delivered in full	(9.345)	(9.345)	**0.000**
Savings delivered in part	(0.600)	(0.289)	**0.311**
Savings not delivered	(1.100)	0.000	**1.100**
Total	**(11.045)**	**(9.634)**	**1.411**

6.13. **2025/26 budgeted Service Pressures:** The approved revenue budget 2025/26 included service pressures of £6.528m. At provisional outturn there is an underspend of (£0.041m). The underspend relates to one service pressure; use of the Social Care grant within Children's Services. Budget of grant for the original pressure for 2025/26 of £0.041m was provided to the service.

7. Capital

7.1. The Council approved a Capital Programme for 2025-2030 of £432.130m in total, with £411.135m of direct delivery schemes and £20.995m of Accountable Body Schemes in February 2025. Once the 2024/25 slippage and accelerated spend is included, the revised opening Capital Programme for 2025-2030 is £490.683m, with £462.556m of Direct Delivered schemes and £28.127m of Accountable Body schemes.

8. Treasury Management

8.1. The 2025/26 Treasury Management budget at outturn is £14.650m. The provisional outturn for Treasury Management is an underspend of (£6.300m). It should be noted that this net underspend is a one-off saving relating to 2025/26 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. This strategy generated £3.291m savings against the budgeted debt costs for the year.

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 yielding £3.009m more interest than budgeted.

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 31st March 2026 and its expenditure and income for the year ended the 31st March 2026.
Signed:

D Hodgkinson

David Hodgkinson
Director of Resources (S151 Officer)
30th June 2026

TO BE SIGNED AT THE CONCLUSION OF THE AUDIT

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 xxxxx have been approved by a resolution of this Committee.

Signed on behalf of Westmorland and Furness Council

Fiona Daley
Independent Chair of Audit Committee

Date

Independent Auditor's Report

To be added upon conclusion of the audit

Accounting Statements

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting costs in year of services provided by the Council. This is prepared in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded from taxation. The taxation position is shown in the movement in reserves statement.

2024/25 Expenditure £'000	2024/25 Income £'000	2024/25 Net £'000		Note Ref	2025/26 Expenditure £'000	2025/26 Income £'000	2025/26 Net £'000
6,011	(1,945)	4,066	Chief Executive and Assistant Chief Executive		6,842	(2,612)	4,230
130,675	(51,083)	79,592	Adult Services		139,987	(52,095)	87,891
260,389	(180,112)	80,277	Children's Services		272,769	(188,005)	84,764
34,263	(6,004)	28,259	Enabler Services		34,114	(872)	33,242
106,178	(28,078)	78,100	Thriving Places		112,916	(25,612)	87,304
65,622	(44,690)	20,932	Thriving Communities (including the Housing Revenue Account)		70,601	(47,646)	22,955
3,211	(68)	3,143	Locality Boards		3,300	(61)	3,239
65,781	(39,832)	25,949	Resources (including Treasury Management)		65,513	(33,452)	32,061
4,520	(1,075)	3,445	Other Corporate Items		3,309	(3,455)	(146)
676,650	**(352,887)**	**323,763**	**Cost of Services**	5	**709,350**	**(353,809)**	**355,541**
25,117	0	25,117	Other Operating Expenditure	7	5,099	0	5,099
9,023	(9,177)	(154)	Financing and Investment Income and Expenditure	8	10,662	(9,375)	1,287
0	(317,814)	(317,814)	Taxation and Non-Specific Grant Income	9	0	(366,277)	(366,277)
710,790	**(679,878)**	**30,912**	**(Surplus)/Deficit on Provision of Services**	5.3	**725,111**	**(729,461)**	**(4,350)**
		(7,412)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	30			(8,804)
		(1,514)	Re-measurement of the net defined benefit liability / (asset)	TN 2.3			10,323
		(8,926)	**Other Comprehensive Income and Expenditure**				**1,519**
		21,986	**Total Comprehensive Income and Expenditure**				**(2,831)**

Movement in Reserves Statement

The Movement in Reserves Statement (MiRS) shows the movement on the different reserves held, analysed into usable and unusable reserves.

2025/26

	Note Ref	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Un-applied Account £'000	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**TOTAL RESERVES £'000**
Balance at 1 April 2025	28/29/30	**(19,970)**	**(43,602)**	**(4,929)**	**(4,203)**	**(13,663)**	**(22,562)**	**(108,930)**	**(578,600)**	**(687,530)**
Movement in reserves during 2025/26										
(Surplus) or deficit on the provision of services		(3,702)	0	(648)	0	0	0	(4,350)	0	(4,350)
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	0	1,519	1,519
Total Comprehensive Income and Expenditure		**(3,702)**	**0**	**(648)**	**0**	**0**	**0**	**(4,350)**	**1,519**	**(2,831)**
Adjustments between accounting basis and funding basis under regulations	10	18,864	0	(1,340)	0	(605)	424	17,343	(17,343)	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves		**15,163**	**0**	**(1,988)**	**0**	**(605)**	**424**	**12,994**	**(15,824)**	**(2,831)**
Transfers (to) / from Earmarked Reserves	29	(10,067)	7,827	2,438	(198)	0	0	0	0	0
(Increase) or Decrease in 2025/26		**5,096**	**7,827**	**450**	**(198)**	**(605)**	**424**	**12,994**	**(15,824)**	**(2,831)**
Balance at 31 March 2026	28/29/30	**(14,872)**	**(35,775)**	**(4,480)**	**(4,401)**	**(14,268)**	**(22,138)**	**(95,936)**	**(594,423)**	**(690,360)**

Comparatives – Movement in Reserves Statement 2024/25

	Note Ref	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Un-applied Account £'000	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**TOTAL RESERVES £'000**
Balance at 1 April 2024	28/29/30	**(22,469)**	**(54,368)**	**(4,981)**	**(3,777)**	**(14,894)**	**(21,915)**	**(122,405)**	**(587,111)**	**(709,515)**
Movement in reserves during 2024/25										
(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)**
Total Comprehensive Income and Expenditure		**32,005**	**0**	**(1,092)**	**0**	**0**	**0**	**30,912**	**(8,926)**	**21,986**
Adjustments between accounting basis and funding basis under regulations	10	(16,805)	0	(1,217)	0	1,231	(647)	**(17,438)**	**17,438**	**0**
Net (Increase) or Decrease before Transfers to Earmarked Reserves		**15,200**	**0**	(2,309)	**0**	1,231	**(647)**	**13,475**	**8,512**	**21,986**
Transfers (to) / from Earmarked Reserves	29	(12,700)	10,766	2,360	(426)	0	0	**0**	**0**	**0**
(Increase) or Decrease in 2024/25		**2,500**	10,766	52	**(426)**	**1,231**	**(647)**	**13,475**	**8,512**	**21,986**
Balance at 31 March 2025	28/29/30	**(19,970)**	**(43,602)**	**(4,929)**	**(4,203)**	**(13,663)**	**(22,562)**	**(108,930)**	**(578,600)**	**(687,530)**

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities of the Council, with the net assets matched by the reserves held. Reserves are categorised as usable (those the Council can use to provide services), and unusable (those which cannot be used to provide services).

31 March 2025 £'000	Note Ref		31 March 2026 £'000
857,090	22	Property, Plant and Equipment	901,547
4,996	22.1	Heritage Assets	4,996
24,790	22.2	Investment Property	25,948
318		Intangible Assets	309
5,601	TN 1.2	Long-Term Investments	5,601
2,771	TN 1.2	Long-Term Debtors	2,918
895,566		**Long Term Assets**	941,319
101,556	TN 1.2	Short-Term Investments	35,969
178		Assets Held for Sale	49
775		Inventories	724
101,511	24	Short-Term Debtors	93,348
42,874	TN 1.2 / 25	Cash and Cash Equivalents	33,421
246,894		**Current Assets**	**163,511**
(10,997)	TN 1.3	Short-Term Borrowing	(16,870)
(156,960)	26	Short-Term Creditors	(103,854)
(3,248)	27	Provisions	(3,421)
(3,612)		Income in Advance	(4,286)
(15,373)	18	Grants & Contributions Receipts in Advance - Revenue	(15,483)
(42,958)	18	Grants Receipts in Advance - Capital	(53,271)
(233,148)		**Current Liabilities**	**(197,185)**
(11,975)	TN 1.3	Long-Term Creditors	(13,873)
(3,531)	27	Provisions	(4,181)
(176,490)	TN 1.3	Long-Term Borrowing	(161,477)
(232)		Deferred Income	(212)
(15,915)	TN 2.4	Net Pension Liabilities	(16,147)
(13,639)	18	Grants Receipts in Advance - Capital	(21,396)
(221,782)		**Long Term Liabilities**	**(217,286)**
687,530		**Net Assets**	**690,359**
(108,929)	28	Usable Reserves	(95,936)
(578,601)	30	Unusable Reserves	(594,423)
(687,530)		**Total Reserves**	**(690,359)**

Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents of the Council, and classifies the cash as operating, investing and financing activities. The amount of net cash arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation, grant income and fees and charges.

2024/25 £'000		Note ref	2025/26 £'000
30,912	Net (surplus) or deficit on the provision of services		(4,350)
(109,779)	Adjustment to surplus or deficit on the provision of services for noncash movements		2,763
58,119	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities		80,242
(20,748)	**Net cash flows from operating activities**	31	**78,655**
34,587	Net cash flows from investing activities	32	(80,910)
4,553	Net cash flows from financing activities	33	11,708
18,392	**Net (increase) or decrease in cash and cash equivalents**		**9,453**
61,266	Cash and cash equivalents at the beginning of the reporting period		42,874
42,874	**Cash and cash equivalents at the end of the reporting period**	25	**33,421**

Notes to the Accounting Statements

Note 1 – General Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its overall financial position as at 31st March 2026. 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 2025/26 ("the Code") 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.

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.

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, e.g.

- 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.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Accruals are recognised where the value exceeds £10,000.

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.

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.

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

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

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.

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.

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. For further information about the Council's interests in companies and other entities, please see Note 34 – Related Parties.

Prior Period Adjustments:
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:
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.

Estimates:
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.

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

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

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.

Note 2 - 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 2025/26 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 2026/27 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.

- Amendments to FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage Assets): This includes further guidance on how to determine whether an asset meets the definition of a heritage asset and the requirements for leases of heritage assets.

- Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and 7): Amended requirements relating to:
    - settling financial liabilities using an electronic payment system
    - assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features.

  The changes also amend disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

- Other amendments:
    - Annual Improvements to IFRS accounting standards – Volume 11:
    - Contracts referencing nature-dependent electricity (amendments to IFRS 9 and 7)

Note 3 – 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.

From 1st April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

For 2025/26 the Council has continued with a three year revaluation cycle. Indexation has been applied to land and buildings not valued in 2025/26. This ensures that the Balance Sheet remains materially correct. The assets are then carried at this value in the Balance Sheet and depreciated until the next revaluation is undertaken.

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

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

Judgement is also required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council's external Valuers and finance team work together to determine this. It has been judged that the useful lives of the Council's properties as they currently stand provide a depreciation charge that is an accurate proxy for component accounting purposes. Further details of the componentisation policy are provided in Note 22 – Property, Plant and Equipment.

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 12 – Pooled Budgets ("Pooled Funds").

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 31st March 2026.

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
Total Maintained Schools	**92**	**6**	**2**	**2**	**1**	**103**	**46**	**57**
Academies	29	14	0	1	0	44	0	44
Total	**121**	**20**	**2**	**3**	**1**	**147**	**46**	**101**

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 4 – Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet as at 31st March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainty	Consequences if actual results differ from assumption
<u>Asset Valuation</u> Land and buildings are valued at 'current value' based on existing use or on a depreciated replacement cost (DRC) basis. DRC is used when there is no established property market (excluding sales for alternative use) which would enable a reliable valuation by any other method. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The valuer has provided valuations as at 31st March 2026 for all of the Council's investment portfolio and approximately 32% of its operational land and buildings portfolio. The remaining 68% of the land and buildings portfolio was valued by applying indices provided by Montagu Evans. The remaining balance of operational land and buildings not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the Council's assets are not materially misstated at the Balance Sheet date. This assessment has confirmed that the Balance Sheet is materially correct.	The gross book value of the operational land and buildings valued on a DRC basis is £90m at 31st March 2026 (equivalent to 27.1% of the total gross book value of operational land and buildings at this date). A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £9m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Further detail on asset valuations is provided in Note 22 – Property, Plant and Equipment

Uncertainty	**Consequences if actual results differ from assumption**
Pensions Asset / Liability Estimation of the net asset / liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer Limited, a firm of consulting actuaries, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions asset / liability of changes in individual assumptions can be measured. Technical Note TN2.2 includes a sensitivity analysis. In summary for all Pension schemes the effects are: 0.5% increase in the discount rate assumption would result in a decrease in the net pension surplus / deficit of £56.970m and vice versa. 0.25% increase in inflation would result in an increase of £29.827m in the net pension asset / liabilities. 1 year increase in life expectancy would increase net assets / liabilities by £19.311m. For the LGPS (the only scheme with assets) a 1% increase in the 2025/26 investment returns would increase the assets by £12.922m. Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31st March 2026 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 for the LGPS and are recognised on the Balance Sheet (£9.748m). Further detail is provided in TN 2.2 – Defined Benefit Pension Scheme

Note 5 – Expenditure and Funding Analysis

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

The Ministry of Housing, Communities and Local Government (MHCLG) made regulations regarding the accounting treatment of Dedicated Schools Grant (DSG) deficits, affecting the financial years beginning on 1st April 2020, 1st April 2021 and 1st 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 1st 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 1st April 2021 to 1st April 2027 must be added to the account mentioned at b) above.

As at 31st March 2026 the Westmorland & Furness DSG Adjustment Account had an accumulated deficit of £33.034m excluding balances held within individual schools.

2024/25						2025/26				
Net Expenditure Chargeable to the General Fund Balance	Adjustment for DSG Reserve transfer to Unusable Reserves	Net Expenditure reported to Member	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Compre-hensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustment for DSG Reserve transfer to Unusable Reserves	Net Expenditure reported to Member	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Compre-hensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
4,100		4,100	(34)	4,066	Chief Executive and Assistant Chief Executive	4,445	0	4,445	(215)	4,230
74,952		74,952	4,640	79,592	Adult Services	88,199	0	88,199	(308)	87,892
67,879	8,209	76,088	4,189	80,277	Children's Services	70,650	10,899	81,549	3,215	84,764
28,395		28,395	(137)	28,258	Enabler Services	34,005	0	34,005	(763)	33,242
47,479		47,479	30,621	78,100	Thriving Places	56,015	0	56,015	31,289	87,304
13,656		13,656	7,276	20,932	Thriving Communities	14,980	0	14,980	7,975	22,955
3,143		3,143	0	3,143	Locality Boards	3,239	0	3,239	0	3,239
30,277		30,277	(4,328)	25,949	Resources (including Treasury Management)	36,610	0	36,610	(4,549)	32,061
10,361		10,361	(6,916)	3,445	Other Corporate Items	14,840	0	14,840	(14,986)	(146)
280,242	**8,209**	**288,451**	**35,311**	**323,762**	**Net Cost of Services**	**322,984**	**10,899**	**333,883**	**21,658**	**355,541**
(267,349)	0	(267,349)	(25,502)	(292,851)	Other Income and Expenditure	(309,810)	0	(309,810)	(50,081)	(359,891)
12,893	**8,209**	**21,102**	**9,809**	**30,912**	**(Surplus) or Deficit on Provision of Services**	**13,174**	**10,899**	**24,073**	**(28,422)**	**(4,350)**
(85,596)					Opening Statutory General Fund and HRA balance	(72,703)				
12,893					Plus (Surplus) or Deficit on the Statutory General Fund and HRA balance for the Year	13,1743				
(72,703)					**Closing Statutory General Fund and HRA balance at 31st March***	**(59,528)**				

* 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 5.1 – Note to the Expenditure and Funding Analysis

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

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the CIES.

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

- For Financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

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

2025/26

	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
Chief Executive & Assistant Chief Executive	0	(273)	58	(215)
Adult Services	2,211	(1,779)	(740)	(308)
Children's Services	5,997	(2,870)	88	3,215
Enabler Services	(229)	(772)	238	(763)
Thriving Places	32,470	(1,474)	293	31,289
Thriving Communities	8,878	(1,027)	124	7,975
Locality Boards	0	0	0	0
Resources (including Treasury Management)	(5,523)	(968)	1,942	(4,549)
Other Corporate items	(1,680)	(2,230)	(11,076)	(14,986)
Net Cost of Services	**42,124**	**(11,393)**	**(9,073)**	**21,658**
Other Income and Expenditure from the Expenditure and Funding Analysis	(73,606)	1,301	22,224	(50,081)
Difference between the Statutory Charge and the (Surplus) or Deficit in the CIES	**(31,481)**	**(10,092)**	**13,151**	**(28,422)**

Comparatives – 2024/25

	Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
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)
Net Cost of Services	**40,952**	**(2,433)**	**(3,208)**	**35,311**
Other Income and Expenditure from the Expenditure and Funding Analysis	(25,708)	1,351	(1,145)	(25,502)
Difference between the Statutory Charge and the (Surplus) or Deficit in the (CIES)	**15,244**	**(1,082)**	**(4,353)**	**9,809**

Note 5.2 – Segmental Analysis of Income and Expenditure

2025/26

	Revenues from External Customers £000	Adult Social Care Income £000	Depreciation and Amortisation £000	Net Interest Income and Expense £000
Chief Executive & Assistant Chief Executive	(284)	0	0	0
Adult Services	(32)	(30,322)	905	0
Children's Services	(10,850)	0	5,518	0
Enabler Services	(425)	0	0	0
Thriving Places	(18,862)	0	31,492	0
Thriving Communities	(17,467)	0	5,529	0
Locality Boards	(47)	0	0	0
Resources (including Treasury Management)	(4,608)	0	3,889	(3,199)
Other Corporate items	(542)	0	282	0
Total Managed by Segments	**(53,118)**	**(30,322)**	**47,615**	**(3,199)**

Comparatives – 2024/25

	Revenues from External Customers £000	Adult Social Care Income £000	Depreciation and Amortisation £000	Net Interest Income and Expense £000
Chief Executive & 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
Total Managed by Segments	**(51,749)**	**(28,602)**	**42,377**	**(1,402)**

Note 5.3 – Expenditure and Income Analysed by Nature

2024/25 £'000		2025/26 £'000
(51,749)	Fees and charges	(53,118)
(28,602)	Adult Social Care service income	(30,322)
(7,868)	Interest and investment income	(9,374)
(230,294)	Income from local taxation	(247,706)
(331,091)	Government grants and contributions	(368,539)
(28,965)	Other income	(20,401)
243,784	Employee benefits expenses*	266,756
382,256	Other service expenses	392,994
52,047	Depreciation, amortisation, impairments and (gains)/losses on revaluation of non-current assets	51,355
6,467	Interest payments and Pensions interest cost	6,176
4,820	Precepts and levies	5,157
244	Changes in impairment loss allowance of financial instruments	4,486
(24)	(Gain) or loss on Investments	52
19,887	Net (Gain) or loss on disposal of non-current assets	(1,866)
30,912	**(Surplus) or deficit for the year**	**(4,350)**

* **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: for details please see Note 15 – Termination Benefits
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.

Note 6 – 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 £12.4m.

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 £34.866m (2024/25 £34.063m) and income of £1.306m (2024/25 £1.439m).

Note 7 – Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement (CIES) is set out below.

2024/25		**2025/26**
£'000		**£'000**
18,860	Net (Gains)/losses on the Disposal of Non-Current Assets	(1,814)
4,820	Parish Precepts and Levies	5,158
347	Payments to the Government Housing Capital Receipts Pool	535
1,090	Other	1,220
25,117	**Total Other Operating Expenditure**	**5,099**

Note 8 – Financing and Investment Income and Expenditure

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

2024/25 £'000		2025/26 £'000
6,205	Interest payable and similar charges	6,095
261	Net interest on the net defined benefit liability/(asset)	81
(8,215)	Interest receivable and similar income	(6,604)
(962)	Income in relation to investment properties	(1,559)
124	Expenditure in relation to investment properties	116
1,185	Investment properties changes in fair value	(1,328)
245	Changes in impairment loss allowance of financial instruments	4,486
1,003	Loss on Disposal of Academies	-
(154)	**Total Financing and Investment Income and Expenditure**	**1,287**

Further details on the Pension interest cost and return on pension assets can be found in Technical Note 2 (TN 2) – Pension Schemes. 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 11 – Acquired and Discontinued Operations.

Note 9 – 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:

2024/25 £'000		2025/26 £'000
(168,415)	Council tax income	(184,729)
(61,879)	Non-domestic rates income and expenditure	(62,977)
(230,294)	**Income from Local Taxation**	**(247,706)**
(40,740)	Non-ringfenced government grants	(48,159)
(46,780)	Capital grants and contributions	(70,412)
(87,520)	**Income from Non-Specific Grants**	**(118,571)**
(317,814)	**Total Taxation and Non-Specific Grant Income**	**(366,277)**

Further details of the non-ringfenced government grants received are set out in Note 18 – Grant Income.

Note 10 – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure 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.

Adjustments between Accounting Basis and Funding Basis under Regulations 2025/26

	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
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	9,924	168	0	0	0	(10,092)
Financial Instruments (transferred to (or from) the Financial Instruments Adjustments Account)	19	0	0	0	0	(19)
Pooled investments funds (transferred to the pooled investment funds adjustment account)	(53)	0	0	0	0	53
Council tax and NDR (transfers to (or from) the Collection Fund Adjustment Account)	(11,050)	0	0	0	0	11,050
Holiday pay (transferred to (or from) the Accumulated Absences reserve)	(1,532)	0	0	0	0	1,532
In year deficit on DSG Reserve (transferred to (or from) DSG Adjustment Account)	(10,899)	0	0	0	0	10,899
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 and impairment of non-current assets	(45,344)	(2,479)	0	0	0	47,823
Amortisation of Intangible Assets	(79)	0	0	0	0	79
Net Revaluation Gains / (Losses) on Property, Plant & Equipment	(3,200)	(253)	0	0	0	3,453
Net Revaluation Gains / (Losses) on Investment Properties	1,327	0	0	0	0	(1,327)
Net Gains / (Losses) on Disposal of Property, Plant & Equipment	(256)	408	0	(3,213)	0	3,028
Revenue Expenditure Funded from Capital Under Statute	(14,185)	0	0	0	0	14,185
Grants on Revenue Expenditure Funded from Capital Under Statute	6,421	0	0	0	0	(6,421)
Capital Grants and Contributions credited to Comprehensive Income & Expenditure Statement	70,411	0	0	0	(3,403)	(67,008)
Total Adjustments to Revenue Resources	**1,505**	**(2,156)**	**0**	**(3,213)**	**(3,403)**	**7,267**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,714	0	0	0	0	(1,714)
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	11,789	816	0	0	0	(12,605)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,391	0	0	0	0	(4,391)
Total Adjustments between Revenue and Capital Resources	**17,894**	**816**	**0**	**0**	**0**	**(18,710)**
Adjustments to Capital Resources						
Deferred Capital Receipts	0	0	0	(612)	0	612
Transfer to Capital Grants Unapplied Account	0	0	0	0	3,827	(3,827)
Use of the Capital Receipts Reserve	(535)	0	0	3,220	0	(2,685)
Total Adjustments to Capital Resources	**(535)**	**0**	**0**	**2,608**	**3,827**	**(5,900)**
Total Adjustments	**18,864**	**(1,340)**	**0**	**(605)**	**424**	**(17,343)**

Comparatives - Adjustments between Accounting Basis and Funding Basis under Regulations 2024/25

	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
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	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)
Total Adjustments to Revenue Resources	**(34,236)**	**(2,033)**	**0**	**0**	**(890)**	**37,159**
Adjustments between Revenue and Capital Resources						
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)
Total Adjustments between Revenue and Capital Resources	**16,054**	**816**	**0**	**(2,335)**	**0**	**(14,535)**
Adjustments to Capital Resources						
Deferred Capital Receipts	0	0	0	(51)		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		(3,617)
Total Adjustments to Capital Resources	**1,377**	**0**	**0**	**3,566**	**243**	**(5,186)**
Total Adjustments	**(16,805)**	**(1,216)**	**0**	**1,231**	**(647)**	**17,438**

Note 11 – 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.

2025/26: There were no acquired or discontinued operations in 2025/26.

2024/25:
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 12 – Pooled Budgets ("Pooled Funds")

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.

These arrangements meet the definition of a joint operation, where the partners have joint control over the arrangement, the rights to the arrangement's assets and obligations for the arrangement's liabilities. As such, operating surpluses or deficits are shared in accordance with the agreements between the 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.

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 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 (YOS) is to work with young offenders and reduce the level of offending and reoffending amongst young persons.

2024/25 £'000		2025/26 £'000
(464)	Authority Funding	505
(543)	Partner Funding	501
(1,007)	Total YOS Pooled Funding	**1,006**
967	Authority Expenditure	863
110	Partner Expenditure	61
1,077	Total YOS Expenditure	**924**
70	**Net (surplus) / deficit on the YOS Pooled Budget**	**(82)**
70	**Authority Share of the YOS Net (Surplus) / Deficit**	**(82)**

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 2026 was as follows:

Better Care Fund 2025/26

	Westmorland & Furness Council £'000	North East & North Cumbria ICB £'000	Lancashire & South Cumbria ICB £'000	Total £'000
Contributions				
Disabled Facilities Grant (Capital)	(3,700)			**(3,700)**
Local Authority Better Care Grant (Revenue)	(11,478)			**(11,478)**
NHS Discharge Funding		(400)	(2,198)	**(2,598)**
Local Authority Discharge Funding				
Minimum NHS Contribution		(16,185)	(5,043)	**(21,228)**
Total Contributions	**(15,178)**	**(16,585)**	**(7,241)**	**(39,004)**
Total Pooled Fund Expenditure	**29,608**	**2,325**	**7,071**	**39,004**

Comparatives - Better Care Fund 2024/25

	Westmorland & Furness Council £'000	North East & North Cumbria ICB £'000	Lancashire & South Cumbria ICB £'000	Total £'000
Contributions				
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)
Total Contributions	**(14,516)**	**(5,315)**	**(17,891)**	**(37,722)**
Total Pooled Fund Expenditure	**26,904**	**2,260**	**8,558**	**37,722**

Note 13 – Members' Allowances

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

2024/25 £'000		2025/26 £'000
1,140	Allowances	1,180
34	Expenses	33
1,174	**Total Members' Allowances**	**1,213**

The allowances and expenses are published annually, in full, on the Council's website at https://www.westmorlandandfurness.gov.uk/your-council/councillors-and-committees/councillors-0/councillor-allowances.

Note 14 – Senior Employees' and Officers' Remuneration

The Accounts and Audit Regulations 2020 set 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.

Senior Employees' Remuneration

	Notes		Salary, Fees and Allowance £	Allowances £	Salary etc. relating to Election duties £	Employer's Pension Contributions £	TOTAL £
Miranda Cannon, **Chief Executive**		2025/26	41,491	-	-	7,178	**48,669**
(from 12th January 2026)		2024/25	-	-	-	-	**-**
Sam Plum, **Chief Executive**		2025/26	144,110	-	-	24,423	**168,533**
(to 31st December 2025)	*1*	2024/25	182,391	-	5,572	31,554	**219,517**
Alison Hatcher, **Assistant Chief**		2025/26	131,295	-	-	22,726	154,021
Executive		2024/25	120,318	-	-	20,829	**141,147**
Paul Robinson, **Director of**		2025/26	157,766	-	-	26,881	184,647
Enabler Services		2024/25	142,607	-	2,786	24,671	**170,064**
David Hodgkinson, **Director of**	*2*	2025/26	129,485	8,540	-	22,401	160,426
Resources (S151 Officer) (from 1st June 2025)		2024/25	-	-	-	-	**-**
Susan Roberts, **Acting S151 Officer**		2025/26	19,511	-	-	3,375	22,886
(from 14th March 2025 to 31st May 2025)		2024/25	5,283	-	-	914	**6,197**
Pam Duke, **Director of Resources**		2025/26	-	-	-	-	**-**
(S151 Officer) (to 14th March 2025)		2024/25	141,721	-	-	23,544	**165,265**
Angela Jones, **Director of**		2025/26	155,382	-	-	26,881	**182,263**
Thriving Places		2024/25	150,564		-	26,048	**176,612**
Steph Cordon, **Director of**		2025/26	155,382	-	-	26,881	**182,263**
Thriving Communities		2024/25	142,607	-	-	24,671	**167,278**
Cath Whalley, **Director of**		2025/26	155,382	-	-	26,881	**182,263**
Adult Social Care		2024/25	142,607	-	180	24,671	**167,458**
Milorad Vasic, **Director of**		2025/26	153,130	-	-	26,492	**179,622**
Children's Services		2024/25	141,025	-	529	24,397	**165,951**
Katrina Stephens, **Director**		2025/26	129,517	-	-	22,406	**151,924**
of Public Health		2024/25	118,606	-	126	20,519	**139,251**
Linda Jones, **Chief Legal**		2025/26	135,507	-	-	22,714	**158,221**
and Monitoring Officer		2024/25	120,330	-	3,524	20,817	**144,671**
TOTAL		**2025/26**	**1,507,958**	**8,540**	**-**	**259,239**	**1,775,738**
		2024/25	**1,408,059**	**-**	**12,718**	**242,634**	**1,663,412**

Notes to the Senior Employees Remuneration table

Note 1 - Chief Executive – This post was filled by Sam Plum until 31st December 2025. Miranda Cannon came into post on 12th January 2026. During the interim period, the Director of Resources (David Hodgkinson) undertook the statutory duties of the Chief Executive.

Note 2 - Director of Resources (Section 151 Officer) – This post was filled by Pam Duke until 14th March 2025. From 15th March 2025, Susan Roberts, 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) – David Hodgkinson - on 1st June 2025.

Note 3 - The allowances paid to the Director of Resources (S151) – David Hodgkinson consist of relocation allowance payable in accordance with the Council's policy and HMRC guidelines and an honorarium paid for undertaking additional responsibilities during the interim period of undertaking the statutory duties of the Chief Executive (as set out in note 1).

Note 4 - Employer's Pension Contributions are paid on continuing employment at the rate set by the Actuary to the Cumbria Pension Fund (17.3%).

Note 5 - There were no benefits in kind in 2025/26 (benefits in kind include expense allowances liable for taxation including for example, travel and mileage expenses. For 2025/26 the Council’s mileage rate was at or below the HMRC rate so there is deemed to be no benefit received).

Officers' Remuneration

The number of officers, excluding those disclosed in the Senior Officer's Remuneration table but 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.

Officers' Remuneration – number of employees by remuneration band

2024/25 School Staff	2024/25 Other Staff	2024/25 Total		2025/26 School Staff	2025/26 Other Staff	2025/26 Total
73	110	**183**	£50,001 to £55,000	148	112	260
52	62	**114**	£55,001 to £60,000	62	97	159
33	22	**55**	£60,001 to £65,000	41	32	73
15	46	**61**	£65,001 to £70,000	36	65	101
15	11	**26**	£70,001 to £75,000	24	15	39
3	8	**11**	£75,001 to £80,000	19	5	24
2	22	**24**	£80,001 to £85,000	6	29	35
5	4	**9**	£85,001 to £90,000	3	3	6
2	0	**2**	£90,001 to £95,000	9	2	11
1	2	**3**	£95,001 to £100,000	1	1	2
0	7	**7**	£100,001 to £105,000	0	1	1
1	1	**2**	£105,001 to £110,000	2	12	14
1	1	**2**	£110,001 to £115,000	0	1	1
0	2	**2**	£115,001 to £120,000	0	0	0
0	0	**0**	£120,001 to £125,000	2	0	2
0	0	**0**	£125,001 to £130,000	1	0	1
1	0	**1**	£130,001 to £135,000	0	0	0
0	0	0	£135,000 to £140,000	1	0	1
204	**298**	**502**	**Total**	**355**	**375**	**730**

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 2025/26 was £3.660m for 89 employees, (an average of £0.041m) (2024/25: £0.381m for 28 employees, an average of £0.014m). These exit package costs exclude payments to Senior Officers which are separately disclosed above in the Senior Employees Remuneration table.

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 (£)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£0-£20,000	7	7	16	46	23	53	152,799	306,061
£20,001 - £40,000	3	0	1	10	4	10	108,654	284,881
£40,001 - £60,000	0	0	0	7	0	7	0	335,298
£60,001 - £80,000	0	0	0	1	0	1	0	76,918
£80,001-£100,000	0	0	0	5	0	5	0	439,770
£100,001-£150,000	0	0	1	8	1	8	119,901	976,963
£150,001-£200,000	0	0	0	2	0	2	0	327,203
£200,001-£250,000	0	0	0	0	0	0	0	-
£250,001-£300,000	0	0	0	2	0	2	0	564,546
£300,001-£350,000	0	0	0	1	0	1	0	348,362
£350,001-£400,000	0	0	0	0	0	0	0	-
£400,001-£450,000	0	0	0	0	0	0	0	-
Total	**10**	**7**	**18**	**82**	**28**	**89**	**381,354**	**3,660,002**

Note 15 – 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.

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 2025/26 the termination payments made to employees totalled £1.397m and related to 89 staff (2024/25 £0.256m, 27 staff).

Note 16 – 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:

2024/25 £'000		**2025/26** £'000
707	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	731
10	IFRS 16 implementation – a new standard not in place when the audit work was tendered **	TBC
-	Regaining audit assurance, including work on significant risks and areas where sufficient and appropriate audit evidence was not obtained in previous years **	TBC
	<u>Fees payable in respect of other services provided by Grant Thornton during the year</u>:	
-	Housing Capital receipts 2023-24	10
-	Housing Capital receipts 2024-25	10
-	Housing Capital receipts 2025-26	10
60	Certification of Housing Benefits claim 2023-24*	60
10	Department for Energy Security & Net Zero Grant audit 2024-25*	10
10	Department for Energy Security & Net Zero Grant audit 2023-24*	10
-	Certification of Teachers Pension 2024-25	13
13	Certification of Teachers Pension 2023-24*	13
810	**Total External Audit Costs**	**867**

The CIPFA Code requires that sums that must be disclosed are those payable to the audit body or to the appointed auditor for the year, and will usually be interpreted to require:

- a figure for fees for audit and inspection work carried out relating to the year of account (which will require some estimation where the work has not been completed when the accounts are finalised – e.g. in respect of grant claims) – e.g. the figure for the 20XX/YY note will comprise the cost of audit work carried out or to be carried out in relation to the 20XX/YY statement of accounts and grant claims, and
- a figure for other work based on the work carried out during the year of account, e.g. the figure for the 20XX/YY note will comprise amounts payable for work performed in the 20XX/YY financial year.

The figures disclosed in this note therefore reflect the figures provided to us by Grant Thornton in their draft Audit Plans for 2025/26 and 2024/25. The items highlighted with a * indicate that the fee for this work was included in both the 2024/25 and 2025/26 draft Audit Plans and are therefore duplicated in this note.

** Grant Thornton has noted that the scale fee set by PSAA for the 2025-26 audit is £731,184 (PY: £707,376) for the Council. However, given the scale of the significant risks and the lack of full assurance gain in the prior years (including the implementation of IFRS 16 from 1 April 2024) there is an expectation that there may need to be fee variations in addition to the scale fee for the 2025-26 audit.

Note 17 – 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 2025/26 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000	£'000
Final DSG for 2025/26 before Academies and high needs recoupment			239,258	
Academy and High Needs figure recouped for 2025/26			(88,091)	
Total DSG after academy & high needs recoupment for 2025/26			**151,167**	
Plus Brought forward from 2024/25			0	
Less: Carry forward to 2026/27 (agreed in advance)			0	
Agreed initial budgeted distribution in 2025/26	28,757	122,410	151,167	
In year adjustments	0	34	34	
Final budget distribution for 2025/26	**28,757**	**122,444**	**151.201**	
Less: Actual central expenditure	(41,500)		(41,500)	
Less: Actual ISB deployed to schools		(107,429)	(107,429)	
Plus: Local Authority contribution for 2025/26	0	0	0	
In Year Carry forward to 2026/27	**(12,742)**	**1,843**	**(10,899)**	
Total DSG unusable reserve at the end of 2024/25				**(22,135)**
Addition to DSG Unusable Reserve at the end of 2025/26				**(10,899)**
Total DSG Unusable Reserve at the end of 2025/26				**(33,034)**

Comparatives DSG receivable for 2024/25:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000	£'000
Final DSG for 2024/25 before Academies and High needs recoupment			216,098	
Academy and High Needs figure recouped for 2024/25			(81,332)	
Total DSG after academy recoupment for 2024/25			**134,766**	
Plus Brought forward from 2023/24			0	
Less: Carry forward to 2025/26 (agreed in advance)			0	
Agreed initial budgeted distribution in 2024/25	**27,300**	**107,466**	**134.766**	
In year adjustments	0	(440)	(440)	
Final budget distribution for 2024/25	**27,300**	**107,026**	**134.326**	
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				
In Year Carry forward to 2025/26	**(7,806)**	**(403)**	**(8,209)**	
Total DSG unusable reserve at the end of 2023/24				**(13,927)**
Addition to DSG Unusable Reserve at the end of 2024/25				**(8,209)**
Total DSG Unusable Reserve at the end of 2024/25				**(22,136)**

The reserve as at 31st March 2026 is a deficit of £33.034m, an increase to the deficit of £10.899m compared to the deficit balance of £22.135m as at 31st March 2025. The main reasons for the increase in the deficit on the DSG earmarked reserve are:

(Overspend) on High Needs Block	(£13.008m)
Underspend on other DSG funded budgets	£2.109m
Total	**£10.899m**

The overspend against the High Needs Block of £13.008m 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 2024/25 and in previous years, has resulted in significant pressure on the High Needs Block budget. A significant proportion (26%) 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 in 2013/14. The High Needs budget pressure being experienced by Westmorland & Furness is in line with the national picture.

The DSG Deficit has been subject to a statutory override for many years meaning that the cumulative net DSG deficit must be held in an unusable reserve and does not impact on the Council's general reserves position, however, this statutory override is due to end in 2028. The government announced in February 2026 that they will address long standing SEND financial pressures by covering up to 90% of local authorities' DSG deficits accrued up to the end of 2025/26 through the High Needs

Stability Grant. This grant will be paid subject to each local authority securing the Secretary of State for Education's approval of their local area's Local SEND Reform Plan. If successful in applying for a 90% contribution this would leave a £3.3m cumulative deficit reserve. The Council is fully engaging with the DfE in the development of its SEND Reform Plan which is due to be submitted on 19 June 2026 and there will be ongoing work to further mitigate the spend on the High Needs Block as the accumulating deficit position for 2026 to 2028 is a risk to the council when the statutory override ceases.

The underspend against other DSG budgets of £2.109m comprises of £1.986m against the Early Years Block which is mainly due to a difference between the actual take-up of Under 2s, 2, 3 and 4 year old free-entitlement nursery provision compared to the provisional Early Year Block funding allocation for 2025/26. The Early Years Block allocation was based on the previous year's actual take-up of provision for 3-4 year olds and estimated take-up provision for Under 2s and 2 year olds following the expansion of new free entitlement provision to working parents of Under 2s and 2 year olds during financial year 2025/26. An adjustment will be made in July 2026 against the 2025/26 DSG allocation to update the Early Years block allocation to reflect actual take-up of provision. In addition, the underspend is partly explained by the number of term days that fall within the financial year 2025/26. The Early Years Block allocation is based on a standard 190 term days each year, however, the local authority funds early years providers based on the actual number of terms days in the financial year which, for 2025/26 was 184 days.

The remaining balance of (£0.123m) mainly relates to an underspend against the School Contingency fund of (£0.106m) and other individually non-material variances across various budget lines totalling a net underspend of (£0.017m).

Note 18 – Grant Income

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.

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.

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 9.

2024/25 £'000		2025/26 £'000
	Revenue Grants and Contributions	
(22,931)	Social Care Grant	(26,857)
(9,010)	Revenue Support Grant	(9,393)
(6,444)	Rural Services Support Grant	-
-	Extended producer responsibility Grant	(5,962)
-	Employer NI Contributions Grant	(3,320)
-	New Homes Bonus Grant	(1,966)
(2,355)	Other Non-Specific Revenue Grants & Contributions < £1m	(661)
(40,740)	**Total Revenue Grants and Contributions**	**(48,159)**
	Capital Grants & Contributions	
(21,976)	Department for Transport (DfT) Highways Block Grant	(32,467)
(3,141)	Homes England Grant for Marina Village phase 2	(10,893)
(4,147)	DfT Grant for Grizebeck Improvements Scheme	(10,598)
-	Prioritised Maintenance Grant	(2,626)
-	Barrow Town Deal	(2,076)
-	Local Transport Grant	(1,629)
(3,345)	LUF - Barrow Market & Public Realm	(1,100)
(5,720)	Other Capital Grants & Contributions < £1m	(9,023)
(46,780)	**Total Capital Grants and Contributions**	**(70,412)**
(87,520)	**Total Grant Income credited to Taxation and non-specific Grant Income and Expenditure**	**(118,571)**

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.

2024/25 £'000		2025/26 £'000
	Revenue Grants	
(134,326)	Dedicated Schools Grant	(151,167)
-	Dedicated Schools Grant - adjustment re previous year	(34)
(33,460)	Housing Benefits Subsidy	(25,804)
(9,304)	Adult Social Care - Improved Better Care Fund	(11,478)
(8,351)	Public Health Grant	(8,862)
(4,891)	Market Sustainability & Improvement Workforce Fund Grant	(4,891)
(3,358)	Pupil Premium Grant	(3,799)
(3,004)	Sixth Form Funding	(3,513)
(3,920)	UK Shared Prosperity Fund	(2,712)
(2,973)	Household Support Grant	(2,581)
(2,361)	Adult & Community Learning Grants	(2,371)
(1,664)	Universal Free School Meals Grant	(1,673)
-	National Insurance contributions (NICs) grant	(1,632)
(1,672)	Primary PE & Sports Grant	(1,563)
(2,042)	Core Schools Budget Allocation	(1,537)
(1,385)	Homes for Ukraine	(1,274)
-	Plan for Barrow Funding	(1,117)
(740)	Homelessness Prevention Grant	(1,065)
-	Work for Barrow Grant	(1,000)
(21,116)	Other Grants & Contributions < £1m	(15,473)
(234,567)	**Total Revenue Grants credited to Services**	**(243,546)**
	REFCUS Grants and Contributions	
(2,926)	Disabled Facilities Grants	(3,048)
(2,495)	Home Upgrade Grant Phase 2 (HUG 2)	(739)
(3,583)	Other REFCUS Grants and Contributions < £1m	(2,633)
(9,004)	**Total REFCUS Grants and Contributions**	**(6,421)**
(243,571)	**Total Grant income credited to Services**	**(249,967)**

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

2024/25 £'000		2025/26 £'000
(4,019)	Homes for Ukraine Grant	(3,388)
-	Bus Service Improvement Plans Revenue Grant	(1,276)
(1,026)	Wraparound Childcare Programme Costs	-
(5,926)	Other Revenue Grants Receipts in Advance < £1m	(6,275)
(4,402)	Revenue Contributions Receipts in Advance < £1m	(4,544)
(15,373)	**Total Grants Receipts in Advance (Revenue Grants) - Current Liabilities**	**(15,483)**

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:

2024/25 £'000		2025/26 £'000
-	Barrow Transformation Fund	(13,350)
(14,189)	DfT Grizebeck Improvement Grant	(8,568)
-	Levelling Up Fund	(5,538)
(11,980)	Nutrient Neutrality Grant	(5,009)
(3,412)	Active Travel Barrow	(2,947)
(2,141)	DfE High Needs Fund	(2,876)
-	DFT Bus Grant	(2,461)
(2,647)	Local EV Infrastructure Fund	(2,100)
-	Local Transport Grant	(1,919)
(1,647)	Prioritised Maintenance	(1,297)
-	W&F Disabled Facilities Grant	(1,131)
-	SHDF Wave 3 funding	(1,027)
(6,386)	Barrow Town Deal	(974)
(556)	less than £1m	(4,075)
(42,958)	**Total Grants Receipts in Advance (Capital Grants) - Current Liabilities**	**(53,272)**

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:

2024/25 £'000		2025/26 £'000
(3,280)	Nutrient Neutrality Grant	(6,000)
(3,104)	DfE High Needs Fund	(5,072)
(1,198)	Barrow Town Deal	(2,498)
(1,261)	Local EV Infrastructure Fund	(1,808)
-	Local Transport Grant	(1,713)
-	Basic Needs	(1,469)
(4,796)	less than £1m	(2,836)
(13,639)	**Total Grants Receipts in Advance (Capital Grants) - Long Term Liabilities**	**(21,396)**

Note 19 – Capital Expenditure and Capital Financing

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

31 March 2025 £'000		31 March 2026 £'000
251,894	**Opening Capital Financing Requirement**	**270,593**
	Capital Investment:	
67,538	Property Plant and Equipment	83,081
11,999	New leases / Right of Use Assets	4,903
0	Intangible Assets	70
7	Investment Properties	0
12,444	Revenue Expenditure Funded from Capital Under Statute	14,185
91,988	**Total Capital Spending**	**102,239**
	Sources of Finance:	
(3,617)	Capital receipts	(2,662)
(53,517)	Government Grants and other contributions	(73,429)
(1,620)	Capital Grants Unapplied	(3,827)
	Sums set aside from revenue:	
(3,556)	- Direct revenue contributions	(4,391)
(10,979)	- Minimum revenue provision (MRP)*	(12,605)
(73,289)	**Total Sources of Finance**	**(96,914)**
270,593	**Closing Capital Financing Requirement**	**275,918**

Explanation of movements in year:

31 March 2025 £'000		31 March 2026 £'000
(10,979)	Decrease in underlying need to borrow (supported by government financial assistance)	**(12,605)**
17,679	Increase in underlying need to borrow (unsupported by government financial assistance)	13,107
11,999	Assets Acquired by Lease / Right of Use	4,823
18,699	**(Decrease) / Increase in Capital Financing Requirement**	**5,325**

* Minimum Revenue Provision (MRP):
The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance (MRP), by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

The Council's policy for MRP is as follows:

- Capital spend incurred before 1st April 2008 and spend financed by "supported" borrowing in all the following years; from 1st April 2009 this is charged on a 2% straight line basis. This ensures that the debt will be repaid within 50 years.

- 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.

For 2025/26 the MRP was £12.605m (2024/25 £10.979m), this includes £2.067m related to leases (2024/25 £1.143m). The annual MRP charge as a percentage of the Capital Financing Requirement for 2025/26 is 4.58% (2024/25 4.06%).

Note 20 – Leases

The Council as lessee (leased in)

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.

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.

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 Council'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.
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'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:

	Land and Buildings	Vehicles, Plant & Equipment	TOTAL
	£'000	£'000	£'000
Balance at 1st April 2025	**8,984**	**7,375**	**16,359**
Additions	208	4,695	4,903
Revaluations	117	0	117
Depreciation and amortization	(384)	(2,222)	(2,606)
Disposals	0	0	0
Balance at 31st March 2026	**8,925**	**9,848**	**18,773**

Transactions under leases (Lessee): The authority incurred the following expenses and cash flows in relation to leases:

31 March 2025 £'000		31 March 2026 £'000
	Comprehensive income and expenditure statement	
564	Interest expense on lease liabilities	759
639	Expense relating to short-term leases	475
565	Expense relating to leases of low-value assets	771
13	Variable lease payments not included in the measure of lease liabilities	13
0	Income from subletting right-of-use assets	0
0	Gains or losses arising from sale and leaseback transactions	0
	Cash flow statement	
1,921	Minimum lease payments	3,124

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

31 March 2025 £'000		31 March 2026 £'000
2,328	Less than one year	2,912
6,876	One to five years	8,602
8,141	More than five years	8,730
17,345	**Total undiscounted liabilities**	**20,244**

Authority as Lessor (leased out)

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.

The Authority has leased out property at Devonshire Arcade, Penrith on a finance lease, with 115 years remaining at 31 March 2026.

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.

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

Transactions under leases (Lessor)**:** The Authority made the following gains and losses as a lessor during the year:

31 March 2025 £'000		31 March 2026 £'000
	Finance Leases	
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
	Operating Leases	
3,687	Total lease income	4,927
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:

31 March 2025 £'000		31 March 2026 £'000
520	Net investment at 1st April	519
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
520	**Net investment as at 31st March**	**519**

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).

31 March 2025 £'000		31 March 2026 £'000
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
2,310	More than five years	2,289
2,415	**Net investment as at 31st March**	**2,394**

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

31 March 2025 £'000		31 March 2026 £'000
2,415	Total undiscounted lease receivables	2,394
(1,896)	Unearned finance income	(1,875)
1	Discounted amount of unguaranteed residual values	1
520	**Net investment in leases**	**520**

Note 21 – Service Concession Arrangements

The Council currently has no PFI/PPP contracts.

Waste Management Arrangements between Cumberland Council and Westmorland and Furness Council

Prior to Local Government Reorganisation (LGR) Cumbria County Council entered into a 25 year Public Private Partnership (PPP) arrangement with Renewi Plc in June 2009. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme. To achieve this aim, Renewi constructed two waste treatment facilities; one in the North (Carlisle) and one in the South (Barrow in Furness) of the County. At the end of the concession period the waste treatment plants will be transferred to the respective Councils' ownership. Renewi have also taken over responsibility for disposing of the County's residual waste via landfill.

As part of LGR the PPP contract novated to Cumberland Council (Cumberland) and an Inter Authority Agreement (IAA) between Cumberland and Westmorland and Furness (W&F) was put in place to manage the service.

The Council has assessed this arrangement and has concluded that the arrangement doesn't meet the definition of a Joint Arrangement. As such, the Council accounts for the arrangement as the provision of a service to the Council and recognises expenses in relation to services received as expenditure when the services are received rather than when payments are made. The PPP contract and associated assets are accounted for by Cumberland Council in their Financial Statements.

Note 22 – Property, Plant and Equipment

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

Recognition

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

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

Componentisation

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

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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:

Category	Basis
Council Dwellings	Current value, determined using the basis of existing use value for social housing (EUV–SH)
Property plant and equipment (except infrastructure community assets and assets under construction)	Current Value (EUV)
Infrastructure, community assets and assets under construction	Depreciated historical cost
Specialised property	Current Value (DRC) or Existing Use Value (EUV)
Assets held for sale	Lower of carrying amount and fair value less costs to sell (IFRS 13)
Surplus Assets	Fair value (IFRS 13), estimated at highest and best use from a market participant's perspective.
All other assets	Current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

<u>Revaluations</u>

From 1st April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

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 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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**
2025/26_Montagu Evans	97,680	42,131	3,147	-	-	-	-	295	-	-	143,253
2025/26_Valuation Office	-	55,588	-	-	-	-	-	3,422	-	-	59,009
2025/26_Indexation	-	225,615	-	-	-	-	-	7,366	-	5,419	238,400
2025/26 as per IFRS16		-	-	-	-	-	-	-	-	12,964	12,964
Assets carried at current value (MV-EUV, FV & DRC)	**97,680**	**323,334**	**3,147**	**-**	**-**	**-**	**-**	**11,082**	**-**	**18,383**	**453,626**
Assets carried at historical cost	-	0	-	11,391	220	382,450	11,021	0	42,447	392	447,921
Net Book Value as at 31 March 2026	**97,680**	**323,335**	**3,147**	**11,391**	**220**	**382,450**	**11,021**	**11,082**	**42,447**	**18,775**	**901,547**

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

- *Non-specialised assets*: Zoe Davies and Samuel Lowe carried out inspections and undertook research and valuations. Dan Moore provided advice. All work was supervised by the report signatory at a detailed level. The valuations have been reviewed and verified by Craig Murray. All of the above are RICS Registered Valuers. Leone Ramshaw, Graduate Valuer, also assisted with inspections, research and valuations.

- *Specialised assets valued on a DRC basis:* Malcolm Lytton and Andrew Thomas, 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. Steven Beresford and Joe Green assisted with research and valuations. All work was supervised by Frances Hay at a high level and quality assured by their senior team member James McLearon. Anthony Johnston, graduate valuer, carried out inspections and assisted with research and valuations. Felix Green, surveyor, assisted with research.

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

The significant assumptions applied in estimating the current values are:

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

Revaluation losses

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the

Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

Depreciation

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

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.

Asset Category	Range
Operational Buildings	Up to 58 years
Waste Disposal Sites	30 years
Vehicles, Plant, Furniture & Equipment	Up to 50 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Land	Infinite life and therefore no depreciation charged

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

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

Components have been recognised in the financial year where:

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

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

Non-Current Assets - Schools

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

Property, Plant and Equipment Movements – to 31st March 2026

	Council Dwellings £'000	Land and Buildings £'000	HRA Other Land & Buildings £'000	Plant / Vehicles / Equipment £'000	HRA Plant / Vehicles / Equipment £'000	Community £'000	Surplus £'000	Assets Under Construction £'000	Right of Use Assets £'000	Total £'000
Cost or Valuation										
at 1st April 2025	**96,416**	**313,121**	**2,944**	**30,173**	**594**	**10,992**	**12,097**	**36,300**	**18,332**	**520,969**
Additions	2,281	13,525	0	2,253	0	29	1,791	15,034	4,903	**39,816**
Accumulated Depreciation written out to Gross Carrying Amount	(2,224)	(10,387)	(174)	0	0	0	(215)	0	(205)	**(13,205)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,551	5,719	376	0	0	0	(70)	1,278	117	**9,971**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(253)	(2,507)	0	0	0	0	(656)	(36)	0	**(3,542)**
Derecognition – disposals	(1,090)	0	0	(3,416)	0	0	(17)	0	0	**(4,523)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	128	0	0	**128**
Assets reclassified (to)/from Investment Property	0	285	0	0	0	0	(115)	0	0	**170**
Other movements	0	11,964	0	0	0	0	(1,862)	10,102	0	**0**
at 31st March 2026	**97,680**	**331,720**	**3,147**	**29,010**	**594**	**11,021**	**11,082**	**42,473**	**23,147**	**549,874**
Accumulated Depreciation and Impairment										
at 1st April 2025	**0**	**(6,777)**	**0**	**(17,607)**	**(319)**	**0**	**(39)**	**0**	**(1,972)**	**(26,714)**
Depreciation charge	(2,250)	(10,541)	(174)	(3,155)	(55)	0	(203)	0	(2,605)	**(18,983)**
Accumulated Depreciation written out to Gross Carrying Amount	2,224	10,387	174	0	0	0	215	0	205	**13,205**
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	(1,166)	0	0	0	0	0	0	0	**(1,166)**
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(288)	0	0	0	0	0	0	0	**(288)**
Derecognition - Disposals	26	0	0	3,143	0	0	0	0	0	**3,168**
Other Movements in Depreciation /impairment	0	0	0	0	0	0	26	(26)	0	**0**
at 31st March 2026	**0**	**(8,385)**	**0**	**(17,619)**	**(374)**	**0**	**0**	**(26)**	**(4,372)**	**(30,776)**
Net Book Value										
at 31st March 2026	**97,680**	**323,335**	**3,147**	**11,391**	**220**	**11,021**	**11,082**	**42,447**	**18,775**	**519,098**
at 31st March 2025	**96,416**	**306,344**	**2,944**	**12,566**	**275**	**10,992**	**12,058**	**36,300**	**16,360**	**494,255**

Comparative Property, Plant and Equipment Movements – to 31st March 2025

	Council Dwellings £'000	Land and Buildings £'000	HRA Other Land & Buildings £'000	Plant / Vehicles / Equipment £'000	HRA Plant / Vehicles / Equipment £'000	Community £'000	Surplus £'000	Assets Under Construction £'000	Right of Use Assets £'000	Total £'000
Cost or Valuation										
at 31st March 2024	**91,856**	**339,377**	**2,791**	**36,562**	**594**	**11,175**	**9,476**	**33,316**	**0**	**525,147**
Transfer to Right of Use Assets	0	(6,001)	0	(907)	0	0	0	0	6,908	**0**
Right of Use Assets added 1st April 2024	0	0	0	0	0	0	0	0	7,293	**7,293**
At 1st April 2024	**91,856**	**333,376**	**2,791**	**35,655**	**594**	**11,175**	**9,476**	**33,316**	**14,201**	**532,439**
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)**
at 31st March 2025	**96,416**	**313,121**	**2,944**	**30,174**	**594**	**10,992**	**12,097**	**36,300**	**18,333**	**520,970**
Accumulated Depreciation and Impairment										
at 31st April 2024	**0**	**(4,263)**	**0**	**(17,542)**	**(263)**	**0**	**(76)**	**(5,865)**	**0**	**(28,010)**
Transfer to Right of Use Assets	0	65	0	258	0	0	0	0	(323)	**0**
At 1st April 2024	**0**	**(4,199)**	**0**	**(17,284)**	**(263)**	**0**	**(76)**	**(5,865)**	**(323)**	**(28,010)**
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**
at 31st March 2025	**0**	**(6,777)**	**0**	**(17,607)**	**(319)**	**0**	**(39)**	**0**	**(1,972)**	**(26,714)**
Net Book Value										
at 31st March 2025	**96,416**	**306,344**	**2,944**	**12,566**	**275**	**10,992**	**12,058**	**36,300**	**16,360**	**494,255**
at 31st March 2024	**91,856**	**329,177**	**2,791**	**18,371**	**331**	**11,175**	**9,399**	**27,451**	**6,585**	**497,136**

Note 22.1 – 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.

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.

<u>Recognition</u>
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.

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

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

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

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

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

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the 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.

2024/25 £'000		2025/26 £'000
347,052	**Net Book Value (modified historic cost) as at 1st April**	**362,835**
34,611	Additions	48,168
8,940	Transfer from Plant, Vehicles and Equipment	0
(27,768)	Depreciation	(28,553)
362,835	**Net Book Value at 31st March**	**382,450**

Reconciliation to Balance Sheet:

2024/25 £'000		2025/26 £'000
362,835	Infrastructure Assets	382,450
494,255	Other Property Plant & Equipment Assets	519,097
857,090	**Total Property, Plant & Equipment**	**901,547**

Note 22.2 – Heritage Assets

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

The carrying value of Heritage Assets held by the Council as at 31st March 2026 was £4.996m (31st March 2025: £4.996m).

Note 22.3 – Investment Properties

Each year the Council reviews its property portfolio to identify any properties that should be classified as 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.

As at 31st March 2025 there are a total of 43 investment properties (31st March 2025: 43).

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:

2024/25 **£'000**		**2025/26** **£'000**
(962)	Rental Income from Investment Properties	(1,559)
124	Direct Operating Expenses arising from investment property	116
(838)	**Net gain / (loss)**	**(1,443)**

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

2024/25 £'000		2025/26 £'000
26,108	Balance at start of year:	24,790
6	Additions	0
(1,186)	Net gains / (losses) from fair value adjustments	1,327
(138)	De-recognition of asset	0
0	Transfer to Property Plant & Equipment	**(170)**
24,790	**Balance at 31st March**	**25,947**

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

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

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

Note 22.4 – Capital Commitments

As at 31st March 2026, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2026/27 and future years budgeted to cost £14.367m. The major commitments are:

2024/25 £'000		2025/26 £'000
-	Marina Village (Phase 2)	5,374
-	A595 Grizebeck Stage 2	4,833
-	Barrow Town Deal - Cycling & Walking, Earnse Bay, Hubs	1,903
-	Children's Services	655
-	Flood Resilience	608
-	Resources	546
-	Patterdale Community Land Trust - Affordable Social Housing	323
-	Grange Lido and Promenade	60
447	Levelling Up Fund - Barrow Market & Public Realm	35
-	Levelling Up Fund – Heart of Kendal	30
659	Highways & Transport - Bridges & Structures	-
482	Highways & Transport - Principal Road Network (PRN) Schemes	-
400	Active Travel Fund Barrow	-

Note 23 – Fair Value Disclosures for Surplus Assets

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

There has been no change in the valuation techniques used during the year. In estimating their fair value, the Council's surplus assets have been valued to their highest and best use. The net book value at 31st March 2026 was £11.081m (31st March 2025: £12.058m).

Note 24 – Short Term Debtors

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

2024/25 £'000		2025/26 £'000
11,703	Residential and non-residential care charges	13,204
22,936	Other Receivable Amounts	20,748
15,694	Central Government Bodies	19,597
35,816	Other Local Authorities	21,661
7,709	NHS Bodies	8,761
211	Public Corporations and Trading Funds	386
19,386	Local Taxation (council tax and non-domestic rates)	24,079
3,758	Other Prepayments	7,618
(15,702)	Provision for bad and doubtful debt	(22,707)
101,511	**Total**	**93,347**

Note 25 – 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.

The balances on the Council's various Imprest accounts, school bank accounts and cash in transit between internal accounts are included as cash and cash equivalents in Current Assets. At 31st March 2026 these amounted to (£6.338m) (31st March 2025: £0.748m). Short term deposits, which totalled £39.759m as at 31st March 2026 (31st March 2025: £42.126m), are funds invested by the Council in money market funds or business reserve accounts and are available on demand. On a daily basis the Council's Treasury Management function actively manages the cleared bank balance as close to zero as possible to maximise interest receipts and minimise interest payments.

31 March 2025 £'000		31 March 2026 £'000
748	Cash and Bank Balances	(6,338)
42,126	Investments less than 90 days	39,759
42,874		**33,421**

Note 26 – Short Term Creditors

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

31 March 2025 £'000		31 March 2026 £'000
(6,034)	Employee Leave Accrual	(7,767)
(1,780)	Lease Creditors	(2,241)
(3,604)	Accounts Payable Control	(11,263)
(273)	Accruals	(335)
(11,812)	Capital Payables	(19,203)
(27,581)	Other Payables	(20,274)
(51,084)	**Sub Total**	**(61,083)**
(11,709)	Central Government	(19,533)
(83,697)	Other Local Authorities	(11,013)
(3,669)	NHS Bodies	(3,473)
-	Public Corporations & trading funds	-
(6,800)	Local Taxation (Council Tax & Non-domestic rates)	(8,751)
(156,959)	**Total Creditors**	**(103,853)**

Note 27 – 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.

The table below sets out the provisions for 2025/26.

	Balance at 1st April 2025 £'000	Additional provisions made in 2025/26 £'000	Amounts used in 2025/26 £'000	Unused amounts reversed in 2025/26 £'000	Balance at 31st March 2026 £'000
Short Term Provisions					
Insurance - Motor and Fire	(112)	-	-	14	(98)
MMI Provision	(16)	-	-	15	(1)
Voluntary Redundancies	(120)	(3,131)	120	-	(3,131)
Other Provisions	(3,000)	(191)	-	3,000	(191)
Total Short Term Provisions	**(3,248)**	**(3,322)**	**120**	**3,029**	**(3,421)**
Long Term Provisions					
Insurance - employers and public liability	(2,594)	(452)	-	-	(3,046)
Business Rates Appeals	(937)	(1,136)	-	937	(1,136)
Total Long Term Provisions	**(3,531)**	**(1,588)**	**-**	**937**	**(4,182)**
Total Provisions	**(6,779)**	**(4,910)**	**120**	**3,966**	**(7,603)**

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 (£3.046m for employers and public liability and £0.098m for motor and fire) represents the sum estimated to meet claims identified and also claims incurred but not reported at 31st March 2026. The estimate is based on the advice of consulting actuaries 'Marsh'. *The balance of funding is held in an insurance reserve (£6.334m* Note 28 – Useable Reserves*) to support the ongoing self insurance programme for the period to 31st March 2026.*

Municipal Mutual Insurance (MMI)

Please see Note 35 – Contingent Liabilities for information relating to the provision for MMI.

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. The other provisions relate mainly to these areas of contractual issues.

Business Rates

Since the introduction of Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2026.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 31st March 2026 is £1.136m (31st March 2025: £0.937m).

Note 28 – Useable Reserves

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

31 March 2025 £'000		31 March 2026 £'000
(18,754)	General Fund Balance	(14,874)
(53,950)	Earmarked Reserves	(44,656)
(72,704)	**Total Statutory General Fund**	**(59,530)**
(13,663)	Capital Receipts Reserve	(14,267)
(22,562)	Capital Grants Unapplied	(22,139)
(108,929)	**Total Usable Reserves**	**(95,936)**

General Fund
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:

- Unearmarked General Fund Balance:

  - The unearmarked General Fund Balance is set aside to meet general future revenue expenditure and to protect the Council against exposure to unexpected events.

  - The General Fund Balance at the 1st April 2025 was £19.969m. £0.125m was added to the General Fund Balance in year, however the deficit for the year of £5.20m has reduced the balance to £14.874m at 31st March 2026. 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:

  - 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.

  - Earmarked 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.

  - Further details of Earmarked Reserves are set out in Note 29 – 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.

31 March 2025 £'000		31 March 2026 £'000
(14,894)	Balance 1st April	(13,663)
(2,335)	Capital Receipts in year	(3,213)
(51)	Deferred capital receipts	(589)
0	UCR Levy to MHCLG	535
3,617	Capital Receipts used for financing	2,662
(13,663)	**Balance 31st March**	**(14,268)**

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 March 2025 £'000		31 March 2026 £'000
(21,915)	Balance 1st April	(22,562)
(4,108)	Capital grants recognised in year	(3,403)
3,461	Capital grants utilised in financing	3,827
(22,562)	**Balance 31st March**	**(22,138)**

Note 29 – 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 1st April 2024 £'000	Tfrs Between Reserves 2024/25 £'000	Tfr In 2024/25 £'000	Tfr Out 2024/25 £'000	Balance at 31st March 2025 £'000	Tfrs Between Reserves 2025/26 £'000	Tfr In 2025/26 £'000	Tfr Out 2025/26 £'000	Balance at 31st March 2026 £'000
DSG Funded Reserves - Schools ring fenced Reserves *	**(450)**	0	0	2,586	**2,136**	0	0	2,624	4,760
Capital Earmarked reserves	**(5,158)**	(3,282)	(1,370)	1,770	**(8,040)**	42	(1,178)	1,961	(7,215)
Ring Fenced Earmarked Reserves:	**(10,812)**	1,681	(2,044)	4,861	**(6,314)**	0	(1,633)	1,324	(6,624)
Earmarked Reserves	**(37,947)**	1,601	(9,681)	14,644	**(31,383)**	(42)	(2,949)	7,678	(26,696)
Total General Fund Earmarked Reserves	**(54,367)**	**0**	**(13,095)**	**23,861**	**(43,601)**	0	(5,760)	13,587	(35,775)
Housing Revenue Account	**(4,981)**	0	0	52	**(4,929)**	0	0	450	(4,480)
Major Repairs Reserve	**(3,778)**	0	(2,361)	1,935	**(4,204)**	0	(2,479)	2,281	(4,401)
Total HRA Earmarked Reserves	**(8,759)**	**0**	**(2,361)**	**1,987**	**(9,133)**	0	(2,479)	2,731	(8,881)
Total Earmarked Reserves	**(63,126)**	**0**	**(15,456)**	**25,848**	**(52,734)**	0	(8,239)	16,318	44,656
Net Transfer (to) / from Earmarked Reserves				**10,392**			**8,079**		

DSG Funded Reserves - Schools
Under the provisions of the Education Reform Act 1988, the governors of schools became responsible for managing their own budgets from 1st April 1990. The total budget available to governors is based on a local formula approved by the Secretary of State for Education. Any over or under spending by the governors is carried forward

to the following year. Whilst such sums form part of the Council's revenue balances, they are not available to the Council when managing the finances of the Council.

As at 1st April 2025 the net deficit balance on maintained schools was £2.136m, there has been a net decrease during 2025/26 of £2.624m. The table below shows a breakdown of these figures separately by surpluses and deficits excluding academies irrespective of whether the asset is on the Council's Balance Sheet or not.

31st March 2025			31st March 2025	
No.	**£'000**	**Schools Earmarked Reserves**	**No.**	**£'000**
65	(4,412)	Schools in surplus	57	(4,403)
38	6,548	Schools in deficit	46	9,163
103	**2,136**		103	4,760

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

- The number of schools in surplus has fallen from 65 to 57 and the net value of schools in surplus has reduced by (£0.009m).
- The number of schools in deficit has risen from 38 to 46 with the net value of schools in deficit increasing by £2.615m.

The total funding available for schools that were maintained as at 31st March 2025 and 31st March 2026 was £126.986m representing an increase of £6.687m (5.56%) compared to 2024/25. This increase comprised of new grants totalling £2.605m, pre-existing grants and other funding decreased by (£0.905m), core schools funding increased by £8.798m offset by ended grants totalling (£3.811m).

Total net expenditure was £129.610m against funding of £126.986m giving an in-year deficit of **£2.624m.** The main pressure on school budgets related to staff costs which increased by £6.850m (6.47%) compared to 2024/25 mainly due to the teachers and non-teaching pay awards and the increase in employer national insurance contributions. Whilst the increase in staff costs cannot wholly be explained by these cost pressures, the new grants receivable in 2025/26 to support schools with these cost pressures (National Insurance Contribution grants, School Budget Support Grant and Core School Budget grants) only equated to £2.490m. There were also additional cost pressures mainly relating to supplies and services costs which increased by £0.335m (2.17%) compared to 2024/25 of which £0.194m (4.77%) related to an increase in catering costs reflective of the rising cost of food due to inflation. These cost pressures were offset by reduced spend on building maintenance of (£0.362m) (-19.06%) and energy costs of (£0.401m) (-15.23%) compared to 2024/25. School's own generated income increased by £0.449m (3.70%) overall compared to 2024/25. Donations increased by (£0.403m) (26.52%), parental contributions to visits increased by (£0.495m) (28.77%) and special education needs funding from other local authorities increased by (£0.348m) (51.67%), however, these increases were offset by reductions in other grants of £0.441m (-24.46%), income from facilities and services of £0.260m (-7.41%) and catering income £0.167m (-6.94%).

The falling school balances is a concern and is on the Council's risk register. The policy for schools with deficit budgets has been strengthened and strategic financial planning, budget setting and budget monitoring training for Headteachers and school staff has been provided in Spring 2026. Finance review meetings with headteachers, school governors, school business managers and senior LA officers for 35 schools with deficit budgets have taken place during the Spring 2026 term to provide support and monitor progress against deficit recovery plans. The common theme from these meetings were falling pupil rolls (which impacts on funding available as core funding and other grants are mainly based on pupil numbers) and the increased cost of supporting increasing numbers of pupils with special educational needs

Dedicated Schools Grant (DSG) Reserve

The deficit brought forward at 1st April 2025 was £22.135m, the in year deficit for 2025/26 is £10.899m. The DSG Adjustment Account is detailed in Note 30 – Unusable Reserves.

Revenue Grants

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

The balance on the Revenue Grants Reserves at 31st March 2026 is £6.624m (31st March 2025 £6.315m).

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 £3.145m (long term £3.046m and short term £0.099m, Note 28 – Useable Reserves represents the sum estimated to meet claims identified at 31st March 2026. 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 31st March 2026 the reserve is £6.334m (31st March 2025: £6.370m).

Note 30 – 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 ‘unusable reserves’ are summarised on the Balance Sheet, and the details of each unusable reserve are set out in the notes below.

31 March 2025 £’000		31 March 2026 £’000
(147,733)	Revaluation Reserve	(151,699)
(468,892)	Capital Adjustment Account	(505,772)
(1,830)	Deferred Capital Receipts	(553)
217	Financial Instruments Adjustment Account	198
(146)	Pooled Investment Adjustment Account	(93)
15,915	Pension Reserve	16,147
22,135	DSG Adjustment account	33,034
(4,115)	Collection Fund Adjustment Account	6,935
5,848	Accumulated Absences Account	7,380
(578,601)	**Total**	**(594,423)**

Revaluation Reserve

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

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

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

31 March 2025 £'000		31 March 2026 £'000
(147,803)	**Balance 1st April**	**(147,733)**
(16,706)	Upward revaluation of assets	(14,412)
9,294	Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	5,608
(7,412)	**(Surplus) or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(8,804)**
3,047	Difference between fair value depreciation and historical cost depreciation	4,490
4,432	Accumulated gains on assets sold or scrapped	349
7,479	**Amount written off to the Capital Adjustment Account**	**4,839**
3	Other movements to the Surplus or Deficit on Provision of Service	0
(147,733)	**Balance 31st March**	**(151,699)**

Capital Adjustment Account

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

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

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

31 March 2025 £'000	Capital Adjustment Account	31 March 2026 £'000
(476,262)	**Balance 1st April**	**(468,892)**
42,984	Charges for depreciation and impairment of non-current assets	47,823
8,927	Revaluation losses on non-current assets	3,453
136	Amortisation of intangible assets	79
12,444	Revenue expenditure funded from capital under statute	14,185
22,271	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	1,347
86,762	**Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement**	**66,887**
(7,479)	Adjusting Amounts written out of the Revaluation Reserve	(4,837)
79,283	**Net written out amount of the cost of non-current assets consumed in the year**	**62,050**
(3,617)	Use of Capital Receipts Reserve to finance new capital expenditure	(2,662)
(58,685)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(77,256)
(10,978)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(12,605)
(8)	Capital expenditure charged against the General Fund and HRA balances	(4,391)
(73,288)	**Capital financing applied in year:**	**(96,914)**
1,185	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,328)
190	Loans repaid in year and loss allowances charged	(688)
(468,892)	**Balance 31st March**	**(505,772)**

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.

31 March 2025 £'000		31 March 2026 £'000
(1,881)	**Balance 1st April**	**(1,830)**
(802)	Deferred Capital Receipts in year	665
853	Transfer to the Capital Receipts Reserve upon receipt of cash	612
(1,830)	**Balance 31st March**	**(553)**

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.

31 March 2025 £'000		31 March 2026 £'000
244	**Balance 1st April**	**217**
(27)	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	**(19)**
217	**Balance 31st March**	**198**

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.

31 March 2025 £'000		31 March 2026 £'000
(122)	**Balance 1st April**	**(146)**
(24)	Fair value movements transferred to/from the General Fund in accordance with the statutory requirements	**53**
(146)	**Balance 31st March**	**(93)**

Pensions Reserve

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

31 March 2025 £'000		31 March 2026 £'000
18,512	**Balance 1st April**	**15,915**
(1,514)	Remeasurements of the net defined benefit (liability)/asset	10,323
25,271	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	18,756
(26,353)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28,848)
15,915	**Balance 31st March**	**16,146**

Dedicated Schools Grant Adjustment Account

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

As at 1st April 2025 the Dedicated Schools Grant (DSG) had an accumulated deficit of £22.135m excluding balances held within individual schools. As at 31st March 2026 the deficit is £33.034m, an increase of £10.899m since 1st April 2025.

31 March 2025 £'000		31 March 2026 £'000
13,926	**Balance 1st April**	22,135
8,209	In Year Deficit on DSG	10,899
22,135	**Balance 31st March**	**33,034**

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 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.

31 March 2025 £'000		31 March 2026 £'000
(191)	**Balance 1st April**	**(4,115)**
(3,924)	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	11,050
(4,115)	**Balance 31st March**	**6,935**

Accumulated Absences Account

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

31 March 2025 £'000		31 March 2026 £'000
6,464	**Balance 1st April**	**5,848**
(6,464)	Settlement or cancellation of accrual made at the end of the preceding year	(5,848)
5,848	**Amounts accrued at the end of the current year**	7,379
(616)	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	1,532
5,848	**Balance 31st March**	**7,379**

Note 31 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2025 £'000		31 March 2026 £'000
(8,097)	Interest received	(7,754)
5,747	Interest paid	7,565
(2,350)	**Total**	**(189)**

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

31 March 2025 £'000		31 March 2026 £'000
(42,984)	Depreciation	(47,823)
(8,927)	Impairment and downward valuations	(2,125)
(136)	Amortisation	(79)
(40,915)	(Increase)/decrease in creditors	52,687
5,642	Increase/(decrease) in debtors	(8,445)
0	Increase/(decrease) in inventories	(51)
(764)	Impairment losses on loans and advances	612
1,085	Movement in pension liability	10,092
(22,338)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,347)
(442)	Other non-cash movements charged to the surplus or deficit on provision of services	(758)
(109,779)	**Total**	**2,763**

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

31 March 2025 £'000		31 March 2026 £'000
2,335	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,209
55,784	Capital Grants	77,033
58,119	**Total**	**80,242**

Note 32 – Cash Flow from Investing Activities

31 March 2025 £'000		31 March 2026 £'000
66,992	Purchase of property, plant and equipment, investment property and intangible assets	83,224
758,000	Purchase of short-term and long-term investments	(31,254)
(2,386)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,821)
(700,700)	Proceeds from short-term and long-term investments	(33,900)
(87,319)	Capital Grants	(95,159)
(34,587)	**Net cash flows from investing activities**	**(80,910)**

Note 33 – Cash Flow from Financing Activities

31 March 2025 £'000		31 March 2026 £'000
3,553	Cash payments for the reduction of outstanding liabilities relating to on-Balance-Sheet leases	9,020
1,000	Repayments of short-term and long-term borrowing	2,688
4,553	**Net cash flows from financing activities**	**11,708**

Note 34 – 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 Note 5.2 – Segmental Analysis of Income and Expenditure and Note 5.3 – Expenditure and Income Analysed by Nature on expenditure and income analysed by nature and by segment. Grant receipts in advance at 31st March 2026 are shown in Note 18 – Grant Income.

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 13 – Members' Allowances 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 2025/26 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 12 – Pooled Budgets ("Pooled Funds").

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 (as at 31st March 2026). 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. From 1st April 2026 the number of shareholders increased to 18, with each new shareholder bringing new share capital and Cumbria LGPS's holding changing to 1/18th of the total share capital of BCPP.

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 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 31st March 2026 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 26th April 2021. The company provides leisure services to the Council and commenced trading on 1st February 2022.

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

Company Name	Cumbria County Holdings Ltd Group (company number 08259197)
Nature of Business	Waste Disposal Services, Cleaning / Catering Services
Shareholding %	50% owned by Westmorland & Furness Council

2024/25 Audited Accounts £'000		2025/26 Unaudited Accounts £'000
(440)	Retained Profit / (Loss) for the year	(2,015)
8,461	Net Assets	6,446

Company Name	Barrow Forward Limited (company number 13358547)
Nature of Business	Operation of Barrow Park Leisure Centre
Shareholding %	100% owned by Westmorland & Furness Council

2024/25 Unaudited Accounts £'000		2025/26 Unaudited Accounts £'000
(148)	Retained Profit / (Loss) for the year	(85)
(287)	Total members' funds	(372)

Note 35 – 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 - they are disclosed below.

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 108 at 31st March 2026 (109 at 31st March 2025)) 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 31st March 2026 of £0.001m (31st March 2025: £0.016m) 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 £1.192m (£1.195m at 31st March 2025) based on it potentially being liable for 50% of total MMI liabilities attributed to the former legacy Councils.

Business Rates

The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements came into effect on 1st April 2013. The Council, acting as agent on behalf of the major preceptors, central government and themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list. The overall provision for appeals outstanding at 31st March 2026 has been assessed as £2.318m, the Council's share is £1.136m (31st March 2025: £1.912m and £0.937m 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 11th 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 36 – Trust Funds

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

Trust Funds for which the Council acts as Trustee include:

Name of Trust	Charity Number
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 37 – 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.

- Team Barrow – including the Barrow Transformation Fund (BTF) and Barrow Social Impact Fund (SIF):

  - At its meeting in January 2025 Cabinet resolved to act as the Accountable Body for funding provided to the Barrow Delivery Board, and specifically the Barrow Transformation Fund (BTF), enabling delivery against the Vision for Barrow.
  - The BTF is the most significant of several funding streams of which the Council is in receipt under the ‘Team Barrow’ umbrella. This also includes the 3-year £3.055m Barrow Delivery Board Funding; the 5-year £5m Social Impact Fund (SIF) and up to £5m over 5 years for the Work and Health Fund.
  - The funding for 25/26 of £19.5m was received from MHCLG by the Council on 15 October 2025. This includes both revenue and capital funding.

- <u>UK Shared Prosperity Fund (UKSPF)</u>: 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 2025/26 was £2,719,671.

- <u>Rural England Prosperity Fund (REPF)</u>: 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 2025/26 was £726,439.

- <u>Local Nutrient Mitigation Fund (LMNF) grant</u>: 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 funding allocated (during 2024/25) was £16.511m (£15.280m capital and £1.231m revenue).

- <u>Cumbria Local Enterprise Partnership (LEP)</u>: 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 38 – 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.

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.

The unaudited Statement of Accounts for 2025/26 have been authorised for issue on 30th June 2026.

Senior Leadership Reshaping - The first phase of a two phase review of senior leadership roles started in March 2026. It will be implemented with effect from 1st July 2026. Phase one is focused on the top leadership tiers at Director and Assistant Director levels. A further phase will follow from July 2026.

The senior leadership structure put in place at vesting day was intentionally larger and broader than sector norms, designed to support a safe and legal transition, disaggregate services, and stabilise the council during its early period. It was always intended to be temporary, with a commitment to review once the council had reached greater organisational maturity.

This review is focused on ensuring the leadership model is aligned to the Council's purpose, Council Plan, and the aspirations of the Transformation Journey creating clarity, coherence and a sustainable operating approach for the future.

Notes to the Accounting Statements – Technical Annex

Technical Note 1 (TN 1) – Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability (or equity instrument, such as share capital) of another entity. They are valued in line with the requirements of IFRS 13 (fair value), the recognition and measurement of financial instruments is reported in accordance with IFRS 9.

TN1.1 – Income, Expense, Gains & Losses

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

31st March 2024			31st March 2025	
Surplus or Deficit on the Provision of Services £'000	**Other Comprehensive Income and Expenditure £'000**		**Surplus or Deficit on the Provision of Services £'000**	**Other Comprehensive Income and Expenditure £'000**
		Net losses on:		
244	0	• financial assets measured at amortised cost	4,486	0
244	0	**Total net losses**	**4,486**	0
(8,215)	0	**Total interest revenue**	**(6,604)**	0
6,206	0	**Interest expense**	**6,095**	0

TN1.2 – 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).

Financial Assets

31st March 2025							31st March 2026					
Financial Instruments - Assets							Financial Instruments - Assets					
Amortised cost	Fair value through the profit and loss	Measured at cost	**TOTAL Financial Instruments - Assets**	*Assets not defined as financial instruments*	**TOTAL Assets**		Amortised cost	Fair value through the profit and loss	Measured at cost	**TOTAL Financial Instruments - Assets**	*Assets not defined as financial instruments*	**TOTAL Assets**
£'000	**£'000**	**£'000**	**£'000**	***£'000***	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
-	4,009	1,592	**5,601**	-	**5,601**	Long term Investments	-	4,009	1,592	5,601	-	5,601
2,771	-	-	**2,771**	-	**2,771**	Long term debtors	2,918	-	-	2,918	-	2,918
2,771	**4,009**	**1,592**	**8,372**	**-**	**8,372**	**Total Non-current**	**2,918**	**4,009**	**1,592**	**8,519**	**-**	**8,519**
101,557	-	-	**101,557**	-	**101,557**	Short Term investments	35,969	-	-	**35,969**	-	**35,969**
14,829	27,296	748	**42,873**	-	**42,873**	Cash & Cash equivalents	5,015	34,743	(6,338)	**33,420**	-	**33,420**
31,465	-	-	**31,465**	*70,046*	**101,511**	Short term debtors	42,202	-	-	**42,202**	*51,146*	**93,348**
147,851	**27,296**	**748**	**175,895**	***70,046***	**245,941**	**Total Current**	**83,186**	**34,743**	**(6,338)**	**111,591**	***51,146***	**162,737**
150,622	**31,305**	**2,340**	**184,267**	***70,046***	**254,313**	**Total**	**86,104**	**38,752**	**(4,746)**	**120,110**	***51,146***	**171,256**

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place, because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.
Any gains and losses that arise on the de-recognition of the asset, are credited or debited to the Financing and Investment Income and Expenditure line, in the Comprehensive Income and Expenditure Statement.
The Council's Financial Assets Measured at Fair Value through Profit of Loss comprise of:

- a legacy (i.e. pre-local government reorganisation) investment in CCLA Local Authorities Property Fund; and
- short-term investments in Money Market Funds (MMF).

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.

TN1.3 – 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.

Financial Liabilities

31st March 2025							31st March 2026					
Financial Instruments - Liabilities							Financial Instruments - Liabilities					
Amortised cost	Fair value through the profit and loss	Measured at cost	**TOTAL Financial Instruments - Liabilities**	*Liabilities not defined as financial instruments*	**TOTAL Liabilities**		Amortised cost	Fair value through the profit and loss	Measured at cost	**TOTAL Financial Instruments - Liabilities**	*Liabilities not defined as financial instruments*	**TOTAL Liabilities**
£'000	**£'000**	**£'000**	**£'000**	***£'000***	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(176,490)	-	-	**(176,490)**	-	**(176,490)**	Long term borrowing	(161,477)	-	-	(161,477)	-	(161,477)
-	-	-	**-**	*(2,410)*	**(2,410)**	Long term creditors	-	-	-	-	(2,172)	(2,172)
(9,566)	-	-	**(9,566)**	-	**(9,566)**	Long term finance leases	(11,701)	-	-	(11,701)	-	(11,701)
-	-	-	**-**	*(15,916)*	**(15,916)**	Pension liabilities	-	-	-	-	(16,147)	(16,147)
(186,056)	**-**	**-**	**(186,056)**	***(18,326)***	**(204,382)**	**Total Non-current**	**(173,178)**	**-**	**-**	**(173,178)**	**(18,319)**	**(191,497)**
(10,997)	-	-	**(10,997)**	-	**(10,997)**	Short term borrowing	(16,870)	-	-	(16,870)	-	(16,870)
(46,864)	-	-	**(46,864)**	*(108,320)*	**(155,184)**	Short term creditors	(50,153)	-	-	(50,153)	(51,460)	(101,613)
(1,780)	-	-	**(1,780)**	-	**(1,780)**	Short term finance leases	(2,241)	-	-	(2,241)	-	(2,241)
(59,641)	**-**	**-**	**(59,641)**	***(108,320)***	**(167,961)**	**Total current**	(69,264)	-	-	(69,264)	(51,460)	(120,724)
(245,697)	**-**	**-**	**(245,697)**	***(126,646)***	**(372,343)**	**Total**	**(242,442)**	**-**	**-**	**(242,442)**	**(69,779)**	**(312,221)**

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

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

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

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

TN1.4 – 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.
- 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 2024/25 and 2025/26 all fair value measurements were based on level 2 inputs, with no Level 1 or 3 for either year.

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

31st March 2025			31st March 2026	
Carrying Amount £'000	Fair Value (Level 2) £'000		Carrying Amount £'000	Fair Value (Level 2) £'000
		Financial Liabilities		
(174,172)	(128,317)	Public Works Loans Board	(165,042)	(115,998)
(13,316)	(11,448)	Market Loans	(13,305)	(11,214)
-	-	Other	-	-
(187,488)	**(139,765)**	**Total Loans & Borrowings**	**(178,347)**	**(127,212)**
(11,346)	(11,346)	Finance lease liabilities	(13,942)	(13,942)
(198,833)	**(151,111)**	**Total**	**(192,289)**	**(141,154)**
		Financial Assets		
101,577	101,577	Amortised Cost (Investments)	35,969	35,969
748	748	Cash and Cash Equivalent: Other	(6,338)	(6,338)
14,830	14,830	Amortised Cost (Cash and Cash Equivalent)	5,015	5,015
2,771	2,771	Long-Term Debtors	2,918	2,918
119,906	**119,906**	**Total**	**37,564**	**37,564**

TN1.5 – 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 renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy which requires that deposits are only placed with institutions that meet specific creditworthiness criteria. The credit ratings of investments as at 31st March 2026 are detailed below:

Deposits with Banks and Financial Institutions	Fitch Rating	Amount as at 31st March 2026 £'000
Cash and Cash Equivalents		
ABERDEEN LIQUIDITY MMF	AAA	13,000
DEUTSCHE MMF	AAA	8,100
FEDERATED MMF	AAA	11,900
CCLA MMF	AAA	1,600
LLOYDS CALL ACCOUNT	AAA	5,000
	Sub Total	**39,600**

Deposits with Banks and Financial Institutions	Fitch Rating	Amount as at 31st March 2026 £'000
Short Term Investments		
EAST DUNBARTONSHIRE COUNCIL	AA-	5,000
FIFE COUNCIL	AA-	5,000
WEST DUNBARTONSHIRE COUNCIL	AA-	5,000
FALKIRK COUNCIL	AA-	10,000
HIGHLAND COUNCIL	AA-	5,000
NORTH LANARKSHIRE COUNCIL	AA-	5,000
	Sub Total	**35,000**
Other non-specified investments (Pooled Funds)		
CCLA BETTER WORLD CAUTIOUS FUND	n/a	**863**
Long Term Investment		
CCLA PROPERTY FUND	n/a	**4,009**
	Total	**79,472**

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. Credit ratings are not the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector in relation to the economic environments in which institutions operate. The Council therefore also takes account of information that reflects the opinion of the markets by engaging with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there is no evidence at 31st March 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 2025/26 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.

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.

- 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.26% in 2025/26). 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.

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.

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

31st March 2025 £'000	Liquidity Risk	31st March 2026 £'000
9,000	Less than one year	15,000
15,000	Between one and two years	1,000
3,000	Between two and five years	2,350
21,850	More Than 5 Years	27,500
136,640	More Than 10 years	130,627
185,490		**176,477**

31st March 2025 £'000	Balance Sheet	31st March 2026 £'000
9,000	Short Term Borrowings	15,000
176,490	Long Term Borrowings	161,477
185,490		**176,477**

31st March 2025 £'000	Liquidity Risk	31st March 2026 £'000
172,279	Public Works Loan Board	163,279
13,211	Market Debt	13,198
0	Other	0
185,490		**176,477**

Technical Note 2 (TN 2) – Pension 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 employees of the Council are members of one of three separate pension schemes designed to meet the needs of employees in particular services:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The NHS pension scheme (for Public Health transferred staff)
- The Local Government Pension Scheme administered by Cumbria Pension Fund (LGPS)

Pension schemes are classed as either defined contribution or defined benefit plans. The above schemes provide defined benefits to members, built up during the time that employees work for the council.

The arrangements for the Teachers' and NHS schemes mean that the liabilities for these benefits cannot be identified to the council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the revenue account is charged with the employer's contributions payable to the schemes in the year. Please see TN 2.1 – Pension Schemes Accounted for as Defined Contribution Schemes for further information.

The Local Government Pension Scheme is accounted for as a defined benefit scheme. The assets and liabilities are included net in the Balance Sheet. Please see TN 2.2 – Defined Benefit Pension Scheme for further information.

TN 2.1 – Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pensions

Teachers employed by the Council are members of the Teachers' Pension Scheme. This scheme is a defined benefit scheme which is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government has established a notional fund as the basis for calculating the employers' contributions.

The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs be making contributions based on percentages of members' pensionable salaries, as set by DfE. The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Schools revenue account is charged with the employer's contributions payable to teachers' pensions in the year. The Council is, however, responsible for paying some additional pensions to retired teachers which were awarded at the point of retirement, and are included in the Council's balance sheet as a liability.

The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2025/26, the Council paid £14.325m (2024/25 £13.863m) to Teachers' Pensions Scheme in respect of teachers' retirement benefits. The employer contribution rate is 28.68% (2024/25: 28.68%).

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.

Council staff who transferred from the NHS have maintained their membership in the NHS Pension Scheme. In 2025/26, the Council paid £0.055m (2024/25 £0.046m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay.

TN 2.2 – Defined Benefit Pension Scheme

The Local Government Pension Scheme

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. CLGPS is operated under the regulatory framework for the Local Government Pension Scheme.

Nature of LGPS Scheme

The LGPS is a funded defined benefit final salary scheme. The value of an individual's pension benefits depends on how long they are an active member of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st

March 2014 and on revalued average salary (a "career average" scheme) for service from 1st April 2014 onwards.

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

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

Advice is given by Westmorland & Furness Council's Director of 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.

Risks
The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the investments of CLGPS. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statue as set out below.

Accounting

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

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

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

a) Service cost comprising:

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

b) Re-measurement comprising:

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

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

TN 2.3 - 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. The following transactions have been made in the Comprehensive Income and Expenditure Statement (CIES) and the General Fund Balance via the Movement in Reserves Statement during the year:

2024/25 LGPS £'000	2024/25 Teachers' Pension Schemes £'000	2024/25 TOTAL £'000		2025/26 LGPS £'000	2025/26 Teachers' Pension Schemes £'000	2025/26 TOTAL £'000
			Comprehensive Income and Expenditure Statement			
			Service cost comprising:			
23,635	0	23,635	Current service cost	17,374	0	17,374
0	0	0	Past service cost	0	0	0
285	0	285	Loss from curtailments	81	0	81
1,090	0	1,090	Administration expenses	1,220	0	1,220
			Financing and Investment Income and Expenditure			
(83)	344	261	Net interest expense / (income)	(259)	340	81
24,927	**344**	**25,271**	**Total charged to (Surplus) and Deficit on Provision of Services**	**18,416**	**340**	**18,756**
			Other post-employment benefits charged to the CIES			
			Re-measurement of the net defined benefit asset / liability comprising:			
27,276	0	27,276	Return on plan assets (excluding the amount included in the net interest expense)	(22,257)	0	(22,257)
(1.293)	(11)	(1,304)	Actuarial (gains) and losses – experience	4,349	590	4,939
(3,011)	(15)	(3,026)	Actuarial (gains) and losses arising on changes in demographic assumptions	(1,415)	67	(1,348)
(143,824)	(286)	(144,110)	Actuarial (gains) and losses arising on changes in financial assumptions	(12,464)	(29)	(12,493)
119,650	0	119,650	Change in Asset Ceiling	41,482	0	41,482
(1,202)	**(312)**	**(1,514)**	**Total charged to the Other Comprehensive Income and Expenditure Statement**	**9,695**	**628**	**10,323**
23,725	**32**	**23,757**	**Total charged to the Comprehensive Income and Expenditure Statement**	**28,111**	**968**	**29,079**

2024/25 LGPS £'000	2024/25 Teachers' Pension Schemes £'000	2024/25 TOTAL £'000		2025/26 LGPS £'000	2025/26 Teachers' Pension Schemes £'000	2025/26 TOTAL £'000
			Movement in Reserves Statement			
(24,927)	**322**	**(25,271)**	Reversal of net charges made to the (Surplus) or Deficit on the Provision of Services	**(18,416)**	**(340)**	**(18,756)**
			Actual amount charged against the general fund balance for pensions in the year:			
25,221	0	25,221	Employers' contributions payable to scheme	27,786	0	27,786
0	1,132	1,132	Retirement Benefits payable to Pensioners	0	1,062	1,062
25,221	**1,132**	**26,353**	**Total Employers' Contributions and Retirement Benefits Payable**	**27,786**	**1,062**	**28,848**

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

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

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

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

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

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

At 31st March 2026 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.

TN 2.4 – Pension 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:

	2024/25				2025/26	
LGPS £'000	Teachers' Pension Schemes £'000	TOTAL £'000		LGPS £'000	Teachers' Pension Schemes £'000	TOTAL £'000
(930,163)	(6,492)	(936,655)	Present value of the defined obligation	(958,068)	(6,398)	(964,466)
1,209,047	0	1,209,047	Fair value of plan assets	1,294,831	0	1,294,831
278,844	**(6,492)**	**272,392**	**Subtotal**	**336,763**	**(6,398)**	**330,365**
(288,307)	0	(288,307	Effect of Asset Ceiling	(346,511)	0	(346,511)
(9,423)	**(6,492)**	**(15,915)**	**Net (liability) arising from the defined benefit obligation**	**(9,748)**	**(6,398)**	**(16,146)**

Movement in the Value of Scheme Assets

2024/25 LGPS £'000	2024/25 Teachers' Pension Schemes £'000	2024/25 TOTAL £'000		2025/26 LGPS £'000	2025/26 Teachers' Pension Schemes £'000	2025/26 TOTAL £'000
1,187,756	0	**1,187,756**	**Opening value of scheme assets**	**1,209,047**	**0**	**1,209,047**
57,996	0	57,996	Interest income	69,973	0	69,973
			Re-measurement gain / (loss):			
(27,276)	0	(27,276)	Return on plan assets, excluding amount included in the net interest expense	22,257	0	22,257
25,221	1,132	26,353	Contributions from employer	27,786	1,062	28,848
8,805	0	8,805	Contributions from employees into the scheme	9,930	0	9,930
(42,365)	(1,132)	(43,497)	Benefits / transfers paid	(42,942)	(1,062)	(44,004)
(1,090)	0	(1,090)	Administration expenses	(1,220)	0	(1,220)
1,209,047	**0**	**1,209,047**	**Closing value of scheme assets**	**1,294,831**	**0**	**1,294,831**

Movement in the Value of Scheme Liabilities

2024/25 LGPS £'000	2024/25 Teachers' Pension Schemes £'000	2024/25 TOTAL £'000		2025/26 LGPS £'000	2025/26 Teachers' Pension Schemes £'000	2025/26 TOTAL £'000
(1,037,896)	**(7,592)**	**(1,045,488)**	**Opening value of scheme liabilities**	**(930,163)**	**(6,492)**	**(936,655)**
(23,635)	0	(23,635)	Current service cost	(17,374)	0	(17,374)
(50,035)	(344)	(50,379)	Interest cost	(52,992)	(340)	(53,332)
(8,805)	0	(8,805)	Contributions from scheme participants	(9,930)	0	(9,930)
			Re-measurement gain / (loss):			
1,293	11	1,304	Actuarial (gains) and losses – experience	(4,349)	(590)	(4,939)
3,011	15	3,026	Actuarial (gains) and losses arising on changes in demographic assumptions	1,415	(67)	1,348
143,824	286	144,110	Actuarial (gains) and losses arising on changes in financial assumptions	12,464	29	12,493
0	0	0	Past service cost	0	0	0
(285)	0	(285)	(Losses) on curtailments	(81)	0	(81)
42,365	1,132	43,497	Benefits / transfers paid	42,942	1,062	44,004
(930,163)	**(6,492)**	**(936,655)**	**Closing value of scheme liabilities**	**(958,068)**	**(6,398)**	**(964,466)**

TN 2.5 – Pension Scheme – Fair Value of Assets

2024/25 Quoted £'000	2024/25 Unquoted £'000	2024/25 TOTAL £'000		2025/26 Quoted £'000	2025/26 Unquoted £'000	2025/26 TOTAL £'000
18,136	0	18,136	**Cash & cash equivalents**	55,548	0	55,548
			Equity Instruments			
22,972	0	22,972	UK Equity Pooled	27,580	0	27,580
292,589	0	292,589	Global Equity Pooled	287,452	0	287,452
102,769	0	102,769	Overseas Equity Pooled	130,389	0	130,389
418,330	**0**	**418,330**	**Subtotal Equity Instruments**	**445,421**	**0**	**445,421**
			Bonds			
0	175,312	175,312	UK Government Indexed Pool	0	192,153	192,153
0	**175,312**	**175,312**	**Subtotal Bonds**	**0**	**192,153**	**192,153**
			Property			
0	1,209	1,209	UK Property	0	1,036	1,036
0	93,097	93,097	Property Funds	0	92,710	92,710
0	**94,306**	**94,306**	**Subtotal Property**	**0**	**93,746**	**93,746**
			Other Investment Funds			
0	97,933	97,933	Private Debt Funds	0	108,636	108,636
0	119,696	119,696	Private Equity Funds	0	122,362	122,362
0	188,611	188,611	Infrastructure Funds	0	208,079	208,079
0	16,927	16,927	Healthcare Royalties	0	10,359	10,359
0	79,797	79,797	Multi Asset Credit	0	58,526	58,526
0	**502,964**	**502,964**	**Subtotal Other Investment Funds**	**0**	**507,962**	**507,962**
436,466	**772,582**	**1,209,047**	**Total Assets**	**500,969**	**793,861**	**1,294,830**

TN 2.6 – 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 31st March 2025.

* 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.

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

2024/25	Assumptions	2025/26
	Mortality Assumptions	
	Longevity at retirement for current pensioners	
21.5	Men	21.4
24.0	Women	24.1
	Longevity at retirement for future pensioners	
22.8	Men	22.7
25.7	Women	25.6
	Other Assumptions	
2.6%	Rate of inflation	2.9%
4.1%	Rate of increase in salaries	4.4%
2.7%	Rate of increase in pensions	3.0%
5.8%	Rate for discounting scheme liabilities	6.2%

LGPS: Sensitivity Analysis

Increase in Assumption £'000	Impact of assumptions on the LGPS obligation	Decrease in Assumption £'000
(19,645)	Longevity change by 1 year	19,645
(29,902)	Rate of inflation change by 0.25%	29,902
(3,459)	Rate of increase in salaries change by 0.25%	3,459
57,116	Rate for discounting scheme liabilities change by 0.5%	(57,116)
12,922	Investment returns change by 1%	(12,922)

Teachers' Pension Scheme: The significant assumptions used by the actuary have been:

2024/25	Assumptions	2025/26
	Mortality Assumptions	
	Longevity at retirement for current pensioners aged 65	
21.5	Men	21.4
24.0	Women	24.1
	Longevity at retirement for current pensioners aged 75	
13.0	Men	13.0
14.9	Women	15.1
	Other Assumptions	
2.7%	Rate of inflation	2.9%
2.8%	Rate of increase in pensions	3.0%
5.7%	Rate for discounting scheme liabilities	6.0%

Teachers' Pension Scheme: Sensitivity Analysis

Increase in Assumption £'000	Impact of assumptions on the LGPS obligation	Decrease in Assumption £'000
334	Longevity change by 1 year	(334)
75	Rate of inflation change by 0.25%	(75)
(146)	Rate for discounting scheme liabilities change by 0.5%	146

TN 2.7 – Impact on the Council's cash flows

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

The pension contributions expected to be made by the Council in the year to 31st March 2027 are:

- Local Government Pension Scheme £14.188m.
- Teachers Discretionary Benefits Scheme £1.101m.

Housing Revenue Account and Expenditure Statement

6.1 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.

2024/25 £'000		Note ref	2025/26 £'000
	Expenditure		
5,201	Repairs and maintenance		5,160
3,167	Supervision and management		3,605
146	Rents, rates, taxes and other charges		177
2,063	Depreciation, impairment and revaluation of dwellings	4	2,503
212	Depreciation and revaluation of other HRA property	5	229
13	Debt management costs		13
110	Movement in the allowance for bad debts		143
5,201	Sums directed by the secretary of state that are income in accordance with proper practices		5,160
10,912	**Total Expenditure**		**11,829**
	Income		
(11,027)	Dwelling rents		(10,973)
(723)	Non-dwelling rents		(765)
(1,106)	Charges for services and facilities		(1,294)
-	Sums directed by the secretary of state that are income in accordance with proper practices		-
(12,856)	**Total Income**		**(13,031)**
(1,944)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(1,202)**
1,031	HRA services' share of Corporate and DRC		317
-	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		-
(913)	**Net (Income)/Expenditure for HRA Services**		**(884)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(187)	Gain or (loss) on sale of HRA non-current assets	8	(408)
8	Pension administration expenses		10
62	Interest payable and similar charges		771
(63)	Pensions interest cost and expected return on pension assets		(137)
(1,092)	**(Surplus) or deficit for the year on HRA services**		**(648)**

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.

31 March 2025 £'000		31 March 2026 £'000
(1,000)	**Balance on the HRA at the end of the previous year**	**(1,000)**
(1,092)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(648)
(1,216)	Adjustments between accounting basis and funding basis under statute	(1,380)
(2,308)	**(Increase) or decrease in the year on the HRA**	(2,028)
2,308	Transfer to or (from) earmarked reserves	2,028
(1,000)	**Balance on the HRA at the end of the current year**	**(1,000)**

The adjustments between the accounting basis and funding basis under statute for the HRA are set out in Note 10 – Adjustments between Accounting Basis and Funding Basis under Regulations to the Main Accounting Statements.

Notes to the Housing Revenue Account

1. Dwelling Stock

The dwelling stock held by the Authority consists of:

	31 March 2025 as published	31 March 2025 RESTATED*	Movements	31 March 2026
1 bed house	142	142	-	142
2 bed house	359	354	(3)	351
3+ bed house	822	813	(17)	796
Total houses	**1,323**	**1,309**	**(20)**	**1,289**
1 bed flat	928	924	(1)	923
2 bed flat	337	336	(1)	335
3+ bed flat	6	6		6
Total flats	**1,271**	**1,266**	**(2)**	**1,264**
Dwelling stock	**2,594**	**2,575**	**(22)**	**2,553**

* The dwelling stock numbers presented in the published 2024/25 Financial Statements were incorrect due to the double counting of a small number of Council dwellings. The 2024/25 figures have therefore been restated in the table to show the correct numbers of dwelling stock.

2. HRA Non-current Assets

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

31 March 2025 £'000		31 March 2026 £'000
96,416	Council dwellings	97,680
2,944	Land and buildings	3,147
275	Equipment	220
99,635		**101,047**

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 £97.680m on the Balance Sheet. At vacant possession the same dwellings would have a value of £244.200m with the difference of £146.520m being the cost of providing Council housing at less than open market rents. The reduced Balance Sheet value for Council dwellings also reflects the secure tenancy rights which differ from other tenancies, including the Right to Buy and the right to assign the property or apply for a transfer.

31 March 2025 £'000		31 March 2026 £'000
96,416	Balance Sheet value EUV-SH	97,680
144,624	Difference of EUV-SH and EUV-VP	146,520
241,040	**Value of dwelling stock at EUV-VP**	**244,200**

4. Depreciation and Revaluation of Dwellings

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

31 March 2025 £'000		31 March 2026 £'000
(80)	Net Revaluation loss / (Reversal of previous revaluation loss)	253
2,143	Depreciation for current year	2,250
2,063		**2,503**

5. Depreciation and Revaluation of Other HRA Property

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

31 March 2025 £'000		31 March 2026 £'000
(6)	Net Revaluation loss / (Reversal of previous revaluation loss)	-
218	Depreciation for current year	229
212		**229**

6. HRA Capital Financing Requirement

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

31 March 2025 £'000	31 March 2025 RESTATED* £'000		31 March 2026 £'000
17,441	**15,121**	**Opening Capital Financing Requirement**	**14,304**
		Capital Investment:	
1,935	1,935	Council dwellings	2,281
-	-	Other properties	-
		Sources of finance:	
(1,935)	(1,935)	Major Repairs Reserve (MRR)	(2,281)
(817)	(817)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(817)
16,624	**14,304**	**Closing Capital Financing Requirement**	**13,487**
		Explanation of movements in year	
(817)	(3,137)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(817)
(817)	**(3,137)**		**(817)**

* The sources of finance Major Repairs Reserve figure presented in the published 2024/25 Financial Statements was incorrect due to an error in the note in 2023/24 (the financing of

capital expenditure from the MRR was understated). The 2024/25 comparative have therefore been restated in the table to show the correct opening and closing capital financing requirements.

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 2025/26 is set out in the following table:

31 March 2025 £’000		31 March 2026 £’000
	Item 8 Credit	
-	Reversal of previous year revaluation loss – dwellings	-
-	Reversal of previous year revaluation loss – non dwellings	-
-	**Total Item 8 Credit**	-
	Item 8 Debit	
715	Interest payable on external loans	686
2,143	Depreciation of dwelling	2,250
218	Depreciation of non-dwellings	229
62	Interest payable on notional cash balances	85
13	Debt management expenses	13
(80)	Revaluation loss - dwellings	253
3,065	**Total Item 8 Debit**	**3,516**
3,065		**3,516**

8. HRA Non-Current Asset Disposals

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

31 March 2025 £'000		31 March 2026 £'000
744	Carrying value of dwellings sold	1,065
(931)	Sale proceeds from dwellings	(1,473)
(187)	**Net gain on disposals**	**408**

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 2025 £'000	31 March 2025 RESTATED* £'000		31 March 2026 £'000
3,777	**(3,777)**	**Balance brought forward**	**(4,203)**
		MRR transfers in year	
2,143	(2,143)	From HRA for dwellings depreciation	(2,250)
0	0	Difference between MRA and dwellings depreciation	0
2,143	**(2,143)**	**MRA for the year**	
218	(218)	Increase for depreciation of non-dwelling assets	(229)
(1,935)	1,935	Capital expenditure financed by MRR	2,281
4,203	**(4,203)**	**Balance carried forward**	**(4,401)**

*The 31 March 2025 figures in the note have been restated to correct a presentational error (the incorrect use of brackets).

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.

31 March 2025 £'000		31 March 2026 £'000
	HRA	
	Cost of Services	
168	• Current service cost	140
	Financing and Investment Income and Expenditure	
398	• Interest cost	428
(460)	• Expected return on scheme assets	(565)
	Other operating expenditure	
8	• Pension administration expenses	10
113	**Total post-employment benefit charged to the HRA income and Expenditure Account**	**13**

	Movement in Reserves Statement	
(113)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(13)
	Actual amounts charged against the HRA balance for pensions in the year	
181	Employers' contributions payable to scheme	181

11. Rent Arrears

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

31 March 2025 £'000		31 March 2026 £'000
1,420	Arrears at year end	1,603
(1,183)	Allowance for impairment	(1,324)
83%	**Percentage of provision**	**83%**

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

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.

31 March 2025 £’000		31 March 2026 £’000
(1,000)	HRA fund balance	(1,000)
(3,930)	HRA earmarked reserves	(3,480)

The Collection Fund

7.1 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.

2024/25 Council Tax £'000	2024/25 Business Rates £'000	2024/25 Total £'000		2025/26 Council Tax £'000	2025/26 Business Rates £'000	2025/26 Total £'000
			Income			
(206,300)	(83,041)	(289,341)	Income Receivable	(225,954)	(91,603)	(317,557)
-	(1,794)	(1,794)	Transitional Protection Payment	-	(351)	(351)
(92)	-	(92)	Discounts Funded by the Billing Authority	(131)	-	(131)
(206,392)	**(84,835)**	**(291,227)**	**Total Income**	**(226,085)**	**(91,954)**	**(318,039)**
			Expenditure			
			Precepts and Demands			
167,819	-	167,819	• Westmorland & Furness Council	189,127	-	189,127
27,763	-	27,763	• Cumbria Police, Fire & Crime Commissioner	31,156	-	31,156
8,349	-	8,349	• Cumbria Police, Fire & Crime Commissioner – Fire & Rescue Service (FRS)	9,442	-	9,442
			Business Rates			
-	42,039	42,039	• Central Government	-	46,486	46,486
-	41,198	41,198	• Westmorland & Furness Council	-	45,556	45,556
-	841	841	• Cumbria Police, Fire & Crime Commissioner – Fire & Rescue Service (FRS)	-	930	930
			Charges to Collection Fund			
-	1	1	• Write-Offs of Uncollectable Amounts	-	29	29
1,784	1,494	3,278	• Increase/ (Decrease) in Provision for credit loss	1,701	1,408	3,109
-	(1,150)	(1,150)	• Increase/ (Decrease) in Provision for Appeals	-	407	407
-	348	348	• Renewable Energy Retention	-	377	377
-	537	537	• Cost of Collection Allowance	-	530	530
205,715	**85,308**	**291,023**	**Total Expenditure**	**231,426**	**95,723**	**327,149**
(677)	**473**	**(204)**	**Surplus/Deficit (-/+) During the Year**	**5,341**	**3,769**	**9,110**

Collection Fund balances

2024/25 Council Tax £'000	2024/25 Business Rates £'000	2024/25 Total £'000		2025/26 Council Tax £'000	2025/26 Business Rates £'000	2025/26 Total £'000
(22)	**(391)**	**(413)**	**Balance brought forward at 1 April**	**(927)**	**(6,913)**	**(7,840)**
(228)	(6,995)	(7,223)	Distribution of previous year (surplus) / deficit	702	8,694	9,396
(677)	473	(204)	(Surplus) / deficit for the year (as above)	5,341	3,769	9,110
(927)	**(6,913)**	**(7,840)**	**Balance carried forward at 31 March**	**5,116**	**5,550**	**10,666**
			Allocated to:			
-	(3,472)	(3,472)	• Central Government	-	2,775	2,775
(763)	(3,352)	(4,115)	• Westmorland & Furness Council	4,213	2,720	6,933
(126)	-	(126)	• Cumbria Police, Fire & Crime Commissioner	693	-	693
(38)	(89)	(127)	• Cumbria Police, Fire & Crime Commissioner (FRS)	210	55	265
(927)	**(6,913)**	**(7,840)**	**Balance Carried Forward at 31 March**	**5,116**	**5,550**	**10,666**

7.2 Notes to the Collection Fund

1. Collection Fund General Note

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

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

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

2. Income from Business Ratepayers

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

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

The business rates payable for 2025/26 were estimated before the start of the financial year as £46.486m to Central Government, £0.930m to the Cumbria Police and Fire Commissioner for Cumbria Fire & Rescue service and £45.556m to this Authority. These sums have been paid in 2025/26 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 31st March 2026. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in the proportion of the precepting shares. There was an increase in the provision charged to the collection fund for 2025/26 that has been calculated at £0.407m.

The total non-domestic rateable value at 31st March 2026 was £303.962m (£248.838m as at 31st March 2025).

The national non-domestic rate multiplier for 2025/26 was 55.5 pence in the pound (54.6 pence in the pound for 2024/25). A small business rate relief scheme was also introduced on the 1st 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 2024/25) 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 year-end together with the aggregate Balance Sheet provision and overall percentage provisions are:

31 March 2025 £'000		31 March 2026 £'000
	Council Tax	
16,685	Arrears	20,096
(8,050)	Provision for possible credit losses	(9,359)
48%	Percentage of provision	47%
	Business ratepayers	
9,633	Arrears	13,727
(4,777)	Provision for possible credit losses	(5,878)
50%	Percentage of provision	43%

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

The Council's share of the balances are:

31 March 2025 £'000		31 March 2026 £'000
	Council Tax	
13,737	Arrears	16,554
(6,628)	Provision for possible credit losses	(7,710)
48%	Percentage of provision	47%
	Business ratepayers	
4,697	Arrears	6,756
(2,342)	Provision for possible credit losses	(2,880)
50%	Percentage of provision	43%

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 2025/26 was 96,159.8 (89,542.67 for 2024/25). The tax base for 2025/26 was approved by Council on 27th February 2025. The collection rate was assumed to be 99% for 2025/26 (99% for 2024/25). The Council Tax base for the year was set as:

2024/25 Band D equivalent number of chargeable dwellings	Band	Standard Factor	2025/26 Band D equivalent number of chargeable dwellings
13,393.84	A	6/9	14,088.30
14,809.31	B	7/9	15,924.80
17,607.55	C	8/9	19,000.10
15,899.87	D	9/9	16,981.50
14,155.19	E	11/9	15,104.30
8,680.38	F	13/9	9,333.00
5,319.47	G	15/9	5,998.70
581.52	H	18/9	700.70

90,447.14	Equivalent chargeable dwellings	97,131.40
89,542.67	99% of which gives the Council Tax base	96,159.80

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 2025/26:

	2024/25		2025/26	
	TOTAL	Core Spending 2.99%	Adult Social Care precept 2.00%	TOTAL
Band A (up to £40,000)	£1,218.50	£36.43	£24.37	£1,279.30
Band B (£40,001 to £52,000)	£1,421.60	£42.51	£28.43	£1,492.54
Band C (£52,001 to £68,000)	£1,624.68	£48.48	£32.49	£1,705.65
Band D (£68,001 to £88,000)	£1,827.76	£54.65	£36.56	£1,918.97
Band E (£88,001 to £120,000)	£2,233.93	£66.79	£44.68	£2,345.40
Band F (£120,001 to £160,000)	£2,640.10	£78.94	£52.80	£2,771.84
Band G (£160,001 to £320,000)	£3,046.26	£91.08	£60.93	£3,198.27
Band H (£320,001 and over)	£3,655.53	£109.30	£73.11	£3,837.94

Glossary

AAA FITCH RATING
Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING
Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING
High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD
The period of time covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

ACCRUALS
Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31st March.

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:
· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
· The actuarial assumptions have changed

AGENT (and PRINCIPAL)
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.

AMORTISED COST
The amortised cost of a financial asset or financial liability is

- the amount at which the asset or liability is measured at initial recognition (usually ‘cost’)
- minus any repayments of principal,
- minus any reduction for impairment or uncollectibility, and
- plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.

ASSET
An item having value to the authority in monetary terms. Assets are categorised as either current or non-current
· A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
· A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

BALANCE SHEET
A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING
Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET
The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE
Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING
Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME
The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT
The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

COMMUNITY ASSETS
Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)
The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY
The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY
A contingent liability is either:
· A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
· A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR
Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR
Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)
Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EVENTS AFTER THE REPORTING PERIOD
Events after the reporting period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS
For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN
The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS
Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

IMPAIRMENT
A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS
Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVENTORIES
Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENTS (PENSION FUND)
The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

JOINT ARRANGEMENT
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 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.

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.

LIABILITY
A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LONG-TERM CONTRACT
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY
The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

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

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE (NBV)
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NON-DISTRIBUTED COSTS
These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)
The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority

on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS
Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE
A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)
For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PENSION STRAIN
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”.

PRECEPT
The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.
PRINCIPAL
Please see “AGENT”.

PRIOR YEAR ADJUSTMENT
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)
A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RELATED PARTIES
There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS
The Code of Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves cannot be used to meet current expenditure.

RESIDUAL VALUE
The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE
The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)
Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

REVENUE SUPPORT GRANT
A grant paid by Central Government to authorities, contributing towards the general cost of their services.

TEMPORARY BORROWING
Money borrowed for a period of less than one year.

TRUST FUNDS
Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)
The period over which the Authority will derive benefits from the use of a fixed asset.

THE PENSION FUND ACCOUNTS

CONTENTS

FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

1 THE FINANCIAL STATEMENTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2026

		2024/25		2025/26	
	Notes	£000's	£000's	£000's	£000's
Dealings with members, employers and others directly involved in the fund					
Contributions	3		101,313		110,582
Transfers in from other pension funds	4		10,280		17,986
			111,593		**128,568**
Benefits paid	5		(128,055)		(131,288)
Payments to and on account of leavers / employer ex	6		(7,488)		(23,510)
Net additions / (deductions) from dealings with members			**(23,950)**		**(26,230)**
Management expenses	7 & 8		(25,457)		(29,893)
Net additions / (deductions) including fund management expenses			**(49,407)**		**(56,123)**
Returns on investments					
Investment Income		78,134		73,935	
Taxes on Income		(271)		(605)	
Net investment income	9	77,863		73,330	
Profit / (losses) on disposal of investments and changes in the market value of investments	10(c)	39,123		242,957	
Net return on investments			**116,986**		**316,287**
Net increase (decrease) in the net assets available for benefits during the year			**67,579**		**260,164**
Net assets at the start of the year			**3,408,111**		**3,475,690**
Net assets at the end of the year			**3,475,690**		**3,735,854**

NET ASSETS STATEMENT AS AT 31 MARCH 2026

	Notes	31 March 2025 £'000	31 March 2026 £'000
Long-term Investments	10	1,182	1,182
Investment assets	10	3,465,770	3,730,630
Investment liabilities	10	(410)	(310)
Total net investment assets		**3,466,542**	**3,731,502**
Long term assets		-	-
Current assets	12	17,800	10,076
Long term liabilities		-	-
Current liabilities	13	(8,652)	(5,724)
Net assets of the Fund available to fund benefits at the period end		**3,475,690**	**3,735,854**

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 2026 the total membership of the Fund was 67,670 (2024/25: 67,223) and consisted of 21,035 contributors/actives (2024/25: 21,244), 25,016 deferred members (2024/25: 25,160) and 21,619 pensioners (2024/25: 20,819). The 2025/26 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 2026 there were 108 (31 March 2025: 109) employer bodies in the Cumbria LGPS (for the full list see **Note 25**). One new employer joined the Fund during the year, and two other employers left the Fund.

<u>Basis of Preparation</u>:

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 2025/26 and the position at the year-end date, 31 March 2026. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (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 2025/26

From April 2025 markets started with strong increases in global equity markets, particularly driven by technology stocks and companies either exposed to the AI investment boom or making memory chips. However, the political turmoil on tariffs, central bank rate cut expectations and ongoing political tensions led to money moving in and out of risk assets during the year. Inflation and economic growth cooled modestly by late 2025. Then 2026 began cautiously optimistic with improved earnings expectation and hopes for rate cuts. The financial year 2025/26, will mostly be remembered for the significant volatility in March with the US war with Iran, when markets took an acute downturn, bringing the worry of global inflation, fuel supply constriction, and the probability of rising interest rates.

Despite experiencing some volatility, one-year returns in listed equities were all double-digit for the 2025/26 period. The MSCI All Country World Index recorded a return of 17.5%, in sharp contrast to the strong returns of 4.9% for the previous twelve months. The UK FTSE All Share index was strong over twelve months with a return of 21.5%, with the best index, Developed Asia Pacific, recording a return of 47%.

The impact on other asset classes was varied. Government bond yields have experienced continued volatility with end of year values closing up for the year overall, as the UK Over-5 year index-linked gilts index showing a +3.8% 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 delivering positive returns.

NOTE 1 (c): FUND PERFORMANCE 2025/26

As at 31 March 2026 the unaudited value of the Fund's net assets was £3,735.864m (an increase of £260.174m from £3,475.690m as at 31 March 2025). The Fund's Actuary has estimated that the Cumbria LGPS was approximately 128.7% funded as at 31 March 2026. This was calculated by revising the results of the actuarial valuation as at 31 March 2025 (funding level of 124.0%) 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 2025).

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 9.5% (net of fees) for the year-ended 31 March 2026.

As a long term investor, the Fund is primarily focussed on longer-term performance. It has lagged its fund-specific 3 and 5 year benchmarks and matched its 10 year benchmark. The Fund's performance (net of fees) to 31 March 2026 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	9.5%	10.3%	- 0.8%
3 year performance (per year)	6.5%	7.1%	- 0.6%
5 year performance (per year)	4.9%	5.3%	- 0.4%
10 year performance (per year)	6.8%	6.8%	+ 0.0%

During 2025/26, the Fund began a full Investment Strategy Review, to include a review of its Investment Beliefs and its Responsible Investment Policy. In March 2026, the Pensions Committee approved revised Investment Beliefs, and from June 2026 onwards will consider the revised Investment Strategy, including the target investment asset allocation, along with the required changes to the Fund's Investment Strategy Statement. The key theme is '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 2025/26 in light of agreed target allocations, with the associated investment decisions being taken in a managed way. Key changes made in 2025/26 included:

- The continuation of capital drawdowns to previously agreed commitments to Border to Coast Pensions Partnership Ltd (BCPP) funds for infrastructure, private equity and private debt;

- The continuation of capital drawdowns to commitments made in March 2024 to 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 completion of a new weighting structure within the public equity allocation (35% of the Fund) with implementation steps taking place in March and May 2025.

NOTE 1 (d): BUSINESS PLAN ACHIEVEMENTS

<u>2025/26 – 2027/28 Business Plan</u>:

All targets set within the 2025/26 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.

- **Completion of the 2025 actuarial valuation**

  Officers supported the Actuary in the valuation process by the provision of all required data to inform the valuation of liabilities. Regular updates were provided to the Pensions Committee and Local Pension Board throughout the year and the consultation on the Funding Strategy Statement was completed in January 2026. Employers have been provided with their contribution rates for the period April 2026 to March 2029.

- **Compliance with Pensions Dashboard requirements**
  Fund officers worked closely throughout the year with Local Pension Partnership Administration (LPPA) officers to ensure the Fund was able to comply with the statutory requirements to connect to a dashboard. Correct data is paramount to being connected to the dashboard which will necessitate continual work with LPPA

to assess and improve data held on scheme members. The Fund achieved connection to the dashboard later in 2025/26.

- **Drive improvement to pension Administration activities**

  Fund officers have continued to meet with LPPA and ensure that employers are appropriately supported to be able to meet any changes to operating practices. Administration KPI's have improved to above target in the year, and the Fund has worked with LPPA to develop and implement new and improved performance indicators to capture the member experience of bereavements and retirements.

- **Major annual pieces of work**

  Preparation of the Annual Report and Accounts. The 2024/25 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 unqualified opinion was given with only minor recommendations being made. The auditor formally signed off the accounts on 25 February 2026 and the 2024/25 Annual Report (including draft financial statements) was published on 1 December 2025 in line with regulatory timeframes.

- **Activities to ensure compliance with the Pension Regulator's General Code**

  Following an assessment of the Fund's compliance with the Pension Regulator's General Code of Practice, an action plan was created to address the small number of areas requiring further development. The Funds compliance improved from 90% compliant to 96% which is a strong position for the Fund with the outstanding actions relating to documentation of existing practices.

- **Pensions Review**

  The Fund reviewed and responded to consultation documents associated with the 'Fit for the Future' review of pension provision. The main areas of focus for the LGPS focussed on; the expansion of investment pooling to cover all investments, with defined completion timescales; changes in scheme governance requirements; and the introduction of requirements to state 'Local Investment' objectives in the Fund's Investment Strategy Statement. The Fund has worked with BCPP to develop an action plan to transition to the pool those assets not currently managed by, or under the management of, BCPP. This action plan is being implemented throughout 2025/26 and into 2026/27.

- **Review the Fund's Investment Strategy Review following the 2025 Valuation**

  Work to commence the review of the Fund's Investment Strategy was undertaken following the outcome of the 2025 Actuarial valuation and to start to consider associated changes to the Funding Strategy Statement and approach to Responsible Investment.

  The Pensions Review signalled implications for standardising how the Fund's investment strategy should be expressed from April 2026 including that there will be more involvement by the BCPP pool as it becomes the Fund's principal source of investment advice. This work will continue into 2026/27 and is detailed in the respective Business Plan for that year

- **Liaise with Border to Coast to ensure suitable investment opportunities are developed to allow the Fund to transition its Investment strategy.**

  The Fund continued to actively engage in the development of investment opportunities with BCPP through Members, Officers and Advisors and the other 10 partner funds. Later in the year it was confirmed that seven new LGPS funds would be joining with the BCPP pool from 1st April 2026, and a large amount of work was begun in 2025/26 to plan for this. Substantial work will continue for some years, and new investment opportunities may arise for the Fund to consider

In addition to the 2025/26 Business Plan, originally approved in March 2025, the Fund has 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.

- Implications from the Pensions Review, in relation to expansion of the pool to include 7 new partners and the shortened timescales to pool investments.

- Ongoing staffing vacancies within the team managing the Fund which impacted on capacity and required prioritisation in the use of resources.

- During 2025/26 the Fund reviewed and responded to a consultation document in respect of Access & Fairness which seeks to address areas within existing regulations where the government believes there is existing discrimination.

- In addition, the Fund also reviewed and responded to a consultation document in respect of Access & Protections which covered the providing LGPS pension access to elected members along with the National minimum pension age, academies in the LGPS and new Fair Deal policy proposals. Phase 1 of the government’s response in respect of pension access to elected members has since been published and came into force in May 2026.

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 2025/26.
We have assessed the two accounting standards (noted below) that have been adopted by the CIPFA Code 2025/26; we consider that no material changes are required to our processes or disclosures.

- IFRS 17 Insurance contracts – the fund is not an entity that issues insurance contracts.
- IAS 21 Lack of Exchangeability – the fund already has disclosures in respect of foreign exchange risks and the potential sensitivities

<u>**Fund Account – revenue recognition**</u>

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 2026.

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 (see 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 2025/26 accounts and used this in the Management Fees disclosed in the Accounts. Where fee information was not available from the manager, fees are estimated 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 is 30 June 2025 so the majority of the returns are 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 2025/26 Annual Report to be published by 1 December 2026. 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.

<u>Net Assets Statement</u>

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 2026, 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 2026, 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 UK Private Capital (formerly 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 2026. 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 one remaining directly held property is valued at fair value at 31 March 2026 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 2026.

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 2025/26 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 2025/26 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 body 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	**2024/25 £'000**	**2025/26 £'000**
Employee contributions to the fund	25,872	28,250
Employer contributions to the fund:		
Normal contributions	74,282	81,608
Deficit recovery contributions	1,159	724
Total Employer contributions	75,441	82,332
Total Contributions receivable	**101,313**	**110,582**
By Employer Type	**2024/25 £'000**	**2025/26 £'000**
Administering Authority	32,683	36,529
Other Scheduled bodies	67,655	73,135
Admitted bodies	975	918
Total Contributions receivable	**101,313**	**110,582**

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 2025, which is available on the Cumbria Pension Fund website. All other Cumbria LGPS employer policies that are relevant to the 2025/26 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.

	2024/25 £'000	2025/26 £'000
Individual transfers	10,280	17,986
	10,280	**17,986**

NOTE 5: BENEFITS

Pension benefits within the LGPS are based on final pensionable pay or career average, and duration of pensionable service. Members have access to the schemes depending upon the period their active membership in the LGPS covers, i.e. whether their employment was previous to 1 April 2008, during the period 1 April 2008 to 31 March 2014, and employed post 1 April 2014. Details of the main benefits of membership of these schemes are summarised in the following table:

	Service Pre 1 April 2008	Service 1 April 2008 to 31 March 2014	Service Post 1 April 2014
Basis	Final salary	Final Salary	Career Average Revalued Earnings (CARE)
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked accrues 1/49th x pensionable salary.
Lump sum	Each year worked is worth 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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

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

By Category	2024/25 £'000	2025/26 £'000
Pensions paid	102,044	106,475
Lump sums on retirement	23,254	20,771
Lump sums on death	2,757	4,042
Total Pensions paid	**128,055**	**131,288**
By Employer Type	**2024/25 £'000**	**2025/26 £'000**
Administering Authority	17,720	19,505
Scheduled bodies	100,083	100,923
Admitted bodies	10,252	10,860
Total Pensions paid	**128,055**	**131,288**

As shown in the above table the Administering Authority (Westmorland & Furness Council) benefits paid for 2025/26 were £19.505m. 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.

	2024/25 £'000	2025/26 £'000
Refund of member contributions	258	292
Individual transfers out to other Schemes	5,264	5,290
Group transfer out on exit or to other schemes	1,966	17,928
	7,488	**23,510**

In addition, in 2025/26 two employer group transfers out took place on the exit from the Fund of Home Group and South Lakes Housing.

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:

	2024/25 £'000	2025/26 £'000
Administrative costs	2,487	2,596
Oversight and governance costs	1,005	1,046
Investment management costs	21,965	26,251
	25,457	**29,893**

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 £0.109m (4.4%) higher in 2025/26 than the previous year. For further details refer to **Note 8**.

Oversight and governance costs were £0.041m (4.1%) higher in 2025/26 than the previous year. For further details refer to **Note 8**.

Investment management costs were £4.286m (19.5%) higher in 2025/26 than the previous year. For further details refer to **Note 8 and 8(a)**.

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.

	2024/25 £'000	2025/26 £'000
Administrative costs:		
Pensions Administration	2,080	2,216
Employee costs	401	355
Legal advice	5	14
Other	1	11
	2,487	2,596
Oversight and governance costs:		
Employee costs	398	404
Pensions Committee	27	45
Pensions Board	54	27
Investment consultancy fees	153	111
Performance monitoring service	43	44
Shareholder voting service	12	12
Actuarial fees	133	224
Audit fees - current year	97	105
Audit fees - prior years	10	45
Legal and tax advice	27	15
Other (including bank charges)	51	14
	1,005	1,046
Investment management costs: See Note 8 (a)		
Management fees	15,961	17,671
Performance fees	5,972	8,560
Custody fees	32	20
	21,965	26,251
	25,457	**29,893**

Variations on expenditure between years include:

- Pension Administration costs increased in 2025/26 due to increased numbers of Scheme Members in the Fund as well as higher costs within LPPA arising from inflationary factors in addition to some additional resources to manage increased casework and data quality issues.

- Oversight and Governance costs – The principal increase was in respect of actuarial fees which increased during 2025/26 associated with the actuarial valuation of the Fund (which is undertaken every three years) together with some additional external audit fees relating to prior years. The majority of these additional costs were offset by staffing savings due to a number of budgeted vacancies in the pensions team and some savings in respect of Legal and tax advice which varies year on year.

- Investment Management Costs – Investment management costs increased in 2025/26 from £21.965m to £26.251m. In accordance with the CIPFA guidance, disclosure note 8(a) has been included below to provide more detailed disclosure of Investment Management fees.

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 2024/25 are also provided for comparison purposes.

2025/26 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2025/26 £'000
Asset Classes				
Public markets				
Pooled equity investments with BCPP	2,197	-	219	2,416
Pooled multi-asset credit with BCPP	471	-	-	471
Governance & development costs of BCPP	828	-	-	828
Pooled passive investments	3	-	13	16
	3,499	**-**	**232**	**3,731**
Private markets				
Infrastructure funds	4,177	2,566	-	6,743
Private equity funds	5,744	5,612	-	11,356
Private debt funds	2,579	382	-	2,961
Other multi asset funds	356	-	-	356
Property funds	1,084	-	-	1,084
	13,940	**8,560**	**-**	**22,500**
Directly held property				-
	17,439	**8,560**	**232**	**26,231**
Custody fees				20
Total Investment Management Expenses				**26,251**

- Total investment management expenses of £26.251m equate to 0.70% of the year-end asset value of £3.7 billion. The Fund had net of fees investment performance in 2025/26 of +9.5%, which equates to £329m increased value from 31 March 2025.

- BCPP asset pool – the 2025/26 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 £13.940 in 2025/26 which was an increase on the previous year (£12.070m in 2024/25). There was an increase in performance fees to £8.560m (£5.972m in 2024/25). 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 £1.564bn, the management and performance fees of £22.500m equate to around 1.4% of the asset value (1.2% for 2024/25).

- Transaction and Entry costs – there were transactions costs paid directly from investments during 2025/26 due to trading between pooled equity funds with BCPP and trading out of a fund with another manager.

2024/25 Investment Management Expenses:

	Management Fees £'000	Performance Fees £'000	Transaction / Entry Costs £'000	2024/25 £'000
Asset Classes				
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
Total Investment Management Expenses				**21,965**

NOTE 9: NET INVESTMENT INCOME

The investment income of £73.330m net of £0.605m irrecoverable tax (2024/25 £77.863m net of £0.271m irrecoverable tax on dividends) can be analysed as follows:

	2024/25 £'000	2025/26 £'000
Income from equities	409	11
Infrastructure funds income	21,778	19,936
Private equity funds income	25,261	31,601
Private debt funds income	12,523	4,441
Multi-asset credit funds income	4,726	2,055
Property funds income	5,833	11,173
Rents from directly held property	4,890	121
Interest on cash deposits	2,443	3,992
	77,863	**73,330**

The Fund did not receive investment income directly from equity dividends in 2025/26, as this is received by the pooled fund and increases the value of the unitised holdings. The Fund switched its equity holdings into Income generating share classes in March 2026 which will increase income from equity in future years. 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 difference in amounts received between 2024/25 and 2025/26 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.

The Fund transitioned all but one directly held property into the Border to Coast UK Real Estate part way through 2024-25 which has moved the majority of the income from Rents for Directly held Property to the Property funds income line above.

NOTE 10: INVESTMENT ASSETS

	Notes	31 March 2025		31 March 2026	
		Total £'000	Total £'000	Total £'000	Total £'000
Long-Term assets					
Unquoted Equities (shares in BCPP Ltd)			**1,182**		**1,182**
Investment Assets					
Pooled investment vehicles					
Pooled equity/fixed income (active):					
- UK equities		64,983		78,374	
- Global equities		770,891		794,911	
- Overseas equities		293,167		376,085	
- Fixed income funds		164,544		169,020	
		1,293,585		1,418,390	
Unitised insurance policies (passive):					
- Global equities		61,311		34,586	
- UK index-linked securities		498,387		554,364	
		559,698		588,950	
Other pooled funds and limited partnerships:					
- Infrastructure funds		540,210		581,712	
- Private Equity funds		396,444		382,966	
- Private Debt funds		291,016		313,353	
- Mixed asset private market funds		9,033		18,710	
- Multi Asset Credit / Fixed Income funds		63,186		-	
- Property funds		264,435		267,188	
		1,564,324		1,563,929	
Pooled investment vehicles & managed funds total			**3,417,607**		**3,571,269**
Investment properties	10(b)		**3,625**		**3,100**
Cash & cash equivalents			**43,960**		**155,511**
Amounts receivable for sales *			**-**		**-**
Investment income accrued *			**298**		**575**
Property rental debtors *			**280**		**175**
			44,538		**156,261**
Subtotal investment assets			**3,465,770**		**3,730,630**
Investment liabilities					
Amounts payable for purchases *			**-**		**-**
Property creditors *			**(410)**		**(310)**
Subtotal investment liabilities			**(410)**		**(310)**
Total Net Investments			**3,466,542**		**3,731,502**

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

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

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

The share capital in BCPP Ltd is shown as a long-term asset as unquoted equities in the above table at a value of £1.182m (a 1/11th share of the total share capital in BCPP). From 1st April 2026 the number of shareholders was expanded to 18, with each new shareholder bringing new share capital. The Cumbria Pension Fund share capital remained at £1.182m representing a 1/18th of the total share capital of BCPP.

The Fund's largest manager is BCPP. The Fund's liquid investments with BCPP total £1,418.390m and are shown in Note 10 as 'Pooled equity/fixed income (active)'. These consist of investments in the BCPP UK Equity Fund; the Global Equity Alpha Fund; the Overseas Developed Listed Equity Fund; the Global Multi Factor Equity fund and the Multi-Asset Credit (MAC) fund, the latter being 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, private credit and some mixed asset funds) The Fund also Invests in the BCPP UK Real Estate Fund. 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 £588.950m, 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's investment in private markets has the objective of generating diversification and more stable and / or inflation protected income streams. This portfolio totals £1,563.929m at 31 March 2026.

NOTE 10(a): INVESTMENTS ANALYSED BY EXTERNAL MANAGER

Manager	Asset Class	31 March 2025		31 March 2026	
		£'000	%	£'000	%
Investments Managed by Border to Coast Pensions Partnership Ltd					
Border to Coast Global Equity Alpha Fund	Equities	770,891	22.2%	403,272	10.8%
Border to Coast Multi Factor Equity Fund	Equities	-	0.0%	391,639	10.5%
Border to Coast Overseas Developed Eq	Equities	293,167	8.5%	376,085	10.1%
Border to Coast UK Equity Fund	Equities	64,983	1.9%	78,374	2.1%
Border to Coast Multi Asset Credit Fund	Fixed Income	164,544	4.7%	169,020	4.5%
Border to Coast UK Real Estate Fund	Property fund	167,796	4.8%	170,304	4.6%
Border to Coast Cumbria LP	Infrastructure funds	232,715	6.7%	279,422	7.5%
Border to Coast Cumbria LP	Private Equity funds	217,940	6.3%	246,372	6.6%
Border to Coast Cumbria LP	Private Credit funds	190,220	5.5%	244,022	6.5%
Border to Coast Cumbria LP	Climate Opportunities fund	6,963	0.2%	13,992	0.4%
Border to Coast Cumbria LP	UK Opportunities fund	2,070	0.1%	4,718	0.1%
	Managed by BCPP Pool	**2,111,289**	**60.9%**	**2,377,220**	**63.7%**
Investments Managed outside Border to Coast Pensions Partnership Ltd					
Legal & General	Index-linked gilts	498,387	14.4%	554,364	14.9%
JP Morgan	Infrastructure fund	192,924	5.6%	202,489	5.4%
Strategic cash allocation	Cash	43,231	1.2%	152,087	4.1%
Partners Group	Infrastructure funds	71,389	2.1%	56,433	1.5%
Partners Group	Private Market Credit funds	71,721	2.1%	48,577	1.3%
Pantheon	Private Equity funds	62,241	1.8%	47,403	1.3%
abrdn (formerly Aberdeen SL Capital)	Infrastructure fund	43,183	1.2%	43,369	1.2%
Patria (formerly Aberdeen SL Capital)	Private Equity funds	45,640	1.3%	40,022	1.1%
Legal & General	Global equities	61,311	1.8%	34,586	0.9%
Aviva	Property fund	34,152	1.0%	33,978	0.9%
M&G	Property fund	31,901	0.9%	32,682	0.9%
Hearthstone	Residential Property fund	30,586	0.9%	30,224	0.8%
Healthcare Royalty Partners	Royalties funds	48,122	1.4%	29,904	0.8%
Barings	Private Loan funds	29,076	0.8%	20,754	0.6%
Unigestion	Private Equity funds	20,730	0.6%	17,551	0.5%
Federated Hermes	Money market fund	-	0.0%	3,200	0.1%
abrdn (formerly Aberdeen Standard)	Direct property	4,222	0.1%	3,188	0.1%
BlackRock	Private Equity fund	1,771	0.1%	1,714	0.0%
Border to Coast Ltd	Share capital	1,182	0.0%	1,182	0.0%
Interest and tax accruals	Cash/Overseas/UK equities	298	0.0%	575	0.0%
Apollo	Multi Asset Credit fund	53,397	1.5%	0	0.0%
CQS	Multi Asset Credit fund	9,789	0.3%	0	0.0%
	Outside of BCPP Pool	**1,355,253**	**39.1%**	**1,354,282**	**36.3%**
Total Net Investments		**3,466,542**	**100.0%**	**3,731,502**	**100.0%**

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.

One property located in Scotland remains in the ownership of Cumbria Pension Fund at 31 March 2026 valued at £3.100m, 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:

	2024/25 £'000	2025/26 £'000
Rental income from investment property	5,244	243
Direct operating expenses arising from investment property	(354)	(108)
	4,890	**135**

There are no restrictions on the Fund's ability to realise the value inherent in its one 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 property over the year:

	2024/25 £'000	2025/26 £'000
Balance at the start of the year	**157,675**	**3,625**
Additions:		
Purchases	10,909	-
Subsequent expenditure	263	6
Disposals	(165,135)	-
Net gains/(losses) from fair value adjustments	(87)	(531)
Balance at the end of the year	**3,625**	**3,100**

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:-

	2024/25 £'000	2025/26 £'000
Not later than one year	192	332
Later than one year and not later than five years	560	1,164
Later than five years	405	265
Total future lease payments due under existing contracts	**1,157**	**1,761**

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 property going forward is currently £0.333m 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.

As at 31 March 2026, an allowance of £0.166m for expected credit loss on outstanding rent arrears (which totalled £0.227m as at 31 March 2025), is recognised within the ‘Property rental creditors’ figure of £0.310m at Note 10. 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 2025 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Changes in value during the year £'000	Value at 31 March 2026 £'000
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,853,283	419,827	(486,072)	220,302	2,007,340
Other Managed funds	1,564,324	181,146	(204,771)	23,230	1,563,929
Property (See Note 10b)	3,625	6	-	(531)	3,100
	3,422,414	**600,979**	**(690,843)**	**243,001**	**3,575,551**
Cash & cash equivalents	43,960			(44)	155,511
Amounts receivable for sales	-				-
Investment income accrued	298				575
Property rental debtors	280				175
Amounts payable for purchases	-				-
Property creditors	(410)				(310)
Total Net Investments	**3,466,542**			242,957	**3,731,502**

Analysis of gains/(losses) for the year	2025/26 £'000
Realised - Profit and losses on disposal of investments	504,769
Unrealised - Changes in the market value of investments	(261,812)
	242,957

The following table reconciles the movements in investments and derivatives for the previous 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
Equities					
UK equities	1,182	-	-	-	1,182
Pooled investment vehicles	1,924,505	216,711	(277,728)	(10,205)	1,853,283
Other Managed funds	1,261,655	384,046	(131,219)	49,842	1,564,324
Property (See Note 10b)	157,675	-	-	-	3,625
	3,345,017	**600,757**	**(408,947)**	**39,637**	**3,422,414**
Cash & cash equivalents	53,575			(427)	43,960
Amounts receivable for sales	-				-
Investment income accrued	372				298
Property rental debtors	1,333				280
Amounts payable for	-				-
Property creditors	(2,882)				(410)
Total Net Investments	**3,397,415**			39,210	**3,466,542**

Analysis of gains/(losses) for the year	**2024/25 £'000**
Realised - Profit and losses on disposal of investments	100,742
Unrealised - Changes in the market value of investments	(61,619)
	39,123

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 2025/26 are six 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 2025 £'000	% of Total Net Investments	31 March 2026 £'000	% of Total Net Investments
Border to Coast Pension Partnership Ltd - Global Equity Alpha	770,891	22.2%	403,272	10.8%
Border to Coast Pension Partnership Ltd - Multi Factor Equity	-	0.0%	391,639	10.5%
Border to Coast Pension Partnership Ltd - Overseas Equity	293,167	8.5%	376,085	10.1%
Border to Coast Pension Partnership Ltd - Infrastructure funds	232,715	6.7%	279,422	7.5%
Border to Coast Pension Partnership Ltd - Private Equity funds	217,940	6.3%	246,372	6.6%
Border to Coast Pension Partnership Ltd - Private Credit funds	190,220	5.5%	244,022	6.5%
Investments over 5% managed by Border to Coast	**1,704,933**	**49.2%**	**1,940,812**	**52.0%**
Legal and General Over 5 Yr Index-Linked Gilts Index	498,387	14.4%	554,364	14.9%
Investments over 5% managed by Legal and General	**498,387**	**14.4%**	**554,364**	**14.9%**
Other pooled investments over 5% of Net Investment Assets				
JPMorgan - Institutional Infrastructure fund	192,924	5.6%	202,489	5.4%
	2,396,244	**69.2%**	**2,697,665**	**72.3%**

During 2024/25 Cumbria LGPS agreed a revised structure for the public equity allocation and completed the transfer between funds in 2025/26 by moving into a new BCPP Multi Factor Equity fund at its launch. To address an overweight position which had developed due to growth in equity values, the Fund withdrew £35m from L&G FTSE World Equity fund to rebalance into index-linked gilts. The Fund also withdrew £45m from BCPP equity investments to deploy into 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
LEVEL 1			
Cash and cash equivalents	Carrying value is fair value because of short-term nature (daily access)	Not required	Not required
LEVEL 2			
Pooled investments - unitised funds with underlying assets in quoted equity (UK or overseas), quoted fixed income, index-linked gilts or cash	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis	Not required
LEVEL 3			
Investment Properties: Freehold and leasehold properties and property funds	The properties are valued at fair value at the year-end using the investment method of valuation by independent valuers Knight Frank LLP in accordance with the *RICS Valuation Global Standards* (incorporating the International Valuation Standards) and the UK national supplement ("the Red Book") current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Private equity and other private market assets (Pooled funds in infrastructure, private equity, private debt, unquoted multi-asset credit)	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

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 2026.

	Assessed valuation range (+/-)	Value at 31 March 2026 £'000	Value on increase £'000	Value on decrease £'000
Private market funds - Infrastructure	6.7%	600,422	640,650	560,194
Private market funds - Private Equity	6.7%	382,966	408,625	357,307
Private market funds - Private Debt	4.8%	313,353	328,394	298,312
Property - direct and pooled funds	2.1%	270,288	275,964	264,612
Total		**1,567,029**	**1,653,633**	**1,480,425**

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: 4% of Total Investments (2024/25: 1%)
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 (2024/25: 54%)
Assets and liabilities at level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value, the techniques used are based significantly on observable market data.

While these assets are not usually convertible into cash immediately, they are still considered to be relatively liquid with easily verified and relatively certain asset pricing of the underlying stocks if not the pooled fund itself.

This includes pooled funds where the underlying assets are quoted assets such as equity and fixed interest bonds. Though the funds themselves are not traded on active markets, they have pre-set, often weekly trading dates, such that liquidation is relatively easy with a short lead-in time.

Level 3: 42% of Total Investments (2024/25: 45%)
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 2025				31 March 2026			
	Quoted market price	Using observable inputs	With significant unobservable inputs		Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss								
Unquoted Equities (shares in BCPP Ltd)	-	-	1,182	1,182	-	-	1,182	1,182
Pooled Investments	-	1,853,283	1,564,324	3,417,607	-	2,007,340	1,563,929	3,571,269
Cash & cash equivalents	50,848	-	-	50,848	156,615	-	-	156,615
Total Financial assets at fair value through profit and loss	**50,848**	**1,853,283**	**1,565,506**	**3,469,637**	**156,615**	**2,007,340**	**1,565,111**	**3,729,066**
Investment properties (Non-financial assets) at fair value through profit and loss	-	-	3,625	3,625	-	-	3,100	3,100
Total Investments at Fair Value	**50,848**	**1,853,283**	**1,569,131**	**3,473,262**	**156,615**	**2,007,340**	**1,568,211**	**3,732,166**
Percentage of Total Investments	**1%**	**54%**	**45%**	**100%**	**4%**	**54%**	**42%**	**100%**

NOTE 10(h): RECONCILIATION OF FAIR VALUE MEASUREMENT WITHIN LEVEL 3

The following table sets out the reasons for movement in the valuations within the Fund's assets categorised at level 3. More information regarding transfers is provided below the table as appropriate. Unrealised and realised gains and losses are recognised in the 'profit and losses on disposal and changes in market value of investments' line of the Fund Account.

Period 2025/26	Market value 1 April 2025 £'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 2026 £'000
Unquoted Equities	1,182	-	-	-	-	-	-	1,182
Level 3 pooled investments (i.e. Other managed funds)	1,564,324	-	-	181,146	(204,771)	27,653	(4,427)	1,563,925
Investment Properties	3,625	-	-	6	-	-	(531)	3,100
	1,569,131	**-**	**-**	**181,152**	**(204,771)**	**27,653**	**(4,958)**	**1,568,207**

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 2025 £'000	31 March 2026 £'000
Financial Instruments	3,464,771	3,722,276
Statutory debts / liabilities & provisions	7,294	7,278
Investment Property	3,625	3,100
Net Assets of the Fund	**3,475,690**	**3,732,654**

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 2025				31 March 2026			
	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CLASSIFICATION								
Financial Assets								
Investments								
Equities	1,182	-	-	1,182	1,182	-	-	1,182
Pooled investment vehicles	3,417,607	-	-	3,417,607	3,571,269	-	-	3,571,269
Cash & cash equivalents	42,082	8,766	-	50,848	150,013	3,402	-	153,415
Investment receivables/debtors	-	578	-	578	-	750	-	750
Current & long-term assets	-	2,198	-	2,198	-	256	-	256
	3,460,871	**11,542**	**-**	**3,472,413**	**3,722,464**	**4,408**	**-**	**3,726,872**
Financial Liabilities								
Investment payables/creditors	-	-	(410)	(410)	-	-	(310)	(310)
Current/long-term liabilities	-	-	(7,232)	(7,232)	-	-	(4,286)	(4,286)
Total Financial Instruments	**3,460,871**	**11,542**	**(7,642)**	**3,464,771**	**3,722,464**	**4,408**	**(4,596)**	**3,722,276**
ANALYSIS OF NET GAINS AND (LOSSES) FOR YEAR ENDED 31st MARCH								
Financial Assets	39,210	-	-	39,210	243,488	-	-	243,488
Financial Liabilities	-	-	-	-	-	-	-	-
Total Net Gains/(Losses)				39,210				243,488

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 2025 £'000	31 March 2026 £'000
Cash balances	**6,888**	**1,104**
Current Debtors		
Contributions due	8,711	8,713
Miscellaneous	2,201	259
Total Current Debtors	**10,912**	**8,972**
Total Current Assets	**17,800**	**10,076**

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 2025 £'000	31 March 2026 £'000
Current Creditors		
Investment Managers fees	7	28
Tax payable	1,420	1,438
Miscellaneous	7,225	4,258
Total Current Liabilities	**8,652**	**5,724**

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				2024/25 £'000	2025/26 £'000
		Foreign Exchange	Interest rate	Liquidity	Other risks		
UK Equities	◉	◉	◉	○	◉	66,165	79,556
Overseas Equities	◉	●	◉	○	◉	1,125,369	1,205,582
Index Linked Gilts	○	○	◉	○	◉	498,387	554,364
Property *	◉	○	◉	●	◉	3,625	3,100
Alternative Investments	◉	◉	◉	●	◉	1,728,868	1,732,949
UK Cash	◉	○	◉	○	◉	42,758	138,792
Overseas Cash	◉	●	◉	○	◉	8,090	17,823
Total Investments at Fair Value						**3,473,262**	**3,732,166**

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 Documents 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 Documents 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 current Investment Strategy was agreed in June 2024 with the Pensions Committee approving a target investment asset allocation, along with the required changes to the Fund's Investment Strategy Statement. Follow up work regarding the equity allocation was considered by the Investment Sub-Group and Pensions Committee in 2025. During 2025/26, the Fund began a full Investment Strategy Review, to include a review of its Investment Beliefs and its Responsible Investment policy. In March 2026, the Pensions Committee approved revised Investment Beliefs, and from June 2026 onwards will consider 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 is 'evolution, not revolution' and the weightings in the main building blocks of assets (growth, fixed income, real assets) remain very similar to previously.

As at 31 March 2026, 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 2026 were £1.104m (2024/25: £6.888m) within current assets (see **Note 12**), and £155.511m (2024/25: £43.960m) 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 2026	Balances as at 31 March 2025 £'000	Balances as at 31 March 2026 £'000
Money Market Funds			
Northern Trust GBP Liquidity Fund	AAA	33,995	132,192
Northern Trust USD Liquidity Fund	AAA	5,273	11,436
Northern Trust EUR Liquidity Fund	AAA	2,814	6,385
Federated Prime GBP Liquidity Fund	AAA	-	3,200
Bank deposit accounts			
National Westminster Bank	A+	6,888	1,104
Bank current accounts			
Barclays Bank	A+	729	224
Northern Trust Company (GBP)	AA	1,146	2,073
Northern Trust Company (USD, EUR)	AA	3	1
Total		**50,848**	**156,615**

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 underlying 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	2025/26 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Equities	1,285,138	10.1%	1,414,937	1,155,339
Index-linked gilts	554,364	11.5%	618,116	490,612
Infrastructure funds	600,422	6.7%	640,650	560,194
Private Equity funds	382,966	6.7%	408,625	357,307
Private Debt funds	313,353	4.8%	328,394	298,312
Fixed Income/Multi Asset Credit	169,020	2.7%	173,584	164,456
Property and property funds	270,288	2.1%	275,964	264,612
Cash	156,615	7.1%	167,735	145,495
	3,732,166		**4,028,005**	**3,436,327**

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 2026, the Fund had overseas investments of £2,356.958m 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 £143.531m, or 3.8% of the Fund's total value.

Foreign Exchange - Sensitivity Analysis	2025/26 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
US Dollar denominated assets	1,591,408	6.8%	1,699,624	1,483,192
European currency denominated assets	355,684	3.3%	367,422	343,946
Other currency denominated assets	346,715	6.8%	370,292	323,138
UK assets within Global equity funds	63,151	0.0%	63,151	63,151
	2,356,958		**2,500,489**	**2,213,427**

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 4.50% in March 2025 and was decreased in the twelve months, to 3.75% in March 2026. 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 4.50% or down to 3.00%) will increase or reduce the Fund's return by £5.332m (2024/25 £4.119m) on an annualised basis.

Assets exposed to interest rate risk	31 March 2025 £'000	31 March 2026 £'000
Fixed interest securities (including pooled investments)	498,387	554,364
Cash and cash equivalents	8,766	3,402
Money market funds and pooled cash vehicles	42,082	153,213
	549,235	**710,979**

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 2025/26, 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, cash flow projections were reassessed following the 2025 Actuarial Valuation to ensure that the Fund receives a stream of investment income in an efficient manner.

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 2026 the value of assets which could be converted to cash within three months, without significant loss to the Fund, is £2,163.955m, i.e. 58% of net assets (31 March 2025 £1,904.131m). The value of the illiquid assets including investment properties was £1,568.211m which represented 42% of net assets (31 March 2025 £1,569.131m).

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 2026 are as follows:

Asset Class	2024/25 £'000	2025/26 £'000	Manager	Holding Details
Pooled investment vehicles				
Managed by Pool	1,293,585	1,418,390	Border to Coast	UK, overseas and global equity, fixed income multi-asset fund
	232,715	279,422	Border to Coast Cumbria LP	Infrastructure funds
	217,940	246,372	Border to Coast Cumbria LP	Private Equity funds
	190,220	244,022	Border to Coast Cumbria LP	Private Credit funds
	167,796	170,304	Border to Coast	UK Real Estate fund
	6,963	13,992	Border to Coast Cumbria LP	Climate Opportunities fund
	2,070	4,718	Border to Coast Cumbria LP	UK Opportunities fund
Unitised insurance policies	559,698	588,950	Legal and General	Index tracking funds
Other managed funds	192,924	202,489	JP Morgan	Infrastructure fund
	71,389	56,433	Partners Group	Infrastructure funds
	71,721	48,577	Partners Group	Private Market Credit funds
	62,241	47,403	Pantheon	Private Equity funds
	43,183	43,369	abrdn (formerly Aberdeen SL Capital)	Infrastructure fund
	45,640	40,022	Patria (formerly Aberdeen SL Capital)	Private Equity funds
	34,152	33,978	Aviva	Property fund
	31,901	32,682	M&G	Property fund
	30,586	30,224	Hearthstone	Residential Property fund
	48,122	29,904	Healthcare Royalty Partners	Royalties funds
	29,076	20,754	Barings	Private Loan funds
	20,730	17,551	Unigestion	Private Equity funds
	1,771	1,714	BlackRock	Private Equity fund
	53,397	-	Apollo	Multi Asset Credit fund
	9,789	-	CQS	Multi Asset Credit fund
UK equity unquoted	1,182	1,182	Border to Coast	Company share capital
	3,418,791	**3,572,452**		

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:

	2024/25 £'000	2025/26 £'000
Standard Life	368	368
Scottish Widows	820	748
Utmost Life	279	251
Prudential Assurance Company	7,265	9,467
Total AVCs	**8,732**	**10,834**

AVC contributions of £3.002m 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.

Following the Government's Fit for the Future Pensions Review and MHCLG not accepting the transitions plan of the ACCESS and Brunel Pools, seven LGPS Funds previously members of the ACCESS Pool indicated their preference to join the existing 11 BCPP funds. This came into effect on 1 April 2026 and therefore does not affect the 2025/26 reporting year.

There are no material transactions in respect of related parties requiring separate reporting for 2025/26.

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 2025/26 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 2025/26, with 90% coverage.

The Fund publishes a specific Conflicts of Interest policy in compliance with the Pension Regulator's General Code of Practice, which sets out the responsibilities of those charged with the management and governance of the Cumbria Pension Fund. In addition, 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 2025/26 (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 2025/26 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 2025/26.

- 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 2025/26 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 2025/26 was £7,140.

- The Independent Chair of the Local Pension Board received remuneration of £10,000 during 2025/26 in relation to his role.

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

2025/26 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** **£**
Director of Resources (S151 Officer) (from 1 June 2025)	13,803	13,803	2.240	16,043
Senior Manager – Cumbria Pension Fund (Deputy S151 Officer - LGPS)	83,932	83,932	14,520	98,452
	97,734	**97,734**	**16,760**	**114,495**

2024/25 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** **£**
Director of Resources (S151 Officer)	17,715	17,715	2,943	20,658
Senior Manager – Cumbria Pension Fund (Deputy S151 Officer - LGPS) (from 03 June 2024)	67,323	67,323	11,647	78,970
Interim Senior Manager – Pensions & Financial Services (Deputy S151 Officer - LGPS) (to 02 June 2024)	13,089	13,089	2,265	15,354
	98,128	**98,128**	**16,854**	**114,982**

NOTE 17: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There are no contingent liabilities or outstanding contractual commitments at 31 March 2026, other than outstanding investment drawdown commitments to be made to closed-ended funds in private markets of c£764m at 31 March 2026.

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: Following the payment of the claim by the French Tax Authorities in 2024-25 there has been no further movement on the remaining claims, the estimated value of Fokus Bank claims still outstanding at 31 March 2026 is £0.497m (value in GBP based on exchange rates at 31 March 2026). 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 £0.288m and Italy £0.209m.

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 2025/26 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 2025/26.

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 £9.569m (£10.912m at 31 March 2025) of current debtors (see **Note 12**) is £0.086m of debtors aged between two and six months (£1.270m at 31 March 2025) and £0.334m of debtors aged greater than six months (£0.847m 31 March 2025).

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 2026 and earned no income directly in 2025/26 through stock lending.

NOTE 21: EVENTS AFTER THE REPORTING DATE

To be completed in final version. 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. 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	For every 1% increase in market value of all assets, the value of the Fund will increase by approx. £37.315m, with a decrease having the opposite effect. Level 3 investments including property – often income will be inflation linked e.g. CPI uplifts, based on throughput e.g. power production or infrastructure usage, or underlying company performance in the case of private equity. If actual outcomes for these variables differ greatly from expectations, valuations can be lower than expected and also higher too. Manager skill and experience is essential in predicting the variables,

Item	Uncertainties	Effect if actual differs from assumptions
	expectations of the specific income streams and inflation linkage. Property – Fair Value (IFRS 13) valuations use the expected cashflow streams from current leases with reference also to the value of the property on the open market.	and planning and controlling the outcomes. Property – when properties are marketed for sale, the bids received from interested buyers can be above or below valuation due to market reasons. For each case the underlying factors would be considered before acceptance or otherwise of the sale. For further information on the Sensitivity of Asset values at Level 3 including property, please refer to Note 10(f). Further information on the sensitivity analysis of market prices for the Fund's investments (excluding derivatives) is included in the Market Risk section of Note 14.
Pensions Liability (or Surplus)	Assumptions such as mortality expectations, future inflation, returns on investments, and rate of pay increases. For further information on the assumptions contained in the Actuarial valuation, and how sensitive the funding position is to changes in those assumptions, please refer to the published Actuarial Valuation report which is available on the Cumbria Pension Fund website.	The effects on the funding level of changes in the individual assumptions can be measured but interact in complex ways. For instance: • a 0.25% increase in life expectancy would result in a £-15m decrease in funding surplus; • a 0.25% reduction in the real investment return achieved would result in a £102m decrease in the funding surplus, or; • a 25% reduction in Asset values would result in a £-869m decrease in the funding surplus; as determined at the 2025 valuation.

<u>The valuation of 'level 3' assets</u>

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.

For 31 March 2026, the 31 December 2025 valuations have been the latest available for £382.966m (all) of the private equity investments shown at Note 10 (10.3% of the net investments assets), and further cash transactions up to 31 March are reflected. To remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value. No private equity March valuations were available at the time of preparation.

Infrastructure and multi-asset private market funds are also valued during the following quarter and for 31 March 2026, the 31 December 2025 valuations have been the latest available for £379.223m of the infrastructure/multi-asset investments shown at Note 10 (10.2% of the net investments assets), and further cash transactions up to 31 March are reflected. To remain prudent no assumptions for a value uplift have been incorporated into the estimate to fair value. March valuations were available at the time of preparation for £202.489m of infrastructure, totalling 5.4% of the net investments.

NOTE 23: ACTUARIAL POSITION OF THE FUND

The Fund Actuary assessed the valuation of the Cumbria Local Government Pension Scheme as at 31 March 2025 to determine the employer contribution rates with effect from 1 April 2026 to 31 March 2029.

The full Actuarial Valuation Report as at 31 March 2025 is available on the Cumbria Pension Fund website at 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 2025 £'m	31 March 2026 £'m
Valuation Basis		
Present value of past service liabilities	(3,093)	(2,902)
Net assets of the Fund	3,543	3,736
Net Surplus (Liability)	**450**	**834**
IAS 19 Basis		
Present value of past service liabilities	(2,630)	(2,760)
Net assets of the Fund	3,543	3,736
Net Surplus (Liability)	**913**	**976**

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.

Mercer

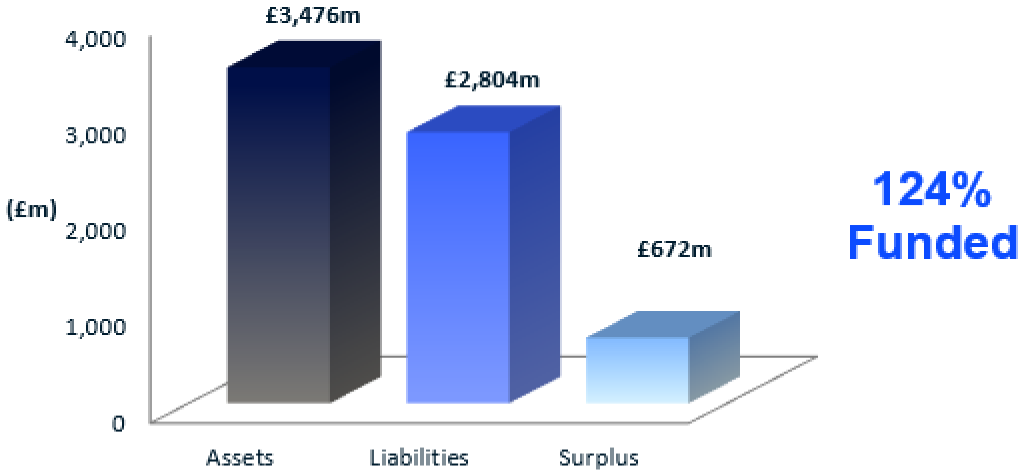
CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2026 – 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 Scheme was carried out as at 31 March 2025 to determine the contribution rates with effect from 1 April 2026 to 31 March 2029.

On the basis of the assumptions adopted, the Fund's assets of £3,476 million represented 124% of the Fund's past service liabilities of £2,804 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £672 million.



The valuation also showed that a Primary Contribution rate of 16.4% of pensionable pay per annum was required from employers. The Primary rate was 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 contributions in respect of any deficit / surplus for each employer. At the 2025 actuarial valuation the average recovery period adopted for employers in deficit was 10 years, and the run off period for employers with a recoverable surplus was 15 years. The resulting total "Secondary Rate" for 2026/29 was, on average, a surplus offset of approximately £29m per annum (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 2026.

The valuation was carried out using the projected unit actuarial method. Full yield curves were used in calculating the liabilities and the approximate single equivalent rates for the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary Contribution Rate, were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	5.35% per annum	4.85% per annum
Rate of pay increases (long term)	4.10% per annum	4.10% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.60% per annum	2.60% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2028. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2029.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS26 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. The assumptions adopted are shown in the Appendix.

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

	£m
Start of period liabilities	2,630
Interest on liabilities	149
Net benefits accrued / paid over the period*	(59)
Actuarial (gains) / losses (see below)	40
End of period liabilities	2,760

**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 5.8% p.a. to 6.2% p.a. The long-term assumed CPI also increased over the year from 2.6% p.a. to 2.9% p.a. The net effect is a small reduction in liabilities.
- **Change in demographic assumptions:** As noted in the Appendix, the mortality assumptions have been updated to reflect the latest mortality study carried out for the 2025 actuarial valuation. This acts to slightly reduce the liabilities.
- **Pension increases / inflation experience:** The figures allow for the impact of actual CPI over the year compared to the start of the period assumption (experience to September 2025 fed into the April 2026 pension increase of 3.8%, and actual inflation from that point will feed into the 2027 increase). As

inflation over the year was higher than the long-term assumption, this slightly increases the liabilities.

- **Allowance for 2025 actuarial valuation results:** The figures allow for the now completed 2025 actuarial valuation of the Fund. The effect of this is an increase in liabilities.

Mark Wilson
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Clive Lewis
FIA C. Act

June 2026

Appendix:

Additional Considerations

The "McCloud judgement": The figures above allow for the impact of the judgment based on the remedy and the data provided for the 2025 actuarial valuation.

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: There was significant volatility in markets both shortly before and after the accounting date. 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.

Financial and Demographic Assumptions

To assess the liability of the benefits, we have used the following assumptions as at 31 March 2026 (the 31 March 2025 assumptions ae included for comparison):

Financial assumptions

	31 March 2025	31 March 2026
Rate of return on investments (discount rate)	5.80% per annum	6.20% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.60% per annum	2.90% per annum
Rate of pay increases	4.10% per annum	4.40% per annum

Increases on pensions (in excess of GMP) / Deferred revaluation	2.70% per annum	3.00% per annum

Post retirement mortality (normal health)

	31 March 2025 (M/F)	31 March 2026 (M/F)
Base mortality table	SAPS 4 / SAPS 4 middle	SAPS 4 / SAPS 4 middle
Future improvements	CMI 23 1.5%	CMI 24 1.5%
Other choices	S=7, A=0 W20=W21=0%, W22=W23=15%	Core Underlying
Non-retired members (currently age 45):		
Weightings	104% / 97%	110% / 99%
Life expectancies at age 65	22.8 / 25.7	22.7 / 25.6
Retired members (current age 65):		
Weightings	100% / 96%	105% / 96%
Life expectancies at age 65	21.5 / 24.0	21.4 / 24.1

The start of period assumptions is set based on the most recent mortality analysis as at the previous accounting date (so from the 2022 actuarial valuation), but with:

- a best estimate long-term improvement rate of 1.5%
- an update to the future improvement model (CMI 2023)
- an update to the base tables (S4 tables, with a reweighting to maintain consistency with the underlying mortality analysis)

The end of period base tables are set based on the updated analysis undertaken as part of the 2025 actuarial valuation (note that the 1.5% improvement rate is still our best estimate assumption).

Other demographic assumptions

The other demographic assumptions as at the start of period 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.

Those as at the end of period are the same as those used for the 2025 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2026.

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 2025/26 financial statements.

NOTE 25: PARTICIPATING EMPLOYERS OF THE FUND

As at 31 March 2026 the scheduled and admitted bodies within the Cumbria Local Government Pension Scheme were:

Employers of the Fund as at 31 March 2026 (total 108)		
Scheduled Scheme Employers (9)	**Scheduled Bodies - Academies (cont)**	**Admitted Bodies Transferee (cont)**
Cumberland Council	Furness Education Trust	People First
Westmorland and Furness Council	George Hastwell School Academy	Tullie House Trust
Cumbria Commissioner Fire and Rescue	Ghyllside Academy	**Admitted Bodies Community (8)**
Cumbria Chief Constable	Great Corby Academy	Cumbria Cerebral Palsy
Cumbria Police, Fire & Crime Commissioner	James Rennie Academy	Eden Housing Association
Furness College	Keswick Academy	Glenmore Trust
Kendal College	Kirkbie Kendal Academy	Higham Hall
Lake District National Park Authority	Learning for Life Trust	Lakeland Arts Trust
Lakes College (West Cumbria)	Lunesdale MAT	Morton Community Centre
Scheduled Designated Bodies (16)	Mater Christi MAT	Oaklea Trust
Barrow Forward Ltd	Richard Rose Academies	West House
Brampton Parish Council	Seaton Academy	**Admitted Bodies No Actives (25)**
Cleator Moor Town Council	South Cumbria MAT	Bulloughs (Caldew Academy)
Cockermouth Town Council	South Westmorland MAT - Dallam Academy	Carlisle Mencap - Hart St
Egremont Town Council	Stanwix School Academy	Carlisle Mencap - Huntley Ave
Grange Town Council	The Good Shepherd MAT	Caterlink - Longtown
Kendal Town Council	Trinity Academy	Caterlink - W/Lakes
Keswick Town Council	**Scheduled Designated Bodies No Actives (1)**	Caterlink - WHT
Maryport Town Council	Millom Town Council	Computeam Ltd
Orian Solutions	**Scheduled Bodies No Actives (10)**	Cumbria Deaf Vision
Penrith Town Council	Allerdale Waste Services	Cumbria Teacher Training
Seaton Parish Council	Charlotte Mason College	Cumbria Training Partnership
Ulverston Town Council	Cumbria Institute of the Arts	Direct Training Services
Whitehaven Town Council	Cumbria Primary Teacher Training	Egremont & District Pool Trust
Wigton Town Council	Cumbria Sea Fisheries	Henry Lonsdale Trust
Workington Town Council	Dept Constit Affairs (Cumbria Magistrates)	Kendal Citizens Advice
Scheduled Bodies - Academy Employers (29)	Health Authority	Lake District Cheshire Homes
Appleby Grammar Academy	Port of Workington	Longtown Memorial Hall Community Centre
Arnside National CofE Academy	Practical Alternatives to Custody (Ltd)	Mellors Catering Services - Rockcliffe
Bassenthwaite Academy	Water Authority	NRCS Ltd (Neighbourhood Revitalisation)
Branthwaite Academy	**Admitted Bodies Transferee (10)**	Orian (Ghyllside)
Burton Morewood Primary Academy	Carlisle Leisure Ltd	Priority Facilities (Ashfield Infs)
Caldew Academy	Caterlink - St Bernard's CHS	Priority Facilities (St Mary's, Work)
Cartmel Priory Academy	Dolce Ltd (St Martin & St Mary's)	Project Homeless
Changing Lives Learning Trust	Dolce Ltd (Ulverston Victoria High School) new	Soundwave
Crosby on Eden Academy	Greenwich Leisure (Copeland)	Troutbeck Bridge Swimming Pool
Cumbria Education Trust	Greenwich Leisure (South Lakes)	Wigton Joint Burial Committee
Eaglesfield Paddle Academy	Mellors Catering - Appleby	
Energy Coast UTC	Mellors Catering - Kirkby Stephen	

Independent auditor's report to the members of Westmorland and Furness Council on the pension scheme financial statements of Cumbria Local Government Pension Scheme

To be added upon conclusion of the audit