

MEMBERS INTERESTS 2012

A Member with a disclosable pecuniary interest in any matter considered at a meeting must disclose the interest to the meeting at which they are present, except where it has been entered on the Register.

A Member with a non pecuniary or pecuniary interest in any business of the Council must disclose the existence and nature of that interest at commencement of consideration or when the interest becomes apparent.

Where sensitive information relating to an interest is not registered in the register, you must indicate that you have an interest, but need not disclose the sensitive information.

Please tick relevant boxes

Notes

	General		
1.	I have a disclosable pecuniary interest.	<input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 below</i>
2.	I have a non-pecuniary interest.	<input type="checkbox"/>	<i>You may speak and vote</i>
3.	I have a pecuniary interest because it affects my financial position or the financial position of a person or body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest or it relates to the determining of any approval consent, licence, permission or registration in relation to me or any person or body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest	<input type="checkbox"/> <input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i> <i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i>
4.	I have a disclosable pecuniary interest (Dispensation 16/7/12) or a pecuniary interest but it relates to the functions of my Council in respect of: (i) Housing where I am a tenant of the Council, and those functions do not relate particularly to my tenancy or lease. (ii) school meals, or school transport and travelling expenses where I am a parent or guardian of a child in full time education, or are a parent governor of a school, and it does not relate particularly to the school which the child attends. (iii) Statutory sick pay where I am in receipt or entitled to receipt of such pay. (iv) An allowance, payment or indemnity given to Members (v) Any ceremonial honour given to Members (vi) Setting Council tax or a precept under the LGFA 1992	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i>
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 20/2/13 – 19/2/17)	<input type="checkbox"/>	<i>See the terms of the dispensation</i>
6.	I have a pecuniary interest in the business but I can attend to make representations, answer questions or give evidence as the public are also allowed to attend the meeting for the same purpose	<input type="checkbox"/>	<i>You may speak but must leave the room once you have finished and cannot vote</i>

'disclosable pecuniary interest' (DPI) means an interest of a description specified below which is your interest, your spouse's or civil partner's or the interest of somebody who you are living with as a husband or wife, or as if you were civil partners and you are aware that that other person has the interest.

Interest

Prescribed description

Employment, office, trade, profession or vocation

Any employment, office, trade, profession or vocation carried on for profit or gain.

Sponsorship

Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.

	This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

"body in which the relevant person has a beneficial interest" means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest; "director" includes a member of the committee of management of an industrial and provident society;

"land" excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income; "M" means a member of a relevant authority;

"member" includes a co-opted member; "relevant authority" means the authority of which M is a member;

"relevant period" means the period of 12 months ending with the day on which M gives notice to the Monitoring Officer of a DPI;

"relevant person" means M or M's spouse or civil partner, a person with whom M is living as husband or wife or a person with whom M is living as if they were civil partners;

"securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

'non pecuniary interest' means interests falling within the following descriptions:

- 10.1(1)(i) Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- (ii) Any body (a) exercising functions of a public nature; (b) directed to charitable purposes; or (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union), of which you are a member or in a position of general control or management;
- (iii) Any easement, servitude, interest or right in or over land which does not carry with it a right for you (alone or jointly with another) to occupy the land or to receive income.
- 10.2(2) A decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a connected person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision.

'a connected person' means

- (a) a member of your family or any person with whom you have a close association, or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph 10.1(1)(i) or (ii).

'body exercising functions of a public nature' means

Regional and local development agencies, other government agencies, other Councils, public health bodies, council-owned companies exercising public functions, arms length management organisations carrying out housing functions on behalf of your authority, school governing bodies.

A Member with a personal interest who has made an executive decision in relation to that matter must ensure any written statement of that decision records the existence and nature of that interest.

NB Section 21(13) of the LGA 2000 overrides any Code provisions to oblige an executive member to attend an overview and scrutiny meeting to answer questions.

AUDIT AND GOVERNANCE COMMITTEE

HELD: 25 JUNE 2013

Start: 7.00pm

Finish: 8.10pm

PRESENT:

Councillor	E Pope (Chairman) M Forshaw (Vice Chairman)	
Councillors	C Dereli I Grant P Greenall G Hodson	G Jones N Pryce-Roberts D Westley
Officers	Borough Treasurer (Mr M Taylor) Audit Manager (Mr M Coysh) Assistant Solicitor (Mr M Hynes) Assistant Member Services Manager (Mrs J Denning)	

Also in attendance: Ms C Deegan, Grant Thornton (External Audit).

1. APOLOGIES

Apologies for absence were received on behalf of Councillors Y Gagen and R A Pendleton.

2. MEMBERSHIP OF THE COMMITTEE

There were no changes to the Membership of the Committee.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES

RESOLVED: That the minutes of the meeting of the Committee held on 26 March 2013, be received as a correct record and signed by the Chairman.

5. INTERNAL AUDIT ACTIVITIES - ANNUAL REPORT

Consideration was given to the report of the Borough Treasurer, as contained on pages 7 to 16 of the Book of Reports, which presented the Internal Audit Annual Report 2012/13 and the Audit Manager's opinion on the control environment.

Comments and questions were raised in respect of the following:

- Benefits, Council Tax and NNDR audits
- Payroll
- Data protection
- Rent authorisations

RESOLVED: That the Internal audit annual Report be noted.

6. INTERNAL AUDIT ACTIVITIES - QUARTERLY UPDATE

Consideration was given to the report of the Borough Treasurer, as contained on pages 17 to 20 of the Book of Reports, which advised of progress against the 2013/14 Internal Audit Plan.

RESOLVED: That progress be noted.

7. ANNUAL GOVERNANCE STATEMENT

Consideration was given to the report of the Borough Treasurer, as contained on pages 21 to 30 of the Book of Reports, which presented the Council's Annual Governance Statement for 2012/2013.

A copy of the draft Audit Plan for West Lancashire, produced by Grant Thornton (External Auditors) was circulated for information, which was presented by Ms C Deegan of Grant Thornton.

Comments and questions were raised in respect of the following:

- Reporting mechanisms should significant risks be raised.
- Meetings being held with external audit and Members.
- Fees and charges
- The role of the Audit Commission
- The Council's consultation methods

RESOLVED: That the draft Audit Plan be noted and the Annual Governance Statement 2012/2013 be approved and commended to the Leader and Managing Directors for signature.

8. STATEMENT OF ACCOUNTS

Consideration was given to the report of the Borough Treasurer, as contained on pages 31 to 34 of the Book of Reports, which provided details on the preparation of the Statement of Accounts for the year ended 31 March 2013.

RESOLVED: A. That the report be noted.

- B. That a further report to approve the audited statement of accounts be produced for the next meeting of the Committee.

9. REGULATION OF INVESTIGATORY POWERS ACT - ANNUAL SETTING OF THE POLICY AND REVIEW OF USE OF POWERS

Consideration was given to the report of the Borough Solicitor, as contained on pages 35 to 38 of the Book of Report, which reviewed the Policy on the use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the use of covert surveillance and the acquisition of communications data by the Council over the last year.

Members were advised that there were no authorisations to report in respect of the use of RIPA

RESOLVED: That the Annual update report and review of use of powers, be noted.

10. UNITED KINGDOM PUBLIC SECTOR INTERNAL AUDIT STANDARDS \ LOCAL GOVERNMENT APPLICATION NOTE

Consideration was given to the report of the Borough Treasurer, as contained on pages 39 to 42 of the Book of Reports, which advised on the implications of the chartered Institute of Public Finance and Accountancy (CIPFA) publication Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards.

RESOLVED: That the position be noted.

11. WORK PROGRAMME

Consideration was given to the Committee's programme of work, as contained on page 43 of the Book of Reports.

RESOLVED: That the Work Programme be approved.

THE CHAIRMAN



AGENDA ITEM: 5

**AUDIT AND GOVERNANCE COMMITTEE:
24 September 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: EXTERNAL AUDIT FINDINGS

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To receive reports from our External Auditors setting out their findings on the audit of the accounts and on the Council's financial resilience.

2.0 RECOMMENDATION

2.1 That the reports be noted.

3.0 BACKGROUND

3.1 A report on the Statement of Accounts for 2012-13 was considered by this Committee at its meeting in June, and subsequently a link to this statement was sent to all Members by e-mail.

3.2 During the Summer months a team of auditors from Grant Thornton has spent several weeks auditing the accounts and reviewing the Statement. The External Auditors are now required to present their findings from this audit in a report to Members.

4.0 AUDIT FINDINGS

4.1 At the time of writing this report the external auditors have almost completed their audit on the accounts. Their findings to date are set out in the Annual Findings Report in Appendix 1. This shows that it is expected that the Council will receive an unqualified opinion on its accounts, which certifies that the accounts provide a true and fair view of the financial position and financial performance of the Council.

4.2 This report also provides an unqualified opinion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. It concludes that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.3 Representatives of Grant Thornton will attend the Committee meeting to present their findings and answer any questions that Members may have on the audit of the accounts.

5.0 FINANCIAL RESILIENCE

5.1 As part of the statutory external audit, a review is performed to determine if the Council has proper arrangements in place for securing financial resilience. This includes consideration of whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enables it to continue to operate for the foreseeable future. Details of this review are contained in the financial resilience report in Appendix 2.

5.2 The overall result from this review is that the Council is given a green rating in each category considered, which means that arrangements meet or exceed adequate standards. Key points to note include:

- Processes for developing and reviewing the business plan are effective
- The Council has been effective in achieving the focus and savings it has set out to achieve
- Overall financial governance arrangements are operating effectively with appropriate reporting to members and officers
- The Council has maintained a strong track record in effective and informed financial management

5.3 Representatives of Grant Thornton will present their report at the Committee meeting and will be able to answer any questions that Members may have on their findings.

6.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

7.0 RISK ASSESSMENT

7.1 The audit of the Statement of Accounts is part of the overall control framework that is designed to ensure that the Council properly accounts for the use of its assets and resources.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – The Audit Findings for West Lancashire Borough Council (TO FOLLOW)

Appendix 2 – Review of the Council's Arrangements for Securing Financial Resilience

Review of the Council's Arrangements for Securing Financial Resilience for West Lancashire Borough Council

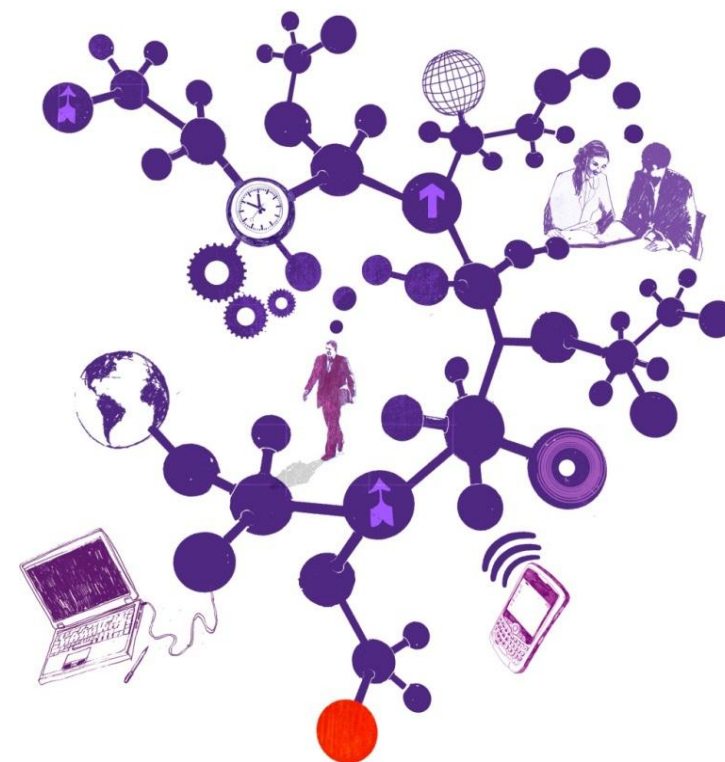
Year ended 31 March 2013

16 September 2013

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

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Appendix - Key indicators of financial performance

Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

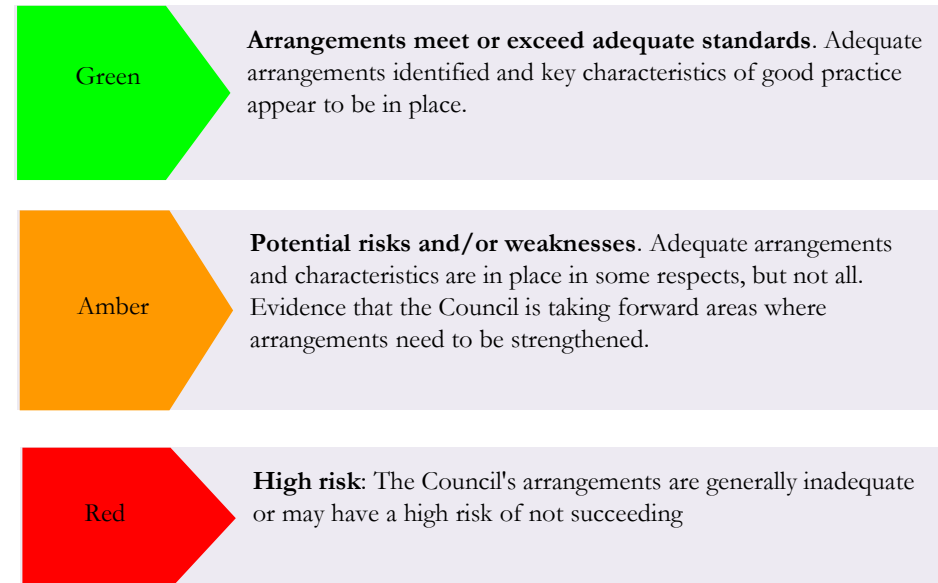
The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that the Council's arrangements exceed adequate standards.

We have used a red/amber/green (RAG) rating with the following definitions.



Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12.

This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007. The funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013/14.





The next spending review period will be for a single financial year, 2015-16. Financial austerity is expected to continue until at least 2017.

Local Context

West Lancashire Borough Council was formed in 1974 as a non-metropolitan district. It is made up of two towns, Ormskirk and Skelmersdale, and a range of rural parishes with an overall population of approximately 110,000. The areas is mixed between the urban new town within Skelmersdale, a former coal mining area, and the more affluent rural areas. Politically the district is split between Conservative and Labour, with the Council controlled by the Conservatives with a majority of two seats. The Council has experienced significant funding cuts, consistent with the national position. Over the 2011-2015 the Council expects to find over £5million of financial savings and have factored this into the medium term financial plan.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	The Council overall performs well against specific performance indicators. There has been some deterioration in tax collection rates and workforce absence in 2012/13 but the Council currently has action plans in place to address these	 Green
Strategic Financial Planning	The Council has a business plan in place covering the period of the central government spending review (2011-15) and is currently working and the 2015-18 period. Processes for developing and reviewing the plan are effective, including appropriate stakeholder, member and officer input. Local and annual plans and strategies and consistent with the overarching business plan and to date, the Council has been effective in achieving the focus and savings it has set out to achieve.	 Green
Financial Governance	Overall financial governance arrangements are operating effectively with appropriate reporting to members and officers. There are proper processes and procedures in place to understand and manage risk and a programme of training in place to support members in their governance role.	 Green
Financial Control	The Council has maintained an appropriately staffed finance team and appropriate budget monitoring procedures. Input from internal and external auditors is appropriate and the Council has maintained a strong track record in effective and informed financial management.	 Green

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Appendix - Key indicators of financial performance

Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:




- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's "statistical nearest neighbours" benchmarking group comprising the following authorities:

Braintree District Council
Erewash Borough Council
South Staffordshire Council
Rugby Borough Council
Amber Valley Borough Council
Chorley Borough Council
Lichfield District Council
North Warwickshire Borough Council
Newcastle under Lyme Borough Council
Nuneaton and Bedworth Borough Council
Newark and Sherwood District Council
Bassetlaw District Council
High Peak Borough Council
Kettering Borough Council
North East Derbyshire Borough Council



Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	<p>The Council's working capital ratio in 2011/12 was 3 and has remained stable between 3 and 4 over this last five years. This compared well with similar Councils, as shown in the graphs attached as an appendix to this report.</p> <p>Council Tax and Non-Domestic Rates (NNDR) collection rates in 2012/13 have fallen below target and below prior years as follows:</p> <ul style="list-style-type: none">• Council Tax 96.4% (target 98.06%) and• NNDR 95.4% (target 97.77%). <p>The Council considers that the fall in collection rates is due to the implementation of new revenues software in January 2013 which resulted in some system downtime and the impact of benefit reforms from April 2013.</p> <p>Overall there is no indication of deterioration in liquidity in the Council and no significant concerns have been identified in our review.</p>	 Green
Borrowing	<p>Prior to 2011/12 the Council had negligible long term debt, and no long term borrowing. During 2011/12 the Council took out a loan in order to move to Housing Revenue Account (HRA) self-financing. The borrowing ratios for the Council are very similar to other Councils subject to HRA self-financing, and are supported by a large long term asset base. The loans are all at fixed rates with the Public Works Loans Board (PWL) and the interest charges are more than offset by the savings from no longer paying housing subsidy.</p> <p>The Council's prudential limit for external debt is currently £108million. At the end of 2012/13 total external debt was £93.8million, most of which related to the £88million borrowed to fund HRA self-financing.</p> <p>We have not identified any concerns about borrowing levels or management in our review.</p>	 Green
Workforce	<p>The Council's sickness absence rates for 2012/13 is calculated at an average of 9.14 days per member of staff. This exceeds the Council's target level of 8.08 days but is consistent with the last national survey on local government sickness absence (using data from 2008/09) which showed an average of 9.2 days.</p> <p>The Council has identified that changes in human resources arrangements (when payroll services transferred to Wigan MBC during the period) has had a short term impact on sickness monitoring and support for managers and an action plan in place to improve sickness absence levels in 2013/14.</p> <p>Agency staff costs in 2012/13 were £1.3million or 7.25% of the Council's total staff costs and the Council spent approximately £340,000 on consultancy costs.</p> <p>We have no significant concerns to raise</p>	 Green

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Performance Against Budgets	The Council has over performed modestly against its revenue budget in 2012/13, achieving a £211,000 underspend. Similar underspends were also achieved in the previous two years. The Council's track record in budget management for both revenue and capital, including HRA, has been effective and prudent. We have no concerns following our review.	 Green
Reserve Balances	The Council's usable reserves to gross revenue expenditure ratio included in the graphs within the appendix to this report show a comparable and prudent level of usable reserves in 2011/12 and across the five years from 2007/08. From the draft 2012/13 accounts, the ratio has increased to 0.22. The Council have set up a specific "budget and efficiency saving" reserve to manage short term timing differences as saving plans take effect. In 2011/12 £250,000 of the reserve was utilised and £474,000 is planned in 2014/15. The current balance on the reserve is £950,000. We have not identified any concerns from this area of review.	 Green

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Appendix - Key indicators of financial performance

Strategic Financial Planning






Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFP	<p>The Council has a medium term financial plan in place covering 2011-2015, to mirror the Government spending review period. This is refreshed annually and is split into workstreams which are in turn underpinned by a range of more detailed savings plans and strategic projects.</p> <p>The Council is currently developing its 2015/18 plan. The period of each business plan is based on the central government spending review period which provides a more solid grounding for planning and strategy.</p>	 Green
Adequacy of planning assumptions	<p>As noted above, the business plan period has been set against the central government spending review period to ensure that the overall assumptions on savings targets are reasonable. The track record in effective planning assumptions has been good, as evidenced by consistent achievement of savings throughout the current planning period.</p> <p>A review of individual projects within the service review process showed detailed underlying plans, including a clear understanding of income and expenditure relating to each service.</p>	 Green
Scope of the MTFP and links to annual planning	<p>The business plan directly links into annual planning processes. It is underpinned by more detailed projects. For example, the major savings review process each year is supported by individual savings projects with detailed analysis. Other strategies within the Council, for example asset management and workforce, are consistent with the overall business plan.</p>	 Green
Review processes	<p>The business plan is refreshed annually for members, taking into account progress on the main areas of saving and investment. Quarterly reporting on budgets and performance are presented to members and more regular reviews of specific projects is undertaken by officers within each service area. Review processes appear to be operating effectively as evidenced through effective achievement of savings to date within the current business plan period.</p>	 Green
Responsiveness of the Plan	<p>The business plan is refreshed annually and underpinned by more detailed in year budgetary processes and savings plans. The Council also has an appropriate risk management framework in place at corporate and departmental level. Public and stakeholder consultation has been evident, particularly through the major service review process. The emphasis of the plan has been on changed service delivery patterns, such as shared services with Lancashire County Council and Wigan Metropolitan Borough Council and the involvement of voluntary organisations in managing and running community assets, rather than direct service cuts.</p>	 Green

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Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
 - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
 - Actions have been taken to address key risk areas.
 - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement

- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	<p>The Council has arrangements in place to provide Cabinet and Committees with a range of financial information and training. In particular, a training session is provided prior to each Audit and Governance Committee meeting, to which all members are invited. The Council maintains financial regulations, and these are available on the Council's intranet and were presented to members in a training session in the early part of 2013/14. These include clear roles and responsibilities around financial management. Risk management arrangements have also been subject to specific member training during the period under review and reports are presented by the responsible officer to ensure that members can ask questions and clarify areas of concern.</p>	 Green
Executive and Member Engagement	<p>As noted above, members are provided with training and on-going support on key financial and governance issues. Members of the Audit and Governance Committee have direct involvement in and influence of the selection, timing and focus of training sessions. External audit have attended the Audit and Governance Committees throughout the period. Key officers including the monitoring officer and section 151 officer have attended and presented their reports and answered members questions. Overall members seem engaged and able to give robust challenge to officers. The budget setting process and the major service reviews include appropriate member engagement from both the main political parties.</p>	 Green
Overview for controls over key cost categories	<p>The Council's detailed budget book breaks down costs by service area and department, split between sources of cost (ie payroll, operating costs, recharges etc) and income. Quarterly reporting to cabinet and the mid-year review are at a higher level, concentrating on variance at service area level. However, this is underpinned by more detailed budget monitoring processes within each service area. Arrangements operate effectively so officers and members have timely notification of any required changes to budget allocations.</p>	 Green
Budget reporting	<p>The Council's progress against budget is reported quarterly to Cabinet with a high level mid year review provided each November. The budget setting process includes detailed service area and departmental information within the budget book with higher level narrative reporting, Quarterly and half yearly reporting focuses on higher level variances.</p>	 Green
Adequacy of other Committee/ Cabinet Reporting	<p>In addition to budget monitoring reports Cabinet is also provided with quarterly performance reports considering the Council's performance against key indicators. Where the Council's performance is below target, the reports include an action plan. The Council has maintained a strong cash flow position and a good level of usable reserves, Therefore cash flow and balance sheet information is not generally reported to members during the period. In recent years, the only borrowing the council has engaged in has been specifically to fund the HRA self-financing process. This was explained and reported to members during 2011/12 but there has been no change in the borrowing requirement in 2012/13. Investment, borrowing and general treasury management issues are the subject of three reports to Council in each financial year.</p>	 Green

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

Appendix - Key indicators of financial performance

Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department




- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.





Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	<p>The Council has as good track record of budget management, having achieved its budgetary position, with a small underspend, in each of the last three years. The capital programme is supported by a detailed asset management programme and long term strategy.</p> <p>Treasury management processes are in place to ensure an appropriate spread of investments with high credit rated British institutions. Loans are with the PWLB and on fixed interest rates with a range of repayment dates.</p> <p>Budget monitoring is robust and reported quarterly to cabinet. Changes and variances are identified and reported. Overall, the Council has a good track record in this area with consistent modest underspend on budget year on year.</p>	 Green
Performance against Savings Plans	<p>The Council has a detailed process for preparing the annual savings programme. Since 2011 the Council has undertaken major service reviews each year to identify areas where reorganisation is feasible and where savings can be achieved. The major service reviews have been subject to a three month consultation period to take into account the views of members, staff, the public and other stakeholders. Each savings opportunity has been underpinned by more detailed reports and the broader implications of changes to service scope or delivery have been considered. For example, our review indicated that identified saving opportunities took into account the impact of recharges costs and lost income streams in identifying a net savings figure.</p> <p>The Council has maintained appropriate "headroom" for timing and slippage on plans through an ear-marked "budget and efficiency saving" reserve. This was used in 2011/12 to support a significant redundancy cost and further use is planned in 2014/15 as a proportion of the gap closing exercise. The Council will carry around £475,000 of this ear-marked reserve into the 2015-2018 period.</p>	 Green
Key Financial Accounting Systems	<p>During 2012/13 the Internal Audit team have undertaken reviews of the critical financial systems and have reported their findings to the Audit and Governance Committee. Some weaknesses have been reported to members, but overall the head of internal audit annual report indicated a sound system of internal control and no significant issues requiring disclosure in the Annual Governance Statement. The Council has experienced some changes to accounting systems. Their revenue and benefits provider, One Connect Limited (OCL), implemented a new payment system in January 2013 and payroll was transferred to two providers, Wigan Metropolitan Borough Council, and OCL, during the period. To date our external audit work has not identified any significant issues. We will report our audit findings to the September 2013 Audit and Governance Committee.</p>	 Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	<p>The finance department remains appropriately resourced with low staff turnover. Two recent retirements have been managed effectively without impact on the quality or timeliness of service. There have been no concerns raised during external audit work during 2012/13 or prior years. The quality of financial reporting has been good.</p>	 Green
Internal audit arrangements	<p>Internal audit is provided in-house with a core audit team. Their work in 2012/13 and in previous years has covered all the main accounting systems as well as other areas of risk agreed with the Audit and Governance Committee. The head of internal audit has a good profile in the Council and appropriate access to members. The department has experienced some resourcing challenges in the period and has managed a staff vacancy since 2011/12 but this has now been filled. The 2012/13 programme is currently progressing as planned. The Audit Commission undertook a formal review of the internal audit function during 2009/10 and concluded that it was compliant with the CIPFA Code of Practice for Internal Audit. We have not identified any deterioration in the service since that review.</p>	 Green
External audit arrangements	<p>External audit service have transferred from the Audit Commission to Grant Thornton from 1 September 2012. There were no significant issues raised in the auditors' reports and annual audit letter in 2011/12. A minor recommendation regarding arrangements for declarations of interest was made. No significant issues have arisen to date during the 2012/13 audit. External audit have appropriate access to members on the Audit and Governance Committee and management are responsive to audit recommendations and queries.</p>	 Green
Assurance framework/risk management	<p>The Council maintains an appropriate risk assurance framework. The risk management strategy is reviewed annually and the corporate risk register is presented to the Cabinet twice each year. The corporate register is underpinned by service area risk registers, managed locally by each service risk co-ordinator. Risks are scored on the basis of likelihood and impact and "RAG" rated accordingly. All risks are allocated to a named role and mitigating controls and activities are updates for each review.</p>	 Green

1 Executive Summary

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Appendix - Key indicators of financial performance

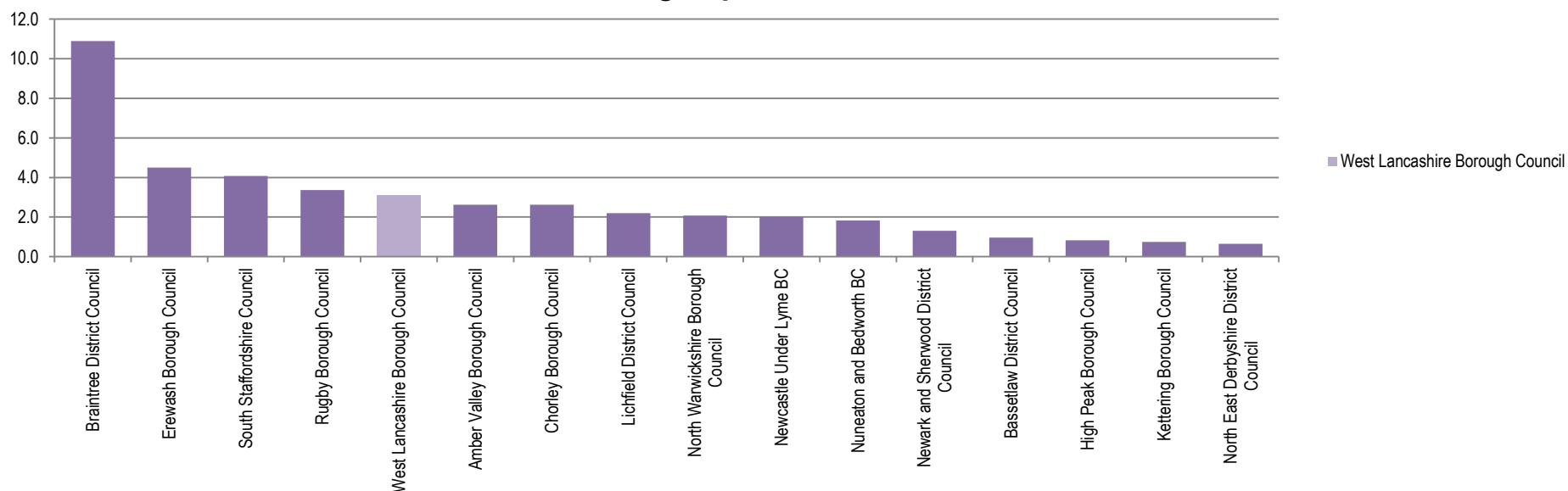
Key Indicators of Financial Performance

Working Capital Ratio - 2011/2012

Definition: This compares current assets with current liabilities. A ratio of less than one indicates that a Council has more current liabilities than current assets. If a ratio is too high it could indicate that a Council is not investing cash appropriately and is therefore not obtaining value for money on its assets.

Findings: West Lancashire Borough Council had a working capital ratio of 3, and therefore had three times as many current assets as current liabilities at 31 March 2012. The graph on the next page, showing trends over the last five years, shows that their working capital ratio has consistently remained between 3 and 4 since 2007/08. In comparison with other Councils within the comparator group, West Lancashire Borough Council's working capital ratio appears prudent and reasonable.

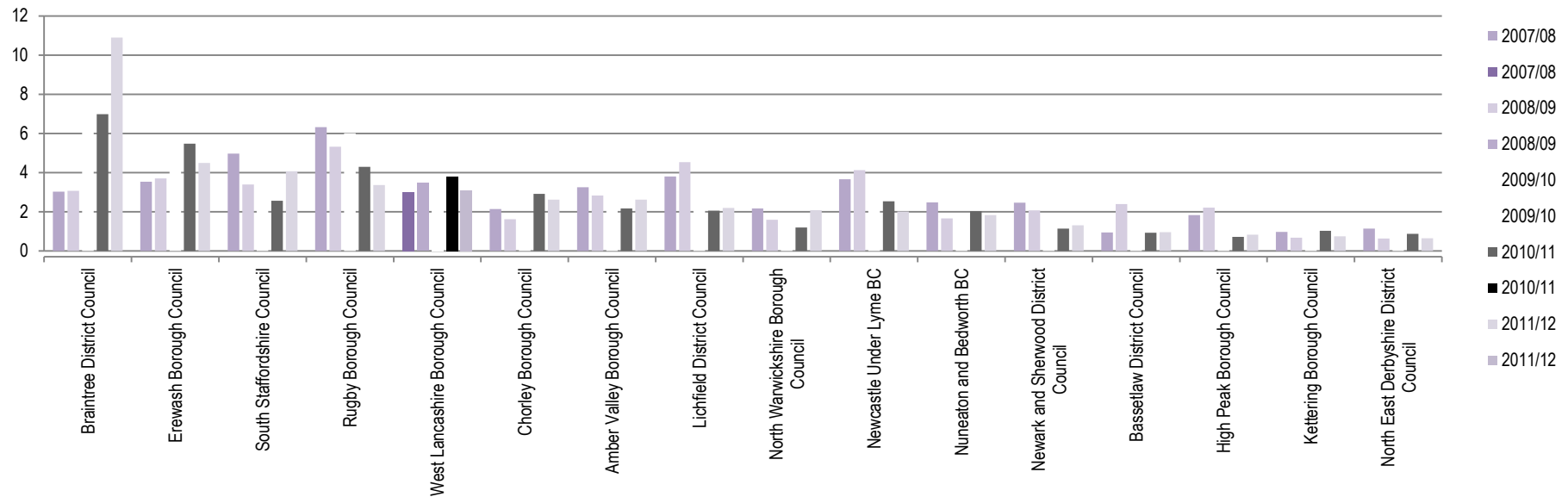
Working Capital ratio - 2011-12



Key Indicators of Financial Performance

Working Capital Ratio - Trend

Working Capital Ratio - trend [in order of 2011-12 value]



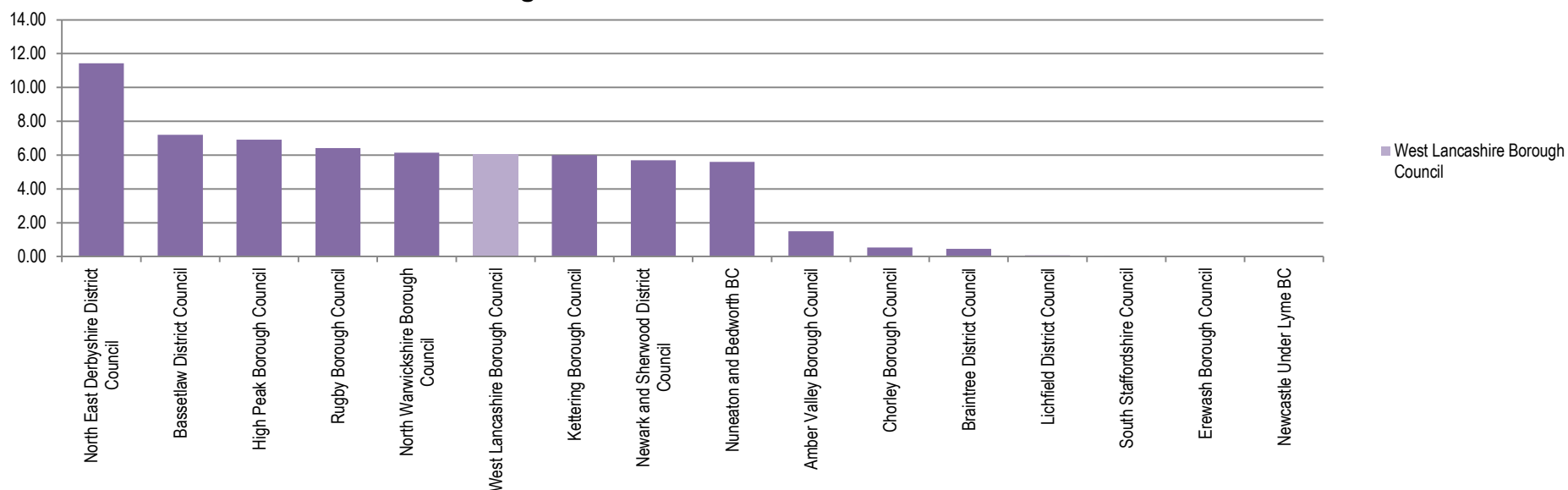
Key Indicators of Financial Performance

Long Term Debt to Tax Ratio - 2011/2012

Definition: This compares long term debt (including borrowings and finance leases) with annual tax revenues. There is a large disparity between Councils which were subject to Housing Revenue Account (HRA) self-financing in 2011/12 and those who do not hold housing stock.

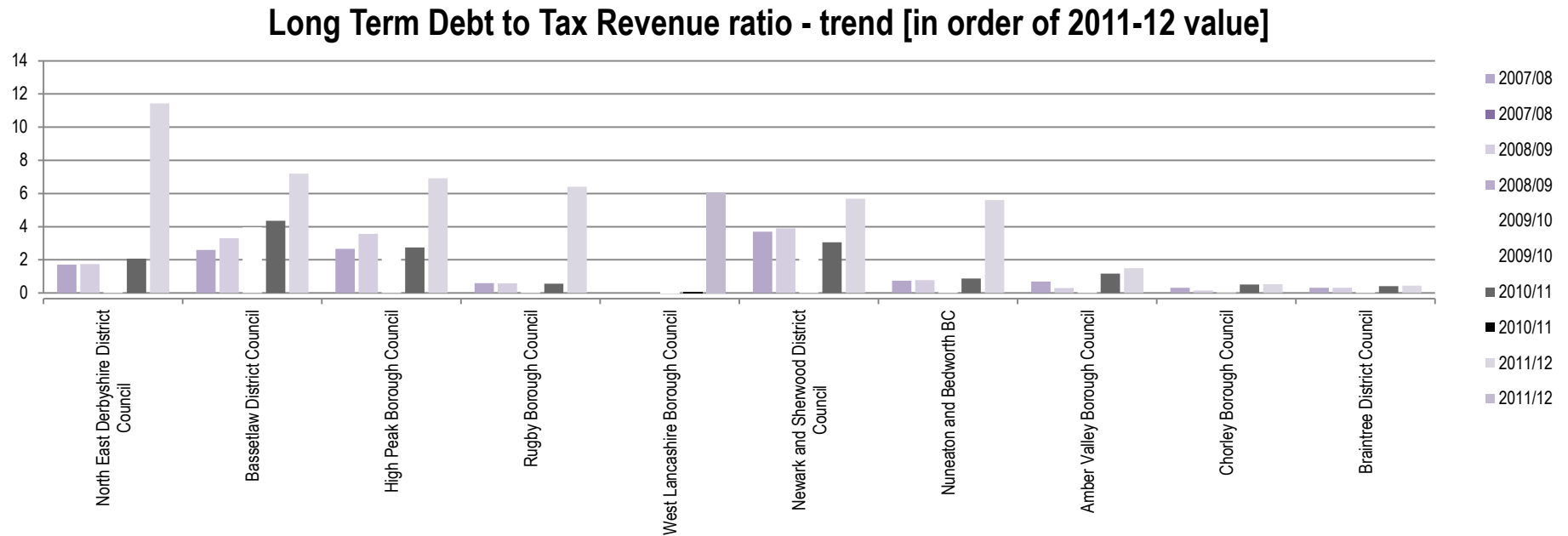
Findings: West Lancashire Borough Council borrowed £88m in 2011/12 in order to comply with the HRA self-financing requirements. The graph on the next page, showing trends over the last five years shows that the Council had negligible borrowing prior to 2011/12. These loans are on fixed long term interest arrangements with the Public Works Loans Board (PWLB) and the interest costs have been factored into the Council's financial plans. The long term debt to tax revenue ratio in 2011/12 was 6, and is comparable with other Councils subject to HRA self-financing.

Long Term Debt to Tax Revenue ratio 2011-12



Key Indicators of Financial Performance

Long Term Debt to Tax - Trend



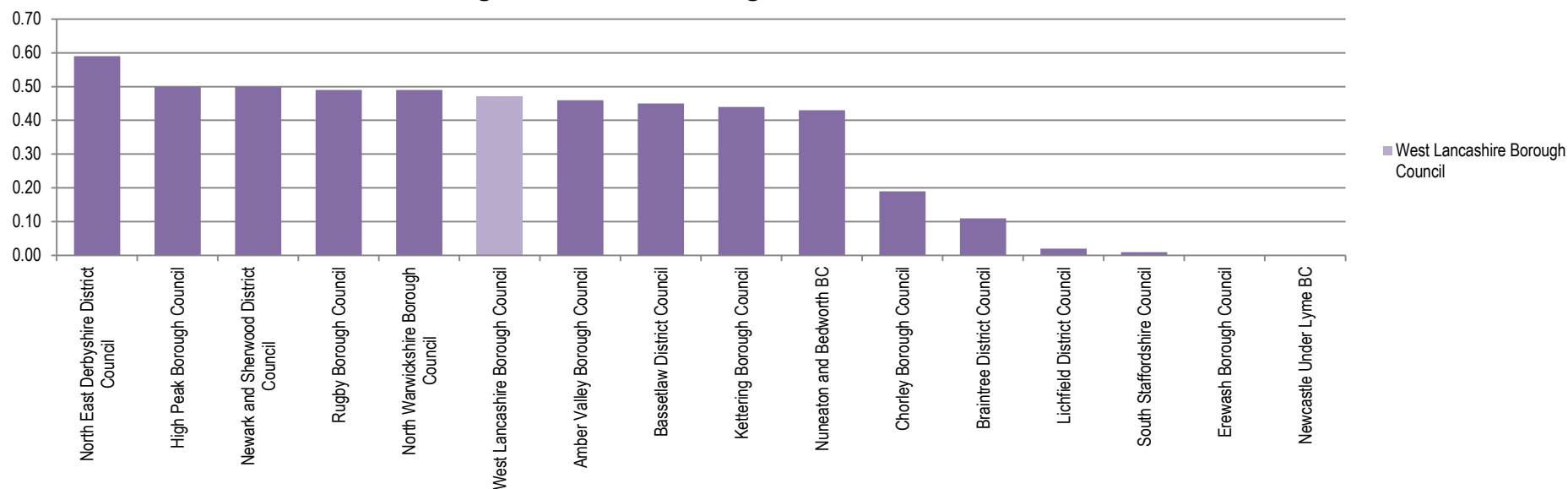
Key Indicators of Financial Performance

Long Term Debt to Long Term Assets - 2011/2012

Definition: This compares the proportion of long term debt (including borrowing and finance leases) to long term assets (including housing stock, land and buildings and long term investments)

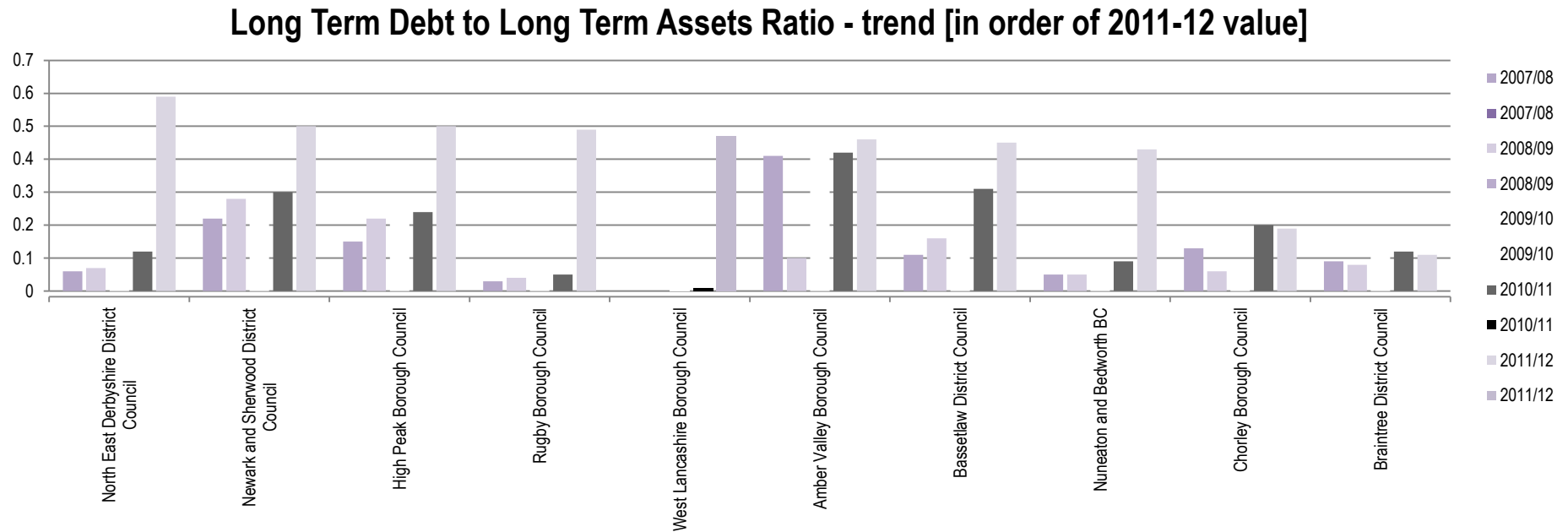
Findings: As noted on the previous graph, West Lancashire Borough Council had negligible long term debt prior to the HRA self-financing exercise in 2011/12. In 2011/12 it had a ratio of 0.45, indicating it had significantly more long term assets than long term debt. It is comparable with other Councils subject to HRA self-financing.

Long Term Debt to Long Term Assets ratio 2011-12



Key Indicators of Financial Performance

Long Term Debt to Long Term Assets - Trend



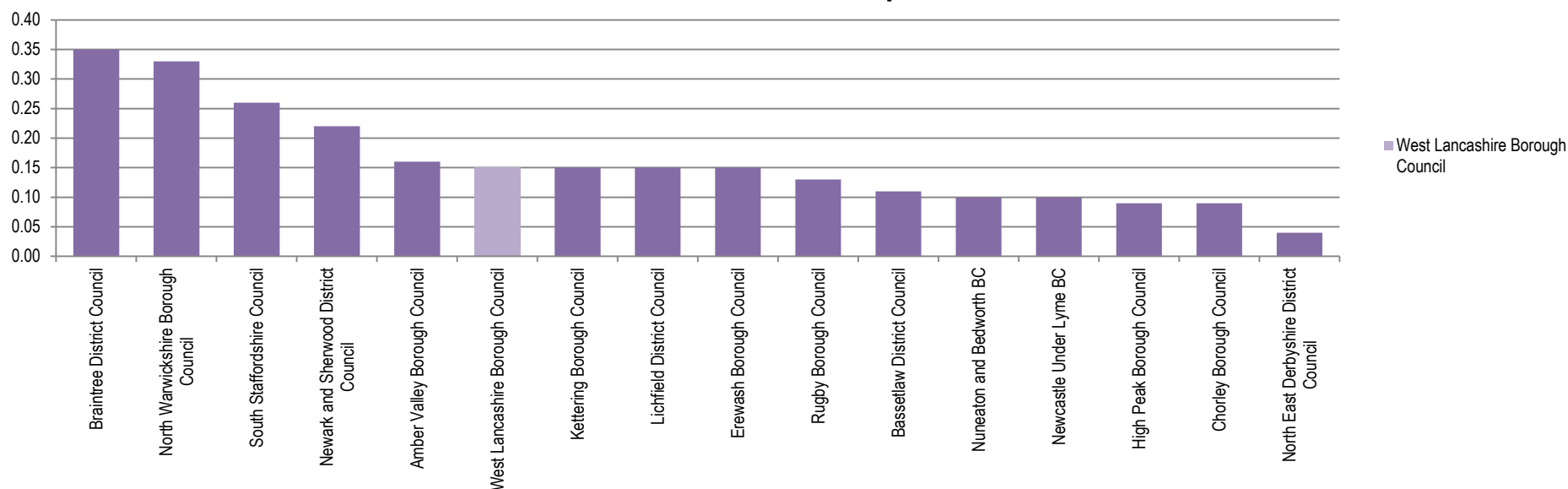
Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure - 2011/2012

Definition: This compares the usable reserves held with annual gross expenditure on revenue items. A Council's reserves are split between usable and unusable reserves. Unusable reserves will include items which are restricted by statute, for example revaluation reserve, capital adjustment account and pensions reserve. A Council needs to achieve a balance between holding enough reserves to manage unexpected challenges, but also spending taxpayers funds on local services rather than amassing excessive reserves.

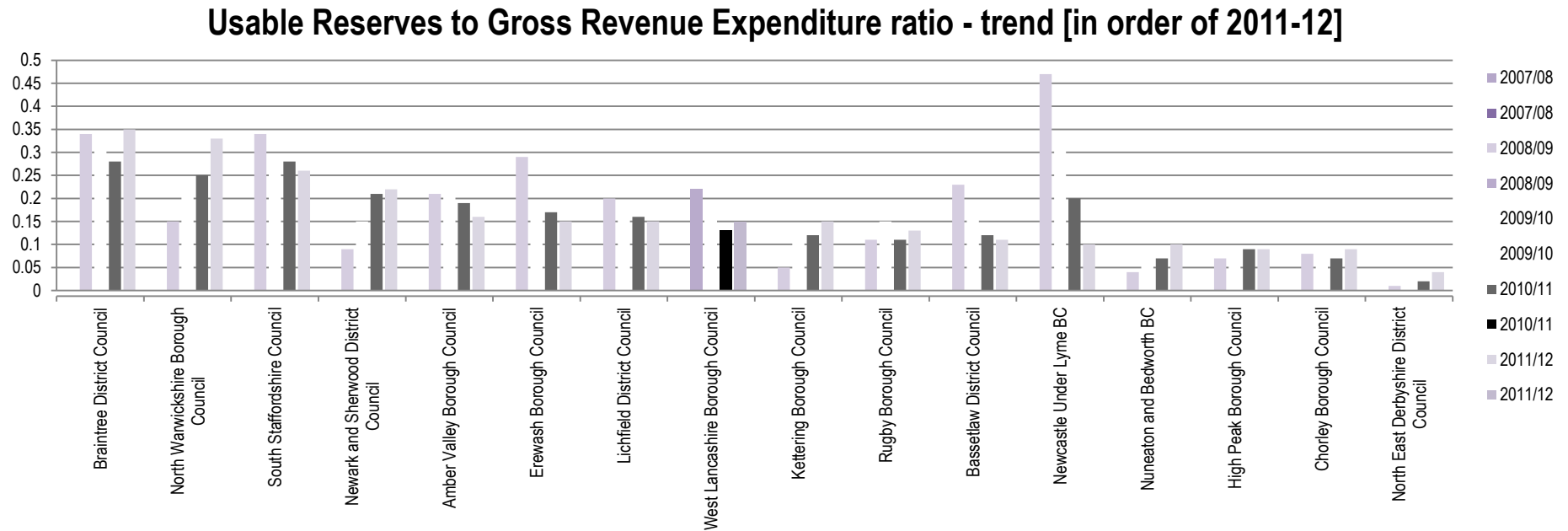
Findings: West Lancashire Borough Council had a ratio of 0.15 in 2011/12, indicating that it had 6-7 times more gross expenditure than usable reserves. This is reasonable and comparable with other Councils in the "statistical neighbour Councils" group. The trend over five years shows some reduction in reserves, but not enough to raise concerns.

Usable Reserves to Gross Revenue Expenditure ratio 2011-12



Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure - Trend





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AGENDA ITEM: 6

**AUDIT AND GOVERNANCE COMMITTEE:
24 September 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: APPROVAL OF STATEMENT OF ACCOUNTS

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To approve a number of representations and the Council's annual Statement of Accounts.

2.0 RECOMMENDATIONS

- 2.1 That the Letter of Representation set out in Appendix 1 be endorsed.
- 2.2 That the response on fraud, laws and regulations, and going concern issues set out in Appendix 2 be approved.
- 2.3 That the Statement of Accounts set out in Appendix 3 be approved.

3.0 BACKGROUND

- 3.1 A report on the Statement of Accounts for 2012-13 was considered by this Committee at its meeting in June, and subsequently a link to this statement was sent to all Members by e-mail.
- 3.2 The external auditors have now largely completed their audit on these accounts, and details of their findings are contained in a separate report elsewhere on this agenda.
- 3.3 It is part of the terms of reference of this Committee that it will approve the Council's Statement of Accounts each year. The Accounts and Audit Regulations require that this approval has to take place by 30th September.

4.0 LETTER OF REPRESENTATION

- 4.1 It is standard practice that the Council should provide its External Auditors with a Letter of Representation to confirm a range of issues in relation to the accounts, including the fact that the accounts have been properly prepared and that all relevant information has been provided.
- 4.2 A copy of this letter is contained in Appendix 1 and Members are asked to consider and endorse this document for signature by the Borough Treasurer.

5.0 RESPONSE ON FRAUD, LAWS AND REGULATIONS, AND GOING CONCERN ISSUES

- 5.1 As part of the external auditors' risk assessment procedures, they are required to obtain an understanding of management processes and this Committee's oversight of a number of areas covering fraud, laws and regulations, and going concern issues.
- 5.2 Appendix 2 contains a proposed response to the questions that have been raised by the external auditors. These questions are mainly addressed to management but also include a number of questions specifically addressed to this Committee, where I have included a proposed response. Members are now asked to consider and approve this document.

6.0 APPROVAL OF STATEMENT OF ACCOUNTS

- 6.1 A copy of the annual accounts was sent to all Members after the last meeting of this Committee in June. The external auditors have presented their findings from their audit of these accounts in a separate report elsewhere on the agenda. Their report identifies a small number of changes to the accounts and that it is expected that an unqualified opinion will be provided on them. A full copy of the statement incorporating these amendments is contained in Appendix 3. Members are now asked to approve the Statement in accordance with the Accounts and Audit Regulations.

7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 7.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

8.0 RISK ASSESSMENT

- 8.1 The audit of the Statement is part of the overall control framework that is designed to ensure that the Council properly accounts for the use of its assets and resources.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – Letter of Representation

Appendix 2 – Response on Fraud, Laws and Regulations, and Going Concern Issues

Appendix 3 – Statement of Accounts

APPENDIX 1 – LETTER OF REPRESENTATION

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

25 September 2013

Dear Karen,

West Lancashire Borough Council

Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of West Lancashire Borough Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and

adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

- xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 24 September 2013.

Signed on behalf of West Lancashire Borough Council

Name: Marc Taylor
Position: Borough Treasurer
Date: 25th September 2013

APPENDIX 2 – RESPONSE ON FRAUD, LAWS AND REGULATIONS, AND GOING CONCERN ISSUES

FRAUD RISK ASSESSMENT

Question	Management Response
[1] Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?	The risk of fraud is considered as an integral part of the process for drawing up the statement of accounts. No significant issues were identified as part of this process.
[2] What processes does the Council have in place to identify and respond to risks of fraud?	These issues are covered in the Review of Fraud, Bribery and Corruption Issues report elsewhere on this agenda
[3] Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
[4] Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?	The Annual Governance Statement sets out a review of the effectiveness of the internal control framework and current significant governance issues.
[5] Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	There is an effective financial management reporting function within the Council for both accountancy and audit, with direct reporting lines to both the Joint Managing Directors and Members.
[6] Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	
[7] What arrangements are in place to report fraud issues and risks to the Audit Committee?	These arrangements include quarterly internal audit reports and an annual fraud risk report
[8] How does the Council communicate and encourage ethical behaviour of its staff and contractors?	There are various arrangements in place to achieve this objective including an officer code of conduct and specific clauses included in our contractual terms and conditions

Question	Management Response
[9] How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	There are various arrangements in place to achieve this objective including a Whistleblowing Code that is regularly reviewed and communicated to staff. No significant issues were reported in the year
[10] Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Related party relationships were reviewed as part of the process of completing the accounts and no issues were identified
[11] Are you aware of any instances of actual, suspected or alleged, fraud, within the Council since 1 April 2012?	These issues are covered in the Review of Fraud, Bribery and Corruption Issues report elsewhere on this agenda

Question	Audit and Governance Committee Response
[12] How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	There are a wide range of reports that are presented to the Audit and Governance Committee each year concerning the internal control framework including the risk of fraud
[13] Is the Audit Committee aware of any actual, suspected or alleged fraud?	These issues are covered in the Review of Fraud, Bribery and Corruption Issues report elsewhere on this agenda
[14] Has the Audit Committee considered the risk of material misstatements (misreporting) by management?	It is considered that these are low risk areas
[15] What is the Audit Committee's assessment of the impact of misappropriation on the statements?	

IMPACT OF LAWS AND REGULATIONS

Question	Management Response
[16] What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	These arrangements include legal and member services scrutiny of all Committee reports, an Officer Code of Conduct and Whistleblowing Code, and internal audit reviews
[17] How does management gain assurance that all relevant laws and regulations have been complied with?	The arrangements set out above would ensure that any issues that are identified would be reported to management
[18] Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2012, or earlier with an on-going impact on the 2012/13 financial statements?	The 2012/13 financial statements have not been affected by this type of issue
[19] What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	These matters are discussed by the Borough Solicitor and Borough Treasurer on a periodic basis or as and when issues arise
[20] Is there any actual or potential litigation or claims that would affect the financial statements?	These issues are covered in the provisions and contingent liability notes to the statement of accounts
[21] Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There have not been any reports that indicate non compliance
[22] How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Any issues of this type would be covered in the standard suite of reports to the Committee. The Borough Solicitor also attends each Committee meeting

Question	Audit and Governance Committee Response
[23] Is the Audit Committee aware of any non-compliance with relevant laws and regulations	We are not aware of any issues of non compliance that affect the financial statements
[24] If there have been instances of non-compliance, what oversight has the Audit Committee had to ensure that actions are taken by management to address any gaps in control?	Not applicable

GOING CONCERN CONSIDERATIONS

Question	Management Response
[25] Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	These procedures include the medium term financial planning process and the annual budget setting process
[26] Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	The Council has set a balanced budget for 2013/14 and has plans in place to achieve a balanced budget for 2014/15. A new business plan for the period 2015-18 is currently being developed
[27] Are arrangements in place to report the going concern assessment to the Audit Committee?	Details on the Council's financial position are reported to all Members through reports to Council and not just to the Audit and Governance Committee
[28] Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Business Plan and the financial information provided to throughout the year?	Figures in the Business Plan are taken directly from the medium term financial forecast
[29] Are the implications of statutory or policy changes appropriately reflected in the Business Plans, financial forecasts and report on going concern?	New developments of this type are specifically considered in the process of drawing up the medium term financial forecast
[30] Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	There have been no significant issues of this type
[31] Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No adverse financial indicators of this type have been identified. In relation to cash flow the Council has an average level of external investments of around £22m over the course of the year

Question	Management Response
<p>[32] Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>The Council has a proven track record of delivering its business plan objectives and there have been no changes to the senior management team in the last 12 months.</p>

Question	Audit and Governance Committee Response
<p>[33] Has the Audit Committee assessed the process Management has followed in forming a view on going concern and the assumptions on which the view is based.</p>	<p>These issues are considered by full Council rather than the Audit and Governance Committee. Recent financial reports indicate that the Council currently has a healthy financial position</p>

WEST LANCASHIRE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2013

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INTRODUCTION

We are pleased to introduce West Lancashire Borough Council's audited Statement of Accounts.

The Statement shows the financial performance and financial position of the Council for 2012/2013. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money over the last year.

The Audit and Governance Committee approved the Statement of Accounts at its meeting of 24th September 2013 following the external audit of the accounts.

Edward Pope

Chairman of the Audit
And Governance Committee

Marc Taylor

Borough Treasurer

EXPLANATORY FOREWORD

Introduction

This publication contains the Council's Statement of Accounts for the year ended 31st March 2013.

These accounts provide details of the money that the Council spent on delivering services and where this money came from. The accounts also show the Council's financial performance and financial position for the year.

Stewardship of public money and best value

The accounts have been prepared in accordance with the statutory and accounting regulations that govern the Council's financial affairs. These rules are primarily designed to safeguard public money and to promote best value.

The Council's accounts are subject to scrutiny by its elected Councillors and its Internal and External Auditors to verify that these regulations are being followed.

In addition members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

Contents of the Accounts

The different parts of the Accounts and their purposes are set out below:

Annual Governance Statement

This outlines key elements of the Council's governance framework, provides a review of its effectiveness, and sets out plans for its future development.

Independent Auditor's Report

This report sets out the External Auditor's opinion on whether the Accounts present a true and fair view of the financial performance and position of the Authority, and whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Statement of Responsibilities

This summarises the responsibilities of the Council and its Chief Finance Officer in relation to the Statement of Accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (which can be applied to fund expenditure or reduce taxation) and other reserves.

The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and rent setting purposes.

The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund and HRA Balance before any discretionary transfers to and from earmarked reserves.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, which may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or to repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold. This category also includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustment between accounting basis and funding basis under regulations".

Cash Flow Statement

This shows the changes in cash and cash equivalents for the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

Housing Revenue Account (HRA)

This summarises all transactions relating to the provision and maintenance of Council houses and flats, and reflects a statutory obligation to account separately for local authority housing provision.

Collection Fund

This account shows the income raised from Council Tax and Business Rates and how these funds are distributed to local authorities and central government.

Financial summary

The Council spent £84.275m in providing day-to-day services for the local community. The Council also invested £10.241m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves increased by £1.831m over the course of the year to £19.179m.

The following paragraphs provide an overview of the Statement of Accounts by highlighting its key features and figures.

Service Provision

In broad terms the following tables show where the money for providing services comes from and what it was spent on.

What the money is spent on

	2012/2013	2011/2012
	£'000	£'000
Central Services	15,684	16,325
Cultural and Leisure Services	3,910	4,367
Environmental Services	8,840	8,944
Highways, Roads and Transport	1,067	1,061
Housing Revenue Account	14,630	20,159
HRA Self Financing Payment	0	88,212
HRA Impairment	3,520	9,828
Other Housing Services	32,851	31,473
Planning and Development	3,773	4,224
Total	84,275	184,593

Where the money comes from

	2012/2013	2011/2012
	£'000	£'000
Council tax	7,444	7,408
General government and NNDR grants	7,065	7,822
Housing rents	21,467	20,070
Service specific fees, charges and grants	53,026	50,570
Funding for HRA Self Financing	0	88,212
All other items (net)	-4,727	10,511
Total	84,275	184,593

In 2011-12 the Government introduced a new HRA Self Financing system. As a result of this change, the Council had to make a one off payment of £88.212m to the Government, but will no longer have to make annual subsidy payments in the future. This payment was funded by taking out a number of loans with the Public Works Loans Board. This issue caused a significant increase in expenditure in 2011-12

Financial performance for the year

General Revenue Account (GRA)

This account shows income and expenditure for all services except Council housing. The Council set a net budget of £13.980m for the year for its GRA activities. The final outturn position shows a favourable budget variance of £0.211m, which represents 1.5% of the budget requirement. This favourable variance has mainly been achieved through Business Plan savings being delivered earlier than originally anticipated, the active management of staffing levels, and steady income performance.

In accordance with the Budget agreed by Council in February 2013, £190,000 of GRA Balances have been transferred to GRA Earmarked Reserves to partially fund the new Business Rates Equalisation Reserve.

Housing Revenue Account (HRA)

This account shows income and expenditure relating to the Council's housing stock. The Council set a budget of £23.932m for the year for its HRA activities, and expenditure was contained within this target.

There was no movement in HRA Balances in the year, but HRA Earmarked Reserves increased by £2.144m, which mainly reflected funds set aside for capital investment that will be spent in 2013-14.

The financial performance for the year on both the GRA and the HRA was broadly in line with the overall budget, while the level of balances and reserves continues to be adequate for prudent financial management.

Capital investment in the year

Each year the Council invests money to buy new infrastructure, buildings and equipment and to pay for long-term improvements to its existing assets. This spending is needed to maintain and develop the services that the Council provides.

The following tables provide a breakdown of the total investment for the year.

Where the money comes from

	2012/2013	2011/2012
	£'000	£'000
Capital Receipts	1,285	1,846
Government Grants and Other Contributions	2,212	2,093
Revenue Contributions	6,744	4,181
Increase in underlying need to borrow	0	726
Other	0	360
Total	10,241	9,206

What the money is spent on

	2012/2013	2011/2012
	£'000	£'000
Property, Plant and Equipment	7,890	7,303
Intangible Assets and Heritage Assets	21	87
Revenue Expenditure Funded from Capital	2,102	1,588
Other	228	228
Total	10,241	9,206

Financial position

The main assets of the Council are its housing stock and the other land, buildings and equipment that it owns. These assets have been valued at £191.616m in the accounts. The Council had a total net worth of £61.526m at 31st March 2013, taking into account all of its assets and liabilities. The debt funding required for HRA self

financing has significantly reduced the net worth of the Council compared to previous years.

Significant issues in the accounts

The implementation of HRA self financing has continued to have a significant impact on the accounts. The one off self financing payment of £88.212m made to the Government in 2011-12 was charged to the HRA in this year and consequently had a significant effect on expenditure. This payment was funded by borrowing and consequently significantly reduced the level of the Capital Adjustment Account and the net worth of the Council. This also meant that the Council moved from being debt free to having a significant level of external borrowing.

The interest on this borrowing was £3.057m in 2012-13. However as a result of subsidy payments no longer having to be made to the Government, a saving of £6.204m was made. This has enabled an increase in capital investment to take place, with additions to Council Dwellings increasing to £6.760m in the year (£5.047m in 2011-12). Further funding for future capital investment has also been set aside, and this is the main reason for the £2.144m increase in HRA earmarked reserves.

There has also been a significant reduction in the value of Investment Properties of £1.146m. This is mainly as a result of movements in the market value of these properties over the year.

The value of the net pension liability in the accounts has increased by £8.811m. The net pension liability represents the excess of long term accrued liabilities, assessed on a prescribed basis, compared with the market value of pension assets. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy. This deterioration is mainly a result of an actuarial loss of £7.813m on the pension fund.

The value of Debtors has increased by £1.231m over the year to £7.185m. This is mainly the result of an increase in a Government debtor relating to Business rates agency collection arrangements.

The total level of Usable Reserves has increased by £1.831m over the course of the year. This mainly reflects an increase in HRA and GRA Earmarked Reserves where funds have been set aside for future capital investment. The level of the Capital Receipts Reserve has though continued to reduce, as levels and values of asset sales are currently very low compared to previous periods. The Major Repairs Reserve was also fully utilised in the year so that there was a nil balance at the year end.

The Council agreed a set of Major Service Review proposals, including a number of redundancies, that were implemented in time for the 2012-13 financial year. These proposals included efficiency savings, increases in income, shared service arrangements and spending reductions in non-priority areas. This forms part of the planned approach for dealing with the very difficult financial position facing the Council. As a result the accounts show a reduction in net costs across a wide range of service areas.

Government grants to the Council for Benefits Payments and Administration increased by £1.142m over the course of the year, which reflects the current economic climate. This was matched by a similar increase in levels of Benefit payments.

The Council has continued to manage its budgets successfully during the last two years and delivered outturn positions broadly in line with budgets on both its General and Housing Revenue Accounts.

Future revenue spending and capital investment plans

The Council is facing a difficult medium term financial position as a result of the Government reducing the funding it provides to all local authorities and the challenging economic climate. The Council will meet this challenge through a medium term business plan process which will identify a programme of savings to meet the anticipated budget gap while protecting service levels as far as possible. Details on this business plan process have been the subject of a number of reports to Council, and further details can be found at:

http://www.westlancs.gov.uk/council_and_democracy/strategies_and_plans/business_plan.aspx

The budget that was set for 2013-14 contained a range of efficiency and savings measures but did not include any significant service reductions.

The Council is very aware of the pressure on our resident's finances due to the difficult financial climate. Consequently it was decided to freeze the Council tax level for the fourth year in a row. This continues our track record of delivering affordable Council tax increases.

Looking to the future, it is expected that a further Major Service Review will be completed during the year and reported to Council. This Review is one of the key work streams in the business plan, and will set out a series of proposals concerning how services could be restructured to produce the savings necessary to balance the budget in future years.

The capital programme for 2013-14 is based on a budget of £19.597m as set out below. This is significantly more than the previous year, and largely reflects the increased funding available for investment in the Housing Stock as a result of the implementation of the new HRA self financing system. The budget that was set for the HRA for 2013-14 has been significantly influenced by this new system, and the HRA Business Plan sets out projections of future expenditure and resources over a 30 year period.

Details of all the budget figures agreed for 2013-14 are available in the Council's budget book at:

West Lancashire Borough Council Statement of Accounts 2012/2013

http://www.westlancs.gov.uk/council_and_democracy/performance_and_spending/council_budget.aspx

Sources of funding for the capital programme

	2013/2014	2012/2013
	£'000	£'000
Capital grants	160	355
HRA funding	8,815	7,721
Capital receipt funding	2,016	1,780
Borrowing	7,558	0
GRA funding	1,048	300
Total	19,597	10,156

Key elements of the programme include:

- Improving the condition of the Council's housing stock
- Funding for the expansion of CCTV coverage
- A joint scheme to upgrade Moor Street in Ormskirk with Lancashire County Council
- The introduction of Blue Wheelie Bins to replace the existing Boxes
- Affordable housing
- Planned enhancements and improvements to Council Buildings
- Funding for the regeneration of industrial units
- Investment in IT Systems

Further information

It is the Council's policy to provide full information about its financial affairs. Further details about the accounts, and summary versions of the statement in other languages, can be obtained by:

- E-mailing Marc.Taylor@westlancs.gov.uk
- Telephoning (01695) 585092
- Writing to West Lancashire Borough Council
52 Derby Street
Ormskirk
Lancashire L39 2DF

WEST LANCASHIRE BOROUGH COUNCIL

2012/13 ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

West Lancashire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

To discharge this overall responsibility, the Council must have in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011, in relation to the production of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at West Lancashire Borough Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has in place a comprehensive governance framework, the key elements of which are as follows:

The Council reviews its vision and priorities regularly. A statement of the current vision, values and priorities is available in a number of formats and, together with a number of other documents referred to in this Annual Governance Statement, can be viewed online on the Council's [website](#).

The Council's 4 year Business Plan sets out how it will deal with the very difficult financial challenges facing all local authorities as a result of government decisions on grant funding reductions and the challenging economic climate.

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis.

The innovative Joint Managing Director structure continues to provide high quality management for the Council.

The Council has a number of core customer service standards which apply to all customers and staff. These corporate customer care standards provide a clear commitment of our desire to attain the highest quality of customer service. They include response times for letters and emails, telephone calls, complaints, visits to our offices, visits to customer's homes and out of hours emergencies. They cover targets and the attitude and behaviour of staff and customers.

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are available on the Council's website. The Council also has a Standards Committee whose role is to promote and maintain high standards of conduct.

A corporate Equality and Diversity steering group is in place which meets periodically to ensure the Council complies with its duties under Equality legislation.

The Council's Constitution clearly sets out the respective roles and responsibilities of the Council, its Executive and Overview and Scrutiny functions, and delegations to Committees, Portfolio holders and Chief Officers as well as those functions which, by Statute, are to be exercised by a designated "Proper Officer".

As part of the Constitution the Council has agreed a Protocol on Member/Officer Relations and Conventions for the Management of Council Business.

The Council's professionally qualified Chief Finance Officer (the Borough Treasurer) is responsible for the proper administration of its financial affairs. The Officer attends Directorate Service Head meetings and has a direct reporting line to the Joint Managing Directors. Financial advice is provided for all the key decisions that are made.

A Medium Term Financial Forecast and Treasury Management Strategy, which fully assesses the potential financial risks to the Authority, are in place and reviewed regularly. Standing orders, Contract Procedure Rules and Financial Regulations, that detail the Authority's financial management arrangements, are also maintained and developed.

The Council has a comprehensive Risk Management process in place which is fully embedded throughout the Authority and forms an integral part of the management process. This includes a dedicated resource committed to this area of work to ensure consistency and compliance throughout the Authority. In addition all reports to Council and Cabinet have a risk assessment section.

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*.

The Council's Monitoring Officer Protocol sets out how the Council deals with issues of concern including legality, probity, vires and constitutional issues.

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a formal Complaints Procedure, Anti-Money Laundering Policy, Whistleblowing Code and Anti-Fraud, Bribery and Corruption Policy.

Recruitment Procedures are in place to ensure the appointment of appropriately skilled employees. An induction process is also in place for employees along with guidance for Managers on how to induct new employees into their teams. Ongoing training needs are identified through a Development Appraisal Scheme.

The Council is committed to consulting local people and a 'Your Views' section is available on the Council's website dedicated to engaging the public.

The Council has in place a Protocol which sets out how the essential elements of local governance, accountability and transparency will be maintained within any proposed arrangements for service delivery through partnerships.

FINANCIAL MANAGEMENT ARRANGEMENTS

The Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

West Lancashire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service and Managers within the Authority who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and also by the work undertaken by the External Auditors and other review agencies and inspectorates.

The Council is ultimately responsible for maintaining an up to date governance framework which is chiefly contained in its Constitution and is made up of its standing orders, financial regulations and scheme of delegation together with various associated policies and procedures.

Our most recent Annual Audit Letter from the Audit Commission concluded that the Council has effective arrangements in place for internal control. Our new external auditors, Grant Thornton, have also not raised any significant issues of concern.

As part of the procedure for producing this statement, the Council's Heads of Service and Senior Managers are required to review whether there are any significant control or governance issues that require addressing. Areas for development in data protection arrangements were identified through this process and details on this are provided later in this statement. The Borough Treasurer, who has overall responsibility for the Authority's financial framework, has not identified any significant governance or internal control issues in relation to financial matters.

In carrying out a continuous audit of the Council's business, the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2012-13 does not identify any serious deficiencies in the Council's internal control mechanisms.

The Audit and Governance Committee are charged with monitoring Contract Procedure Rules, Financial Regulations and other provisions of the Constitution. This Committee also considers how well the Council has complied with its own and other published standards and controls in so far as these contribute to the adequacy of its framework of internal control.

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and plans to address development issues and ensure continuous improvement of the system are in place.

PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2012-13 and has also set a balanced budget for 2013-14. Consequently the Council is taking appropriate action to secure a stable financial position.

CURRENT SIGNIFICANT GOVERNANCE ISSUES

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

While the Council currently has a healthy financial position, dealing with the very difficult economic environment continues to be the primary challenge for the Authority. The Medium Term Financial Forecast identified a need to make 30% savings over 4 years and this level of savings has meant that the Council has needed to radically change its structure and the way it operates.

The Business Plan has been developed to achieve these savings through a measured and well thought out process. However this level of change will create significant risks in the governance framework that will need to continue to be managed and reviewed effectively.

DATA PROTECTION

The Council reported a data protection issue to the Information Commissioner's Office in the year and has entered into a voluntary undertaking. The Council is reviewing and developing this area. This has included completing an internal audit of data protection processes and implementing an action plan of targeted improvements. An additional resource was also agreed in the Budget to implement these developments.

The action plan has now been substantially completed and a satisfactory level of compliance achieved against best practice requirements. Additional work will take place over the next few months to complete the action plan and to develop processes and procedures further to minimise the risk of issues arising in the future.

REVENUES AND BENEFITS

Revenues and Benefits have seen a significant amount of change in recent months with the introduction of a Localised Council Tax Support Scheme to replace Council Tax Benefits, new rules on entitlement to Housing Benefits, and the implementation of a new IT system. No material governance matters have been identified, but given the scale of change there is an increased audit risk, which is why this area is included on the Key Risks Register. Internal audit reviews are currently in progress and external audit will also review this service area as part of their standard work on the audit of the accounts. The large scale investment in IT that has taken place will allow for an efficient and effective service to be provided in the future.

We propose to monitor the above issues over the coming year and to take steps to maintain and develop our governance arrangements.

SIGNED:

Date

LEADER

SIGNED:

Date

MANAGING DIRECTOR (PEOPLE AND PLACES)

SIGNED:

Date

MANAGING DIRECTOR (TRANSFORMATION)

On behalf of West Lancashire Borough Council

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LANCASHIRE
BOROUGH COUNCIL**

This report will be included in the Statement of Accounts in September once the audit of the accounts has been completed.

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The following responsibilities are placed upon the Authority and its Chief Finance Officer in relation to the Council's financial affairs.

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Borough Treasurer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Chief Finance Officer's Responsibilities

As the Authority's Chief Finance Officer, I am responsible for preparing the Authority'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, I have:

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

I have also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31st March 2013 and its income and expenditure for the year then ended.

Marc Taylor
Borough Treasurer
June 2013

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2011	1,149	9,425	631	1,296	5,937	382	0	18,820	158,690	177,510
<i>Movement in Reserves during 2011-2012</i>										
Surplus or deficit (-) on the provision of services	-5,035		-95,440					-100,475		-100,475
Other Comprehensive Income and Expenditure								0	-9,130	-9,130
Total Comprehensive Income and Expenditure	-5,035	0	-95,440	0	0	0	0	-100,475	-9,130	-109,605
Adjustments between accounting basis and funding basis under regulations (note 6)	4,574		95,861		-1,676	154	90	99,003	-99,003	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	-461	0	421	0	-1,676	154	90	-1,472	-108,133	-109,605
Transfers to / from Earmarked Reserves (note 7)	461	-461	-396	396				0		0
Increase / Decrease (-) in 2011-12	0	-461	25	396	-1,676	154	90	-1,472	-108,133	-109,605
Balance at 31 March 2012	1,149	8,964	656	1,692	4,261	536	90	17,348	50,557	67,905

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 31 March 2012	1,149	8,964	656	1,692	4,261	536	90	17,348	50,557	67,905
<i>Movement in Reserves during 2012-2013</i>										
Surplus or deficit (-) on the provision of services	-4,337		2,668					-1,669		-1,669
Other Comprehensive Income and Expenditure								0	-4,711	-4,711
Total Comprehensive Income and Expenditure	-4,337	0	2,668	0	0	0	0	-1,669	-4,711	-6,380
Adjustments between accounting basis and funding basis under regulations (note 6)	5,275		-526		-743	-536	30	3,500	-3,500	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	938	0	2,142	0	-743	-536	30	1,831	-8,211	-6,380
Transfers to / from Earmarked Reserves (note 7)	-1,126	1,126	-2,143	2,143				0		0
Increase / Decrease (-) in 2012-13	-188	1,126	-1	2,143	-743	-536	30	1,831	-8,211	-6,380
Balance at 31 March 2013	961	10,090	655	3,835	3,518	0	120	19,179	42,346	61,525

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/2012				2012/2013		
Gross Cost £'000	Gross Income £'000	Net Cost £'000		Gross Cost £'000	Gross Income £'000	Net Cost £'000
4,367	492	3,875	Cultural and Related Services	3,910	252	3,658
8,944	2,470	6,474	Environmental Services	8,840	3,285	5,555
1,061	1,057	4	Highways, Roads & Transport	1,067	967	100
20,159	22,635	-2,476	Local Authority Housing (HRA)	14,630	24,112	-9,482
88,212	0	88,212	HRA Self Financing Payment	0	0	0
9,828	0	9,828	HRA - impairment	3,520	0	3,520
31,473	30,267	1,206	Other Housing Services	32,851	31,613	1,238
4,224	2,104	2,120	Planning Services	3,773	2,391	1,382
2,595	2	2,593	Corporate & Democratic Core	1,972	0	1,972
513	0	513	Non Distributed Costs	169	0	169
13,217	11,613	1,604	Other Central Services	13,543	11,873	1,670
184,593	70,640	113,953	Cost of Services	84,275	74,493	9,782
1,267	541	726	Other operating expenditure (note 8)	2,812	1,147	1,665
3,365	1,371	1,994	Financing & investment income & expenditure (note 9)	6,386	1,380	5,006
0	16,198	-16,198	Taxation and non specific grant income (note 10)	0	14,784	-14,784
189,225	88,750	100,475	Surplus (-) or Deficit on Provision of Services	93,473	91,804	1,669
		127	Surplus (-) or deficit on revaluation of non current assets			-3,102
		9,003	Actuarial gains (-) or losses on pension assets and liabilities			7,813
		9,130	Other Comprehensive Income and Expenditure			4,711
		109,605	Total Comprehensive Income and Expenditure			6,380

BALANCE SHEET

31 March 2011 £'000	31 March 2012 £'000		Notes	31 March 2013 £'000
192,214	184,023	Property, Plant & Equipment	11a	184,834
458	458	Heritage Assets	12	461
8,819	7,282	Investment Property	13	6,136
241	243	Intangible Assets	14	185
15	15	Long Term Investments		15
210	76	Long Term Debtors		72
201,957	192,097	Long term assets		191,703
9,546	10,008	Short Term Investments		11,008
0	0	Assets held for sale	11b	573
148	58	Inventories	17	32
7,307	5,954	Short Term Debtors	18	7,185
5,111	5,602	Cash and Cash Equivalents	19	5,449
22,112	21,622	Current assets		24,247
0	-574	Bank Overdraft	19	-817
-5,833	-6,425	Short Term Creditors	20	-6,049
-5,833	-6,999	Current Liabilities		-6,866
-202	-243	Provisions	21	-393
-37,213	-47,020	Pension Liabilities	37	-55,831
-1,605	-1,528	Other Long Term Liabilities	36	-1,091
-1,706	-1,778	Grants & Contributions in Advance	32	-1,997
0	-88,246	Long Term Borrowing	16	-88,246
-40,726	-138,815	Long Term Liabilities		-147,558
177,510	67,905	Net Assets		61,526
-18,822	-17,350	Usable Reserves	22	-19,182
-158,688	-50,555	Unusable Reserves	23	-42,344
-177,510	-67,905	Total Reserves		-61,526

CASH FLOW STATEMENT

2011-2012		2012-2013	
£'000		£'000	£'000
-100,475	Net Deficit on the Provision of Services	-1,669	
17,688	Adjustments for non-cash movements (note 24)	13,438	
-1,482	Adjustments for items that are investing or financing activities (note 24)	-1,387	
-84,269	Net Cash Flows from Operating Activities		10,382
-6,043	Investing Activities (note 25)		-7,273
90,228	Financing Activities (note 26)		-3,505
-84	Change in Cash and Cash Equivalents		-396
5,111	Cash & Cash Equivalents at start of period		5,027
5,027	Cash & Cash Equivalents at end of period (note 19)		4,631

In 2011-12 there was a significant net outflow of cash on operating activities mainly as a result of a one off payment of £88.212m to the Government in relation to the introduction of a new HRA self financing system. This payment was funded by borrowing, and consequently there was a matching large scale net inflow of cash on financing activities.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31st March 2013. It has been prepared in accordance with relevant statutory regulations and proper accounting practice, and in particular the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, the Service Reporting Code of Practice and International Financial Reporting Standards.

The accounting convention adopted in the Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets.

ii. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are recognised as income at the date the goods or services are provided and where it is probable that the income will be received
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and interest 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 determined by the contract
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

iii. 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 represented by short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

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

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non Current Assets

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

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

The Council is not required to raise Council tax to cover depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall Borrowing Requirement.

Depreciation, revaluation and impairment losses and amortisation are replaced by a Minimum Revenue Provision calculated on a prudent basis by the Council in accordance with statutory guidance. This is achieved through an adjusting transaction between the General Fund Balance and the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. Capital charges to the Housing Revenue Account are calculated in accordance with statutory regulations, and in particular the Item 8 Credit and Debit Determinations.

vi. **Employee Benefits**

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These amounts are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of an officer's employment or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional entries for pension enhancement termination benefits and to replace them with the amount payable to the pension fund in the year.

Post Employment Benefits

The Council participates in a Local Government Pension Scheme administered by the Lancashire County Pension Fund. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on high quality corporate bonds.

The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

Statutory provisions require the General Fund balance to be charged with the amount payable to the Pension Fund in the year rather than 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 to replace them with the amounts actually payable to the Pension Fund for the year.

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

vii. Events after the Balance Sheet date

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

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

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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and 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.

Typically this means for borrowing, that the amount shown in the Balance Sheet is the outstanding principal payable (plus accrued interest), and the

interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

These assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and then carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Typically this means for investments, that the amount shown in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the asset.

ix. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as income at the date where there is reasonable assurance that the Council will comply with any conditions attached to the payments and that the payments will be received.

Amounts 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 require the grant or contribution to be used in a specified manner or else to be returned.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant line in the Comprehensive Income and Expenditure Statement.

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

x. Heritage Assets

Heritage assets are those which have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. It is intended that such assets are preserved in trust for future generations because of their cultural, environmental and historical association.

Heritage assets are generally recognised and measured in accordance with the Council's policies on property, plant and equipment. These assets will be recognised at cost in the Council's balance sheet where this can be identified. No depreciation will be accounted for due to their indeterminate useful lives. Reviews of such assets will be undertaken on a visual basis on a yearly cycle or where there is evidence of impairment. With specific regard to Civic Regalia items these will be valued on a three yearly basis by a specialist valuer.

xi. Intangible Assets

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

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of an asset can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account

xii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received or provided under the contract during the financial year.

In 2004/05 the Council entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its 5 main leisure centres. This includes an investment programme that is financed through a deferred liability scheme, and the relevant assets and liabilities are included in the balance sheet.

xiii. Investment Property

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. 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 of the Comprehensive Income and Expenditure Statement. The same treatment is applied for gains and losses on disposals.

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 the Capital Receipts Reserve.

xiv. Leases

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

The Council as Lessee: Finance Leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset that writes down the value of the liability in the Balance Sheet

- A financing charge that is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where the ownership of the asset does not transfer to the Council at the end of the lease period).

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

The Council as Lessee: Operating Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased asset.

The Council as Lessor: Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet, and the rental income is credited to the Comprehensive Income and Expenditure Statement.

xv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or the service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13. The total absorption costing principle is used and the full cost of overheads and support services are shared between users in proportion to the benefits received.

The bases of allocations used for the main support services are time allocations for staff, floor area for administrative buildings, and transaction numbers for exchequer services.

xvi. Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services 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 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 (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

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.

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value determined using the basis of existing use value for social housing
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Where non property assets have short useful lives or low values, depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)

- Where there is no balance in the Revaluation Reserve or an insufficient balance – the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and the possible difference is 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 gain)
- Where there is no balance in the Revaluation Reserve or an insufficient balance – the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Depreciation

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

Relevant assets are depreciated over their estimated useful lives on a straight line basis assuming no residual values, apart from a small number of vehicle finance leases. The Council's Estates section has determined the useful lives of dwellings and buildings and these vary depending on the nature of the asset considered.

Where an item of Property, Plant and Equipment has major components with significantly different useful lives and whose costs are significant in relation to the total cost of the item, then 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 charge that would have been made based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals (if any) are then also credited to this same line in the Comprehensive Income and Expenditure Statement. The net value of these transactions then reflects the gain or loss on the disposal of the asset. Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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.

A proportion of receipts relating to housing disposals must be paid over to the Government under a pooling arrangement. The balance of receipts is 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 capital financing requirement. Receipts are appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event takes place that will probably lead to a future expense, but where the timing or amount of the expense is uncertain.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties. Payments are then charged to the provision set up in the Balance Sheet when they are eventually made.

Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the likely cost. Where a provision is no longer required it will be reversed and credited back to the relevant service.

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 Council's control. Contingent liabilities can also arise in circumstances where a provision would otherwise be made but either it is not sufficiently certain that the event will take place or the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Council a possible asset but 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 and assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

xviii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, retirement and employee benefits. These do not represent usable resources for the Council, and include the capital adjustment account, revaluation reserve and pensions reserve.

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure that has been incurred 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 line in the Comprehensive Income and Expenditure Statement in the year.

Where the Council determines that it will meet such expenditure from its capital resources, then a transfer will be made in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account to reverse out the amounts charged so that there is no impact on the level of the Council tax.

xx. VAT

Income and expenditure excludes any amounts that relate to VAT. This is because all VAT collected is payable to HM Revenues and Customs, and all VAT paid is recoverable from them.

xxi. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and

West Lancashire Borough Council Statement of Accounts 2012/2013

Expenditure Statement or in the notes to the accounts, depending on how significant items are to an understanding of the Council's financial performance.

xxi. Accounting Standards Issued But Not Yet Adopted

IAS 1 Presentation of Financial Statements

An amendment has been made to IAS 1 Presentation of Financial Statements with the aim of improving the presentation of items in Other Comprehensive Income. The change is effective from 1 April 2013 and it will result in new groupings of the sections of the Comprehensive Income and Expenditure Statement into reclassifiable and non-reclassifiable groupings. This change is a presentational change only and will not affect any of the reported amounts in the Comprehensive Income and Expenditure Statement.

IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities)

The 2013/14 Code is adopting amendments to IFRS 7 that will result in a change of accounting policy from 1 April 2013 requiring disclosures for the offsetting of financial assets and liabilities. The impact of this change is not anticipated to be material on the financial statements of this Authority.

IAS 12 Deferred Tax: Recovery of Underlying Assets

This is a minor change to the accounting policy, which particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts.

IAS 19 Employee Benefits

Revisions have been made to IAS 19 which require a change to the pension disclosures and terminology. The change is effective from 1 April 2013 and will be fully adopted in the Council's 2013/14 financial statements. Under the revised IAS 19, the Council is required to recognise all changes, including actuarial gains and losses, unvested past service costs, settlements and curtailments in a net-defined benefit liability (asset) when they occur. The standard renames actuarial gains and losses as 'remeasurements' and they will be recognised immediately in the Comprehensive Income and Expenditure Statement.

The impact of the changes on the financial statements in 2012/13 is estimated to be an increase of £0.77m to pension costs recognised in the Surplus or Deficit on Provision of Services, and a decrease of £0.77m in Other Comprehensive Income and Expenditure. There will be no change to the overall Pension Fund deficit.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However this uncertainty is not yet sufficient to provide an indication of what assets might be impaired as a result of the need to make savings and potentially reduce service levels in certain areas
- The Council has entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its 5 main leisure centres. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are 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, the actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31st March 2013 for which there is a significant risk of material adjustment in the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	The useful lives of assets are estimated when calculating depreciation but it is not possible to know these lives with certainty	An increase in estimated useful lives of 1% would decrease depreciation charges by £40,000
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide expert advice on the assumptions to be applied	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. Note 37 provides details on actuarial gains and losses in recent years
Grant claims	Income for government grants in certain cases is based on estimated claims which are still subject to audit and could possibly change	Details on grant income levels are provided in note 32.

Arrears	Note 18 provides details on levels of debtors and their associated bad debt provisions. However in the current economic climate it is not certain that these provisions will be sufficient	If collection rates were to deteriorate, then the level of bad debt provisions would need to be increased. A 10% increase in impairment of doubtful debts would require an additional £0.35m to be set aside
Expenditure accruals	At the year end estimates are made of the value of goods and services delivered but not yet paid. These estimates are then used as a basis for accruing expenditure.	Details on creditors are provided in note 20.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

Details on HRA Self Financing of £88.212m in 2011-12 and HRA impairment of £3.520m (£9.828m in 2011-12) are shown separately on the Income and Expenditure Statement. HRA interest costs increased by just over £3m as a result of the introduction of self financing, but as subsidy payments to the government reduced by over £6m, the Council has benefitted significantly from this new system.

General Government revenue grants reduced by £0.757m as a result of public sector spending reductions. However benefit payments and grant funding have increased as a result of the current economic climate, and this has increased expenditure and income on Other Housing Services and Other Central Services.

5. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts were authorised for issue by the Borough Treasurer on 28th June 2013. Events taking place after this date have not been reflected in the financial statement or notes. Where events taking place before this date provide information about conditions existing at 31st March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events that took place after 31st March 2013 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- New arrangements for the retention of business rates income come into effect on 1 April 2013. From this date, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The Council's share of this liability has been estimated at £560,000

6. **ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against is set out below:

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 the 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 Balances, which is not necessarily in accordance with proper accounting practice. This Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. This Balance is not however 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 IV 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 Council is required to maintain the Major Repairs Reserve, which is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

Capital Receipts Reserve

This 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

This 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.

West Lancashire Borough Council Statement of Accounts 2012/2013

Adjustments between Accounting and Funding Basis Under Regulations 2012/13	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,594	2,369				-3,963
Charges for impairment and revaluation losses of non current assets	574	3,520				-4,094
HRA Self Financing Payment		0				0
Movements in the Market Value of Investment Properties	1,003					-1,003
Amortisation of intangible assets	50	25				-75
Capital grants and contributions applied	-2,073	-139				2,212
Revenue expenditure funded from capital under statute	2,102					-2,102
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	859	836				-1,695
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Provision for the financing of capital investment	-232	-253				485
Capital expenditure charged against the General Fund and HRA balances	-114	-3,701				3,815
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-30				30	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Transfer to Major Repairs Reserve		-2,394		2,394		
Use of the Major Repairs Reserve to finance new capital expenditure				-2,930		2,930

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Adjustments between Accounting and Funding Basis Under Regulations 2012/13 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-111	-1,036	1,147			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,285			1,285
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal	3	32	-35			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	574		-574			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			4			-4
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	3,261	699				-3,960
Employer's pension contributions	-2,186	-490				2,676
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	12					-12
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	-11	6				5
Total Adjustments	5,275	-526	-743	-536	30	-3,500

West Lancashire Borough Council Statement of Accounts 2012/2013

Adjustments between Accounting and Funding Basis Under Regulations 2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,644	2,421				-4,065
Charges for impairment and revaluation losses of non current assets	1,083	9,828				-10,911
HRA Self Financing Payment		88,212				-88,212
Movements in the Market Value of Investment Properties	1,539					-1,539
Amortisation of intangible assets	85					-85
Capital grants and contributions applied	-1,537	-556				2,093
Revenue expenditure funded from capital under statute	1,588					-1,588
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	14	373				-387
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	-155					155
Capital expenditure charged against the General Fund and HRA balances	-249					249
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-90				90	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		-4,085		4,085		
Use of Major Repairs Reserve to finance new capital expenditure				-3,931		3,931

West Lancashire Borough Council Statement of Accounts 2012/2013

Adjustments between Accounting and Funding Basis Under Regulations 2011/12 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-39	-502	541			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,846			1,846
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal		27	-27			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	349		-349			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			5			-5
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	3,113	621				-3,734
Employer's pension contributions	-2,737	-479				3,216
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-34					34
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	0	1				-1
Total Adjustments	4,574	95,861	-1,676	154	90	-99,003

7. TRANSFERS TO AND FROM EARMARKED RESERVES

	Balance 31/3/11 £'000	Movement in year £'000	Balance 31/3/12 £'000	Movement in year £'000	Balance 31/3/13 £'000
Insurance Fund	2,759	-47	2,712	-203	2,509
Renewal and Repairs Funds	316	45	361	71	432
Corporate Reserves	5,245	-291	4,954	344	5,298
Ring Fenced Reserves	721	-141	580	-3	577
Capital Reserve	0	0	0	988	988
Specific Grant Reserves	384	-27	357	-71	286
General Fund subtotal	9,425	-461	8,964	1,126	10,090
HRA Reserves	1,296	396	1,692	2,143	3,835
Total	10,721	-65	10,656	3,269	13,925

8. OTHER OPERATING EXPENDITURE

	2012/2013 £'000	2011/2012 £'000
Parish Council Precepts	507	504
Payments to the Government Housing Capital Receipts Pool	574	349
Gains / losses on the disposal of non current assets	584	-127
Total	1,665	726

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/2013 £'000	2011/2012 £'000
Interest payable and similar charges	3,177	154
Pensions interest cost and expected return on pension assets	1,571	1,076
Interest income	-198	-225
Income, expenditure and changes in the fair value of investment properties	456	989
Gains and losses on trading accounts	0	0
Total	5,006	1,994

10. TAXATION AND NON SPECIFIC GRANT INCOME

	2012/2013	2011/2012
	£'000	£'000
Council tax income	7,444	7,408
Non domestic rates distribution	6,513	5,658
Non ring fenced government grants	552	2,164
Capital grants and contributions	275	968
Total	14,784	16,198

11a. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2012-13	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
Balance at 1 st April 2012	165,202	39,575	6,805	749	1,799	0	214,130
Additions	6,760	639	456	32	2		7,889
Revaluation increases / decreases recognised in the Revaluation Reserve	1,384	2,192					3,576
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services							0
De-recognition - disposals and decommissioning	-3,688	-1,234	-2,086				-7,008
Other revaluations and transfers	-133	-440				144	-429
Balance at 31st March 2013	169,525	40,732	5,175	781	1,801	144	218,158
Accumulated Depreciation and Impairment							
Balance at 1 st April 2012	-18,404	-7,189	-4,511				-30,104
Depreciation written out to the Revaluation Reserve	-28	-206					-234
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,301	-777	-652				-3,730
Impairment Losses / Reversals recognised in the Revaluation Reserve	-430	-45					-475
Impairment Losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	-3,520	-574					-4,094
De-recognition - disposals and decommissioning	2,852	375	2,086				5,313
Other revaluations and transfers							
Balance at 31st March 2013	-21,831	-8,416	-3,077	0	0	0	-33,324
Net Book Value							
Balance at 1 st April 2012	146,798	32,386	2,294	749	1,799	0	184,026
Balance at 31 st March 2013	147,694	32,316	2,098	781	1,801	144	184,834

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Movement on Balances 2011-12	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
Balance at 1 st April 2011	160,361	37,840	7,043	554	1,674	487	207,959
Additions	5,047	1,659	274	195	128		7,303
Revaluation increases / decreases recognised in the Revaluation Reserve		99					99
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services							0
De-recognition - disposals and decommissioning	-694	-23	-512				-1,229
Other revaluations and transfers	487					-487	0
Balance at 31st March 2012	165,201	39,575	6,805	749	1,802	0	214,132
Accumulated Depreciation and Impairment							
Balance at 1 st April 2011	-6,367	-5,109	-4,266	0	0	0	-15,742
Depreciation written out to the Revaluation Reserve	-10	-164					-174
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,361	-774	-757				-3,892
Impairment Losses / Reversals recognised in the Revaluation Reserve	-159	-68					-227
Impairment Losses / Reversals recognised in the Surplus / Deficit on the Provision of Services	-9,827	-1,083					-10,910
De-recognition - disposals and decommissioning	320	9	512				841
Other revaluations and transfers							0
Balance at 31st March 2012	-18,404	-7,189	-4,511	0	0	0	-30,104
Net Book Value							
Balance at 1st April 2011	153,994	32,731	2,777	554	1,674	487	192,217
Balance at 31st March 2012	146,797	32,386	2,294	749	1,802	0	184,028

Depreciation

All of the following assets, except infrastructure, are depreciated on a straight line basis over the life of the asset. No residual value is assumed for these assets apart from leased refuse collection vehicles for which a residual value is estimated at around £10,000 per vehicle.

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

- Council Dwellings – 75 years for houses and 30 years for garages
- Other Land and Buildings – these have a range of lives varying between 10 and 60 years, although the majority of assets have an estimated life of around 30 to 40 years
- Vehicles, Plant, Furniture and Equipment – this covers a range of different types of asset with estimated useful lives mostly between 5 and 12 years
- Infrastructure – these assets are inalienable in nature, in that value is derived only by continued use of the asset in its current form (there is no prospect of sale or alternative use). As such these assets are not depreciated but will either be written out when there is a change of use or a revaluation exercise.

Capital Commitments

At 31st March 2013 the Council had entered into a number of contracts for the construction or enhancement of non current assets in future years budgeted to cost £2.755m. Similar commitments as at 31st March 2012 were £2.299m.

The major commitments are:

- Windows and Door replacements £1.044m
- Bathroom installation £0.749m
- Leisure Centre investment in partnership with Serco £0.560m

Other

There were no assets classified as under construction during 2012-13, and no assets classified as surplus during 2011-12.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every 5 years. All valuations were carried out internally. 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.

The significant assumptions applied in estimating fair values are:

- The analysis of value split between land and buildings
- The estimated useful life of the asset
- Full building surveys have not been carried out as part of the valuation process

	Council Dwellings	Other Land & Buildings	Vehicles, Furniture, Plant & Equipment	Total
	£'000	£'000	£'000	£'000
Historical cost at last valuation	156,488	37,576	5,175	199,239
Valued at fair value as at:				
31 st March 2013	147,695	32,318	2,098	182,111
31 st March 2012	143,890	31,471	2,245	177,606
31 st March 2011	153,005	31,810	2,561	187,376
31 st March 2010	190,606	33,020	2,059	225,685
31 st March 2009	197,732	33,944	2,303	233,979

11b. ASSETS HELD FOR SALE

During the course of the year Council dwellings valued at £133,000 and Other Land and Buildings valued at £440,000 were reclassified as Current Assets Held for Sale. There were no opening balances on Current Assets Held for Sale and consequently the closing balances were £573,000.

12. HERITAGE ASSETS

In accordance with the Code, the Council recognises Heritage Assets in its accounts, and these are recorded in the balance sheet at valuation as determined by the Code. If valuations cannot be determined the Heritage Assets are simply recorded in the asset register, as it is considered that the disclosure would be immaterial and would not add any enhancement to the reader in the understanding of the accounts.

The Council has three main classes of heritage asset:

Civic Regalia:

The Council owns a range of Civic regalia items including Mayoral Chains, Pendants and various other Chains and items of Office valued at £74,000. These items are used by the Mayor and Deputy Mayor for Civic functions and are valued every 3 years by a specialist professional firm, the last valuation being undertaken during 2011.

Public Sculptures

Three public sculptures were built within the Skelmersdale area of the Borough and were identified as the 'Roundabout Sculptures.' These were built to provide character to the area as well as exhibiting high technology and innovation, and interaction with the local community. The sculptures are commonly termed the Daffodil Sculpture, the Faces Roundabout and the Lighting Column. They are valued on the asset register at cost, £364,000,

and no depreciation is accounted for as they have an indeterminate useful life.

These assets are visually inspected on an annual basis to review any potential impairment.

Memorials, fountains and village cross

The Council has a number of war memorials located within the Borough, relating to the Boer war and First and Second world wars. The Council also owns two fountains and a village cross. These assets have an indeterminate useful life and are valued at cost where known, or otherwise simply recognised in the Council's asset register. The total cost recognised for this class of asset is £24,000.

The total value of Heritage Assets is £462,000. There was £4,000 of expenditure incurred on a war memorial during 2012-13, but no changes to the value of these assets in the previous 5 years.

13. INVESTMENT PROPERTIES

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:

	2012/2013	2011/2012
	£'000	£'000
Rental income	-1,183	-1,147
Direct operating expenses	636	597
Net gain / loss	-547	-550

There are restrictions on a number of investment properties concerning how any disposal proceeds or income generated can be used. The Council has no contractual obligations to purchase, construct, or develop investment property or repairs, maintenance or enhancement.

The movement in the fair value of investment properties is shown below:

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	7,282	8,821
Net gains/losses from fair value adjustments	-1,003	-1,539
Other	-144	0
Balance at end of year	6,135	7,282

These movements include a significant loss from a fair value adjustment to a single investment property based on a reduction in its future expected rental income stream.

14. INTANGIBLE ASSETS

The Council accounts for purchased software licences as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use. Most assets have a useful life of 5 years. The carrying amount of intangible assets is amortised on a straight line basis.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year:		
- Gross carrying amount	512	710
- Accumulated amortisation	-268	-468
Net carrying amount at start of year	244	242
Purchases	18	87
Amortisation for the period	-75	-85
Net carrying amount at end of year	187	244

Balance at end of year:		
- Gross carrying amount	530	512
- Accumulated amortisation	-343	-268
Net carrying amount at end of year	187	244

15. IMPAIRMENT AND REVALUATION LOSSES

A desktop review of the values of Council Dwellings was completed in year, which determined that their value should be reduced by £0.567m. This review was completed in accordance with statutory and accounting regulations.

Council dwellings were also impaired by a further £3.383m, as a result of an element of the Housing capital programme not increasing the book value of these properties. This position was reached after consultation with the Council's Estates section, who reviewed the elements of the capital programme and assessed those elements that increased the book value of properties and those that could be discounted. This procedure took account of the nature of the work, local property factors, and regulations that are in place.

Other Land and Buildings were impaired by £0.619m in the year. This was as a result of capital investment that has not increased the book value of assets.

16. FINANCIAL INSTRUMENTS

Financial liabilities are classified as liabilities at amortised cost and financial assets are classified as loans and receivables. Details of the carrying value of these instruments are provided in the Balance Sheet and these notes. The Council does not have any material soft loans.

The Council has taken out £88.212m of loans from the Public Works Loans Board to fund its HRA self financing payment to Central Government. Interest payments were made in the year on these loans and in relation to deferred liabilities and finance leases. Investment income is generated mainly from investments of short-term funds with Banks, Building Societies and Local Authorities. Details on interest expenses and investment income are shown in note 9 on Financing and Investment Income and Expenditure.

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at their 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:

- Estimated ranges of interest rates at 31st March 2013 of 3.20% to 4.03% for loans from the PWLB based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- The fair value of trade debtors and creditors (as shown in notes 18 and 20) are taken to be the invoiced or billed amount. Consequently these items' carrying value is judged to be not materially different from their fair value
- The fair value of investments is assumed to approximate to its carrying value, as these instruments will mature within the next 12 months.

PWLB borrowing is the only item in the accounts where the fair value (£80.161m) and carrying amount including accrued interest (£88.246m) are materially different. This difference is because the Council's debt portfolio includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the balance sheet date. This shows a notional future gain based on economic conditions at the balance sheet date arising from a commitment to pay interest to lenders below current market rates.

17. INVENTORIES

	2012/2013	2011/2012
	£'000	£'000
Work in progress	7	39
All other items	24	19
Total	31	58

18. DEBTORS

	2012/2013	2011/2012
	£'000	£'000
General Government Bodies	2,498	1,758
Other Local Authorities	3,414	2,402
Trade Debtors	1,913	2,421
Other Debtors	2,728	2,026
Payments in Advance	93	244
Sub total	10,646	8,851
Provision for impairments	-3,461	-2,897
Total	7,185	5,954

19. CASH AND CASH EQUIVALENTS

	2012/2013	2011/2012
	£'000	£'000
Cash and Bank	449	401
Money at call	5,000	5,200
Sub total	5,449	5,601
Bank overdraft	-817	-574
Total	4,632	5,027

20. CREDITORS

	2012/2013	2011/2012
	£'000	£'000
General Government Bodies	586	471
Other Local Authorities	1,385	711
Trade Creditors	3,948	5,043
Other Creditors	130	200
Total	6,049	6,425

21. PROVISIONS

	2012/2013	2011/2012
	£'000	£'000
Opening balance	244	202
Additional provisions made	199	107
Amounts used	0	-15
Unused amounts reversed	-50	-50
Closing balance	393	244

The main provisions held by the Council relate to potential claims for the repayment of Property Search income following a change in the statutory rules on charging, a provision for insurance liabilities relating to previous years, and disputed utility costs on a leased Investment Property.

22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

23. UNUSABLE RESERVES

	2012/2013	2011/2012
	£'000	£'000
i. Revaluation Reserve	9,640	6,885
ii. Capital Adjustment Account	88,752	90,612
iii. Deferred Capital Receipts	10	14
iv. Pensions Reserve	-55,831	-46,734
v. Collection Fund Adjustment Account	-31	-19
vi. Accumulated Absences Account	-196	-201
Total	42,344	50,557

i. Revaluation Reserve

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

- Re-valued 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 realised

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

	2012/2013 £'000	2011/2012 £'000
Balance at start of year	6,885	7,185
<i>Surplus or deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</i>		
Upward revaluation of assets	3,576	99
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	-475	-226
Sub total	3,101	-127
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	-234	-173
Accumulated gains on assets sold or scrapped	-112	0
Sub total	-346	-173
Balance at end of year	9,640	6,885

ii. Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/2013 £'000	2011/2012 £'000
Balance at start of year	90,612	188,950
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation and impairment, and revaluation losses	-8,056	-14,975
Amortisation of intangible assets	-75	-85
Revenue expenditure funded from capital under statute	-2,102	-1,588
Non-current assets written off as part of the gain / loss on disposal of assets	-1,695	-387
HRA Self Financing	0	-88,212
Sub total	-11,928	-105,247
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,285	1,846
Use of the Major Repairs Reserve to finance new capital expenditure	2,929	3,932
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	2,212	2,093
Provision for the financing of capital investment charged against the General Fund and HRA balances	485	155
Capital expenditure charged against the General Fund and HRA balances	3,815	248
Sub total	10,726	8,274
Adjusting amounts written out of the Revaluation Reserve	345	174
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,003	-1,539
Balance at end of year	88,752	90,612

iii. Deferred Capital Receipts Reserve

This 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.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	14	19
Transfer to the Capital Receipts Reserve upon receipt of cash	-4	-5
Balance at end of year	10	14

iv. Pensions Reserve

This 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. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources 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.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	46,734	37,213
Actuarial gains and losses on pension assets and liabilities	7,813	9,003
Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	3,960	3,734
Employer's pension contributions payable in the year	-2,676	-3,216
Balance at end of year	55,831	46,734

v. Collection Fund Adjustment Account

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

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	19	53
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	12	-34
Balance at end of year	31	19

vi. Accumulated Absences Account

This 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 this Account.

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	201	200
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-5	1
Balance at end of year	196	201

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/2013	2011/2012
	£'000	£'000
Interest received	-195	-258
Interest paid	3,173	116

The deficit on the provision of services has been adjusted for the following non cash movements:

	2012/2013	2011/2012
	£'000	£'000
Depreciation	3,963	4,065
Impairment and downward valuations	5,097	12,450
Amortisation	75	85
Change in Creditors	-396	796
Change in Debtors	1,742	-748
Change in Inventories	27	90
Movement in Pension Liability	998	518
Carrying amount of non current assets sold or disposed	1,695	387
Other non cash items charged to the deficit on the provision of services	237	45
Non cash movements	13,438	17,688

The deficit on the provision of services has also been adjusted for the following items that are investing and financing activities:

	2012/2013	2011/2012
	£'000	£'000
Proceeds from the sale of non current assets	-1,112	-514
Capital grants for non current assets charged through revenue	-275	-968
Non cash movements	-1,387	-1,482

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012/2013	2011/2012
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	-7,892	-7,231
Purchase of short term and long term investments	-57,000	-32,000
Proceeds from the sale of non-current assets	1,112	514
Proceeds from short term and long term investments	56,000	31,500
Other receipts from investing activities	507	1,174
Net cash flows from investing activities	-7,273	-6,043

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2012/2013	2011/2012
	£'000	£'000
Receipts from financing activities	-3,171	2,453
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	-334	-437
New borrowing	0	88,212
Net cash flows from financing activities	-3,505	90,228

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However decisions about resource allocation are made by the Council and its Cabinet on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's contributions) rather than current service cost of benefits accrued in the year
- DSO activity is included within service budgets rather than being outside the net cost of services
- HRA reports include all HRA items rather than just those within the net cost of services
- Certain contributions to and from reserves are included within service reports

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

	2012/2013	2011/2012
	£'000	£'000
Net expenditure in the Service Analysis	16,272	19,419
Net expenditure of services and support services not included in the analysis	-214	298
Amounts in the Income and Expenditure Statement not reported to management in the Analysis	-852	-1,630
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-5,424	95,866
Cost of Services in the Income and Expenditure Statement	9,782	113,953

The income and expenditure of the Authority's principal services recorded in the budget reports are shown overleaf.

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Income and Expenditure	Community Services	Corporate Services	Housing & Regeneration	HRA	Planning Services	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Income and Expenditure 2012-13							
Fees, charges and other service income	3,338	13,109	4,886	29,833	1,802	9,270	62,238
Government grants and contributions	2,184	39,164	215	0	10	1,315	42,888
Total income	5,522	52,273	5,101	29,833	1,812	10,585	105,126
Employee expenses	2,575	5,224	983	3,867	1,444	4,393	18,486
Other service expenses	5,136	44,429	2,312	17,791	316	9,158	79,142
Capital Charges	818	119	1,971	5,914	18	295	9,135
Support service recharges	1,867	6,412	923	2,261	1,599	1,573	14,635
Total expenditure	10,396	56,184	6,189	29,833	3,377	15,419	121,398
Net expenditure	4,874	3,911	1,088	0	1,565	4,834	16,272
Service Income and Expenditure 2011-12							
Fees, charges and other service income	3,439	13,836	5,428	121,777	1,937	10,092	156,509
Government grants and contributions	1,630	38,169	149	0	19	1,337	41,304
Total income	5,069	52,005	5,577	121,777	1,956	11,429	197,813
Employee expenses	2,484	6,180	1,141	4,086	1,536	4,890	20,317
Other service expenses	4,812	41,792	2,385	14,995	278	9,900	74,162
Capital Charges	706	151	3,058	100,461	12	424	104,812
Support service recharges	2,022	8,876	1,109	2,235	1,995	1,704	17,941
Total expenditure	10,024	56,999	7,693	121,777	3,821	16,918	217,232
Net expenditure	4,955	4,994	2,116	0	1,865	5,489	19,419

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Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2012-13	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	62,238	694	-1,879	-6,448	-23,074	31,531	1,183	32,714
Interest and investment income						0	198	198
Income from council tax						0	7,357	7,357
Government grants and contributions	42,888	124	-50			42,962	7,339	50,301
Other Items						0	1,147	1,147
Total income	105,126	818	-1,929	-6,448	-23,074	74,493	17,224	91,717
Employee expenses	18,486	349	-426	-2,768		15,641		15,641
Other service expenses	79,142	173	-1,364	-8,217	-23,074	46,660		46,660
Capital Charges	9,135		-1,003	-275		7,857		7,857
Support service recharges	14,635	82	12	-612		14,117		14,117
Interest payments						0	3,177	3,177
Precepts						0	507	507
Payments to Housing Capital Receipts Pool						0	574	574
Other Items						0	4,940	4,940
Total expenditure	121,398	604	-2,781	-11,872	-23,074	84,275	9,198	93,473
Surplus or deficit on the provision of services	16,272	-214	-852	-5,424	0	9,782	-8,026	1,756

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Reconciliation to Subjective Analysis 2011-12	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	156,509	1,125	-850	-7,638	-119,760	29,386	1,147	30,533
Interest and investment income						0	224	224
Income from council tax						0	7,408	7,408
Government grants and contributions	41,304		-50			41,254	8,790	50,044
Other Items						0	541	541
Total income	197,813	1,125	-900	-7,638	-119,760	70,640	18,110	88,750
Employee expenses	20,317	576	-945	-3,146		16,802		16,802
Other service expenses	74,162	776	-233	92,591	-119,760	47,536		47,536
Capital Charges	104,812		-1,539	-377		102,896		102,896
Support service recharges	17,941	71	187	-840		17,359		17,359
Interest payments						0	154	154
Precepts						0	504	504
Payments to Housing Capital Receipts Pool						0	348	348
Other Items						0	3,626	3,626
Total expenditure	217,232	1,423	-2,530	88,228	-119,760	184,593	4,632	189,225
Surplus or deficit on the provision of services	19,419	298	-1,630	95,866	0	113,953	-13,478	100,475

28. TRADING OPERATIONS

Trading Services

The Council operates a market in Ormskirk on Thursdays and Saturdays under a market charter, as well as several car parks, and a commercial assets portfolio.

Direct Service Organisations

The Council has a number of DSOs that operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. The DSO's income shown below largely represents internal transfers from service revenue accounts and this element is netted off in producing the Comprehensive Income and Expenditure Statement.

The surpluses generated on the DSOs have been repatriated to client services in line with accounting regulations.

	2012-13 Expenditure	2012-13 Income	2012-13 Deficit/ Surplus(-)	2011-12 Deficit/ Surplus(-)
	£'000	£'000	£'000	£'000
Trading Services				
Market	198	248	-50	-45
Car Parks	414	695	-281	-330
Commercial Assets Portfolio	640	1,006	-366	-288
Total	1,252	1,949	-697	-663
DSOs				
Refuse Collection & Street Cleaning	4,371	4,747	-376	-393
Grounds Maintenance	1,616	1,614	2	-32
Repatriation of balances		-374	374	425
Deficit / Surplus (-) transferred to I&E Statement	5,987	5,987	0	0

29. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.339m (£0.345m in 2011-12).

30. OFFICER REMUNERATION

The remuneration paid to senior officers whose salary is £50,000 or more is shown overleaf. The total cost in 2012-13 is significantly less than the previous year as a result of a senior management restructuring that included the deletion of the Chief Executive's post. The Economic Regeneration and Strategic Property Officer also left part way through 2012-13.

The number of other staff whose remuneration exceeded £50,000, excluding employer's pension contributions, is shown below. Of these staff 1 was made redundant in 2012/13, compared to 10 in 2011/12.

Remuneration band	Number of employees	
	2012/13	2011/12
£50,000 - £54,999	2	3
£55,000 - £59,999	1	
£65,000 - £69,999		3
£70,000 - £74,999		1
£80,000 - £84,999		1
£85,000 - £89,999		2
£95,000 - £99,999		1
Total	3	11

The relatively high number of redundancies in 2011/12 reflects the Major Service Review initiative that was implemented to reduce the Council's costs. The Council's redundancy policy requires that the savings generated by redundancies must be sufficient to repay any exit costs within a 3 year payback period.

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Post Title	Salary £	Expenses £	Compensation for loss of office £	Benefits in Kind £	Total before pensions £	Pension contribution £	Total £
<u>2012-13 Remuneration</u>							
Managing Director (People and Places)	89,838	0	0	4,871	94,709	18,510	113,219
Managing Director (Transformation)	88,430	0	0	4,871	93,301	17,536	110,837
Assistant Director Housing and Regeneration	67,617	0	0	4,871	72,488	13,523	86,011
Assistant Director Community Services	67,690	151	0	4,871	72,712	13,523	86,235
Assistant Director Street Scene	61,515	0	0	4,871	66,386	12,294	78,680
Economic Regeneration & Strategic Property Officer (left in year)	5,658	0	0	0	5,658	1,049	6,707
Assistant Director Planning	60,191	0	0	4,871	65,062	12,038	77,100
Borough Treasurer	52,510	0	0	0	52,510	10,502	63,012
Transformation Manager	52,645	0	0	0	52,645	10,502	63,147
Borough Solicitor	53,149	0	0	0	53,149	10,502	63,651
<u>2011-12 Remuneration</u>							
Chief Executive (left in year)	67,137	252	116,877	3,745	188,011	152,507	340,518
Managing Director (People and Places)	84,843	252	0	4,871	89,966	17,730	107,696
Managing Director (Transformation)	83,956	0	0	4,871	88,827	16,756	105,583
Assistant Director Housing and Regeneration	67,630	377	0	4,871	72,878	13,526	86,404
Assistant Director Community Services	67,734	151	0	4,871	72,756	13,523	86,279
Assistant Director Street Scene	61,590	0	0	4,871	66,461	12,294	78,755
Economic Regeneration & Strategic Property Officer	64,011	0	0	1,624	65,635	12,778	78,413
Assistant Director Planning	60,135	0	0	4,695	64,830	12,027	76,857
Borough Treasurer	51,221	0	0	0	51,221	10,244	61,465
Transformation Manager	51,388	0	0	0	51,388	10,242	61,630
Borough Solicitor	51,250	0	0	0	51,250	10,215	61,465

The Council terminated the contracts of 5 employees in 2012-13 in a range of different service areas incurring liabilities of £0.146m (£1.209m in 2011-12).

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12
			£'000	£'000
£0 - £20,000	2	11	12	63
£20,001 - £40,000	2	11	71	343
£40,001 - £60,000	0	5	0	266
£60,001 - £80,000	1	4	63	281
Over £150,000	0	1	0	256
Total	5	32	146	1,209

There were no compulsory redundancies in 2012-13, compared to 4 compulsory redundancies with a total exit cost of £0.011m in 2011-12.

31. EXTERNAL AUDIT COSTS

	2012/2013	2011/2012
	£'000	£'000
Fees payable in relation to the audit of the accounts and inspection fees	57	88
Fees payable for the certification of grant claims and returns	17	40
Total	74	128

32. GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

	2012/2013	2011/2012
	£'000	£'000
<i>Credited to Taxation and Non Specific Grants</i>		
Revenue Support Grant	126	1,749
New Homes Bonus	201	192
Council Tax Freeze Grant	174	173
Other Grants	50	50
Total non ring fenced government grants	551	2,164
<i>Credited to Services</i>		
Benefit Payments and Administration	39,158	38,016
Regeneration Grants	334	49
Capital Grants	1,968	1,215
Contributions to Refuse and Cleansing	1,052	999
Contribution to Highways	263	338
Other Grants and Contributions	187	637
Total	42,962	41,254

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the provider. The balances at the year end are as follows:

	2012/2013	2011/2012
	£'000	£'000
<i>Grants and Contributions Received in Advance</i>		
Section 106 Agreements	1,730	1,466
Commutated Sums	97	142
St Richards	170	170
Total	1,997	1,778

33. 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. Disclosures of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council and it is responsible for providing the statutory framework within which the Council operates. It provides the majority of the Council's 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, benefits etc). Grants received from the Government are set out in the subjective analysis in note 27 on reporting for resource allocation decisions and in note 32 on grant income.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member allowances paid in 2012-13 is shown in note 29.

There are 54 Council Members, of which 18 are also Parish Councillors, 9 are County Councillors, 1 is a Member of the Police Authority, and 1 is a Member of the Fire and Rescue Authority. Precept payments to Lancashire County Council, Lancashire Fire Authority and Lancashire Police Authority are shown in the Collection Fund. The total precepts paid to Parish Councils are shown in note 8 and grant funding of £0.119m was also provided to them. Details of the payments made to the Lancashire Pension Fund are shown in note 37.

Decisions on the overall level of funding to be provided to Parish Councils are taken by full Council with due regard to procedures for preventing undue influence. Decisions on how this funding pot is allocated to parishes are determined by the Borough Treasurer using a set formula in consultation with a Cabinet Member who is not a Parish Councillor.

Grant payments were also made to a number of voluntary organisations in which Council Members had interests as follows:

- Council for Voluntary Services – £33,000 – 2 Members
- Women's Refuge – £11,000 – 1 Member

The Council is committed to maintaining and developing sound arrangements for its corporate governance, including having procedures in place to prevent undue influence. As part of this commitment, Members must make disclosures of their interests to the Council's Monitoring Officer. Details of

these disclosures are recorded and maintained in registers of interests and can be viewed on the Council's website.

Members have to declare any significant interests in agenda items at the start of Committee meetings, and cannot then take part in any discussions or decisions in relation to those items.

Officers

Officers must make disclosures of their interests to the Council's Monitoring Officer and these are maintained in a register of interests. Officers may not take part in any discussion, decision or administration in relation to these items.

Other Related Parties

The Council has entered into a long term contractual arrangement with Lancashire County Council and One Connect Limited for the provision of Revenues, Benefits and IT Services worth £3.2m in 2012-13. The Council also receives income of around £1.3m per year from Lancashire County Council in relation to Refuse and Recycling, Street Cleansing and Highways Maintenance activities.

Payment of subsidy of £0.467m was made to West Lancashire Community Leisure Ltd in 2012/13 as part of the Council's Leisure services arrangement. The Council provides the majority of the Trust's funding and also appoints one out of the Trust's 6 Board Members.

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure for the year is shown in the table below (including the value of assets acquired under finance leases and long term contracts), together with the resources used to finance it.

	2012/2013 £'000	2011/2012 £'000
Opening Capital Financing Requirement	94,515	5,600
<i>Capital Investment</i>		
Property, Plant and Equipment	7,890	7,303
Other Long Term Assets	21	87
HRA Self Financing Payment	0	88,212
Revenue Expenditure Funded from Capital Under Statute	2,102	1,588
<i>Sources of Finance</i>		
Capital Receipts	-1,285	-1,846
Government Grants and Other Contributions	-2,212	-2,093
Direct Revenue Contributions	-6,744	-4,181
Minimum Revenue Provision	-485	-155
Closing Capital Financing Requirement	93,802	94,515
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	0	726
Increase in borrowing for HRA Self Financing	0	88,212
Movement in other long term liabilities	-228	132
Minimum Revenue Provision	-485	-155
Change in Capital Financing Requirement	-713	88,915

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, which is a measure of the capital expenditure incurred by the Council that has yet to be financed.

35. LEASES

Authority as Lessee: Finance Leases

The Council has acquired a number of vehicles under finance leases. The assets acquired under these leases are shown under Vehicles, Plant, Furniture and Equipment in the Balance Sheet with a net value of £0.157m in 2012/13 and £0.263m in 2011/12.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the vehicles acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2012/2013	2011/2012
	£'000	£'000
Finance lease liabilities	25	128
Finance costs payable in future years	0	13
Total	25	141

The minimum lease payments will be payable over the following periods:

	2012/2013	2011/2012
	£'000	£'000
Not later than one year	22	116
Later than one year and not later than five years	3	25
Total	25	141

Authority as Lessee: Operating Leases

The Council has acquired a number of vehicles by entering into operating leases, typically with lives not exceeding five years. The Council entered into a new arrangement with regards to vehicle supply and maintenance during 2012-13. A review was undertaken that determined the supply of the vehicles under this contract represented an embedded lease, which has resulted in a significant increase in lease payments.

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

	2012/2013	2011/2012
	£'000	£'000
Not later than one year	544	7
Later than one year and not later than five years	1,905	-
Total	2,449	7

Authority as Lessor: Operating Leases

The Council leases out property and equipment under operating leases for the provision of community services such as community centres, and for economic development purposes to provide suitable accommodation for the business community.

The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2012/2013	2011/2012
	£'000	£'000
Not later than one year	1,680	1,758
Later than one year and not later than five years	1,027	1,588
Later than five years	2,895	2,705
Total	5,602	6,051

36. OTHER LONG TERM LIABILITIES AND CONTRACTS

The Council has agreed a 15-year investment programme in its leisure centres through a partnership arrangement with Serco that started in January 2005. This investment will be repaid over the lifetime of the contract. The Council has also acquired a number of vehicles under finance leases that are reflected below.

	2012/2013	2011/2012
	£'000	£'000
Balance brought forward	1,528	1,605
Investment	0	360
Leisure trust repayments	-228	-228
Lease principal repayments	-209	-209
Balance carried forward	1,091	1,528

In October 2011 the Council agreed a 10 year contract for the provision of its IT, Revenues and Benefits Services with Lancashire County Council and One Connect Limited, with an annual value of £3.4m. In October 2012 the Council agreed a 5 year contract for vehicle supply and maintenance with May Gurney, with an annual value of just under £1.0m.

37. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

The Council makes contributions towards the cost of post-employment benefits as part of the terms and conditions of employment of its officers. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments, which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension scheme administered locally by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with the investment assets.

Previously the Council had arrangements in place for the award of discretionary post-employment benefits upon early retirement, although these awards are no longer made. This is an unfunded defined benefit arrangement, under which liabilities were recognised when awards were made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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 we are required to make against Council tax is based on the cash payable in the year. Consequently the accounting cost of post-employment 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 and the Movement in Reserves Statement:

	Discretionary Benefits		All Benefits	
	2012-13	2011-12	2012-13	2011-12
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	0	0	2,251	2,227
- Past service cost / gain (-)	0	0	64	0
- Settlements and curtailments	0	0	74	431
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	259	288	6,813	7,103
- Expected return on scheme assets	0	0	-5,242	-6,027
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	259	288	3,960	3,734
Actuarial Gains and Losses	425	122	7,813	9,003
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	684	410	11,773	12,737
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-259	-288	-3,960	-3,734
Actual amount charged against the General Fund Balance for pensions	338	376	2,676	3,216

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement at 31st March 2013 is a loss of £33.3m, and at 31st March 2012 was a loss of £25.5m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the present value of scheme liabilities	Discretionary Benefits		All Benefits	
	2012-13	2011-12	2012-13	2011-12
	£'000	£'000	£'000	£'000
Opening Balance	5,453	5,419	140,302	130,011
Current service cost	0	0	2,251	2,227
Interest cost	259	288	6,813	7,103
Contributions by scheme participants	0	0	732	784
Actuarial gains and losses	425	122	16,560	4,492
Benefits paid	-338	-376	-5,460	-4,746
Past service costs / gains	0	0	64	0
Settlements and Curtailments	0	0	74	431
Closing Balance	5,799	5,453	161,336	140,302

Reconciliation of the fair value of assets	Discretionary Benefits		All Benefits	
	2012-13	2011-12	2012-13	2011-12
	£'000	£'000	£'000	£'000
Opening Balance	0	0	93,568	92,798
Expected rate of return	0	0	5,242	6,027
Actuarial gains and losses	0	0	8,747	-4,511
Employer contributions	338	376	2,676	3,216
Contributions by scheme participants	0	0	732	784
Benefits paid	-338	-376	-5,460	-4,746
Closing Balance	0	0	105,505	93,568

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets in the year was a gain of £13.989m (gain of £1.516m in 2011-12).

Scheme History

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
<i>Present value of liabilities</i>					
Local Government Pension Scheme	155,537	134,849	124,592	136,314	100,024
Discretionary Benefits	5,799	5,453	5,419	6,392	5,334
Total value of liabilities	161,336	140,302	130,011	142,706	105,358
Fair value of Local Government Pension Scheme assets	105,505	93,568	92,798	89,200	67,767
Net value of liabilities	55,831	46,734	37,213	53,506	37,591

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Statutory arrangements for the funding of these liabilities mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31st March 2014 are £2.265m. Expected contributions for Discretionary Benefits in the year to 31st March 2014 are £0.338m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Mercer Limited, an independent firm of actuaries, has assessed these liabilities based on the last full actuarial valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary are set out below:

	2012/2013	2011/2012
	£'000	£'000
<i>Financial Assumptions</i>		
Rate of CPI inflation	2.4%	2.5%
Rate of increase in salaries	4.4%	4.5%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	4.2%	4.9%
Take up of option to convert annual pension into retirement lump sum	50%	50%
<i>Expected rate of return on assets</i>		
Equities	7.0%	7.0%
Government Bonds	2.8%	3.1%
Other Bonds	3.9%	4.1%
Property	5.7%	6.0%
Cash / Liquidity	0.5%	0.5%
Other Assets	7.0%	7.0%
<i>Mortality Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	22.1 / 24.8	21.7 / 24.3
- Future pensioner aged 65 in 20 year's time	23.9 / 26.7	23.1 / 25.9

The discretionary benefits arrangement has no assets to cover its liabilities. An analysis of the different types of asset held by the Local Government Pension scheme is shown below:

Analysis of Assets	2012/2013	2011/2012
	%	%
Equities	62.0	58
Government Bonds	7.9	5
Other Bonds	17.2	15
Property	9.3	10
Cash / Liquidity	3.5	5
Other	0.1	7
Total	100.0	100

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities:

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 %
Differences between the expected and actual return on assets	8.3	-4.8	0.1	20.1	-34.5
Experience gains and losses on liabilities	-	-	7.9	-	-

38. CONTINGENT LIABILITIES AND ASSETS

The Council, along with many other local authorities, was a member of the Municipal Mutual Insurance Scheme (MMI), which ran between 1975 and 1993 when the scheme ceased in its current form. Since that date MMI has been in a scheme of arrangement whereby claims for the period are settled under the arrangement terms, with an objective of matching assets to liabilities to achieve a solvent run off.

The most recent report to scheme creditors indicated that run off projections do not currently show a break even position, and as such the scheme of arrangement has now been 'triggered' which will result in additional costs for the Council. Based on recent developments it is likely that a payment of £129,000 will need to be made in relation to these liabilities and this has been included as a provision in the accounts. However it is also possible that further payments may be required in the future over a medium term time scale.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. This is as a result of changes in Government policy, and many other local authorities are in a similar position. It is not clear what the total value of any such claim would be for the Council, although certain costs have been included under provisions. It is also possible that additional claimants may come forward to submit claims for refunds.

The Council has lodged a claim with HM Revenues and Customs (HMRC) in relation to the VAT element on income generated on Trade Waste Activities in previous financial years plus interest. HMRC have stated that VAT on this service should not be levied on customers, however this position is still uncertain and consequently this potential income has not yet been recognised.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Treasury Management Code of Practice, and our Treasury Management policy and strategy (available at www.westlancs.gov.uk) set out a framework for the control of risk arising from financial instruments. Treasury Management activities are recognised as a significant risk area and this is reflected in the Council's Key Risk Register.

The Council's activities expose it to a variety of financial risks as set out below:

(a) Credit risk - the possibility that other parties might fail to pay amounts due to the Council

Credit risk from deposits with banks and financial institutions is minimised through the Annual Treasury Management Strategy which requires that deposits are only made with institutions that meet identified minimum credit criteria, and places limits on the time period and amounts to be invested with individual counter parties.

Investments are only made with UK based financial institutions with excellent credit ratings and other local authorities, and the maximum length for an investment is currently limited to 3 months. The Council's maximum exposure to credit risk in relation to its investments and money at call of £16.008m cannot be assessed generally as the risk of any institution failing to make payments of interest or repaying the principal sum will be specific to each individual institution. However the Council prioritises minimising risk above maximising its investment returns. Consequently the Council does not expect any losses from defaults on its investments, and this position has been validated by historical experience.

The Council is also exposed to credit risk that it may not recover all of its debtor balances in full from its customers and other parties. Details on debtor balances and the associated bad debt provisions, which are typically based on the age of the debt and experience of default and uncollectability, are shown in note 18.

(b) Liquidity risk - the possibility that the authority might not have funds available to meet its commitments to make payments

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. However if unexpected commitments did arise, the Council has ready access to an overdraft with its bank, or borrowing through the Public Works Loan Board. There is also typically over £20m of short term funds invested at any point in time. Consequently there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

There is a risk that the Council could be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. However no borrowing is due to mature for over 10 years, and the debt portfolio has been spread out over a period of up to 50 years. The maturity analysis of loans is set out below:

Maturity analysis of loans	2012/2013	2011/2012
	£'000	£'000
Between 10 and 15 years	4,411	4,411
Between 15 and 20 years	4,411	4,411
Between 20 and 25 years	8,821	8,821
Between 25 and 30 years	8,821	8,821
Between 30 and 35 years	8,821	8,821
Between 35 and 40 years	17,642	17,642
Between 40 and 45 years	17,642	17,642
Between 45 and 50 years	17,643	17,643
Total	88,212	88,212

(c) Market risk - the possibility that there will be a financial loss because of changes in interest rates, market prices, foreign exchange currency rates etc.

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates can have a complex impact, and for example an increase in interest rates would have the following effect:

- Borrowing at fixed rates – the fair value of the liabilities will fall. However as borrowings are not carried at fair value then this would not impact on the Surplus or Deficit on the Provision of Services.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the asset will fall

The Council has taken advantage of the very low interest rates available from the Public Works Loans Board specifically for HRA self financing. Consequently the £88.212m of loans that have been taken out for HRA self financing are at fixed interest rates and with long maturity periods. An increase in interest rates of 0.1% would result in a reduction in the fair value of these loans of around £1.621m.

Investment income in 2012-13 was £0.198m based on an average rate of interest earned of 0.786%.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and budget monitoring during the year. This allows any changes to be accommodated, and this analysis will also advise whether any new borrowing taken out should be fixed or variable.

The Council does not have any investments in shares or any financial instruments denominated in foreign currencies. Consequently it does not have any direct risk from movements in stock prices or foreign exchange rates.

40. TRUST FUNDS

The Council acts as sole trustee for three trust funds. These funds do not represent assets of the Council and are not included in the balance sheet. There has been negligible expenditure and income on these trust funds over the last 2 years.

The Richard Berry Charity was established in 1906 to provide help for the aged poor in Skelmersdale. The assets of the trust are £2,987 and there are no liabilities.

The Jervis Charity was established in 1898 to provide help for the poor or ill associated with coal mining in Skelmersdale. The assets of the trust are £1,239 and there are no liabilities.

The Ruff Public Park and Pleasure Ground was conveyed to the former Ormskirk District Council on charitable trust to be used as a public park in perpetuity.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2011/2012 £'000		2012/2013 £'000	£'000
	Expenditure		
-3,628	Repairs and maintenance (note 2)	-3,830	
-7,632	Supervision and management	-7,999	
-191	Rents, rates, taxes and other charges	-226	
-6,205	Negative HRA subsidy payable (note 5)	-1	
-88,212	HRA self financing payment (note 14)	0	
-2,421	Depreciation (note 3)	-2,394	
-9,828	Impairment (note 3)	-3,520	
-31	Debt management costs	0	
-50	Movement in bad debt provision	-179	
-118,198	Total expenditure		-18,149
	Income (note 6)		
20,070	Dwelling rents	21,467	
431	Non-dwelling rents	413	
2,134	Charges for services and facilities	2,232	
22,635	Total income		24,112
-95,563	Net Cost of Services in the Comprehensive Income & Expenditure Statement		5,963
-379	HRA share of Corporate & Democratic Core		-364
-72	HRA share of Pension Past Service Gain/Cost(-)		-13
-96,014	Net Cost of HRA Services		5,586
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
102	Gain on Disposal of Non-Current Assets		167
-34	Interest payable		-3,057
129	Interest and Investment Income		116
-179	Pensions interest cost and expected return on pensions assets		-282
556	Capital grants and contributions receivable		139
-95,440	Deficit (-) / Surplus for the year on HRA services		2,669

MOVEMENT ON THE HRA STATEMENT

2011/2012		2012/2013	
£'000		£'000	
		£'000	
632	HRA Balances brought forward		657
-95,440	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	2,669	
95,861	Adjustments between accounting basis and funding basis under statute	-525	
421	Net change before transfers to or from reserves	2,144	
-396	Transfers to or from reserves	-2,144	
25	Increase or Decrease in balances in year		0
657	HRA Balances carried forward		657

Adjustments between accounting basis and funding basis under statute

2011/12		2012/13	
£'000		£'000	
1	Transfers to/from Accumulated Absences Account		6
-102	Gain (-) or loss on sale of non-current assets		-167
142	HRA share of contributions to or from the Pensions		209
0	Capital expenditure funded by the HRA		-3,701
-4,085	Transfer to Major Repairs Reserve		-2,394
	Transfers to and from the Capital Adjustment Account		
9,828	- Impairment (note 3)		3,520
2,421	- Depreciation (note 3)		2,394
88,212	- HRA self financing (note 14)		0
-556	- Capital Grants		-139
0	- Provision for repayment of debt		-253
95,861	Total adjustments		-525

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision. The 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 other income. The Council charges rents to cover expenditure in accordance with regulations and this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement in Reserves Statement.

2. Repairs and Maintenance

Details of repairs and maintenance expenditure are as follows:

	2012/2013 £'000	2011/2012 £'000
Programmed Work (including painting)	1,251	712
Day to day repairs	2,579	2,916
Total	3,830	3,628

3. Capital charges

An impairment charge of £3.520m (£9.828m in 2011-12) has been made to the HRA in the year. This reflects impairment and revaluation decreases that could not be charged against the Revaluation Reserve. These charges do not affect the bottom line position of the HRA as they are reversed in the Adjustments section of the Movement on the HRA Statement.

Depreciation charges of £2.394m have been made to the HRA to reflect its use of assets (£2.421m in 2011-12). An amount equal to depreciation has then been transferred to the Major Repairs Reserve, which has been used to finance capital expenditure.

4. Pensions

The HRA has been compiled on a FRS17/IAS19 compliant basis. This treatment does not affect the bottom line position of the HRA, as accounting entries are reversed out in the Adjustments section of the Movement on the HRA Statement and replaced with the HRA's actual contribution to the pension fund.

5. Housing Subsidy

Under the Housing subsidy system the Council had to make a payment to the Government calculated in accordance with a set formula, and details of the subsidy position for 2011/12 are shown below.

The Government replaced the HRA subsidy system with a new self financing system from April 2012, and consequently no subsidy was payable for the 2012/13 financial year. However, the audit of the subsidy claim for 2011/12 identified a further sum of £1,081 payable to the Government, which was paid during the 2012/13 financial year.

	2011/2012
	£'000
Guideline rent income	20,223
Management and maintenance allowance	-9,822
Major Repairs Allowance	-4,085
Charges for Capital	-80
HRA Self Financing Adjustment	-32
Interest on receipts	1
Total	6,205

6. Rents and Service Charges

Dwelling rents comprise the total rent income for all Council owned dwellings in the year. The average rent of our dwellings at the end of 2012/13 was £65.26 (on a 52 week basis). This is an increase of £4.58 over the figure at the end of 2011/12.

Non-dwelling rents include the rent of garages, garage sites, and miscellaneous plots of housing land. The Council also levies service charges to contribute towards the costs of special services such as Caretakers, door entry systems, sheltered dwellings, and furnished homes.

7. Rent Arrears and Provision for Bad Debts

	2012/2013	2011/2012
	£'000	£'000
Arrears carried forward	1,074	1,199
Provision for bad debts carried forward	523	644

8. Housing Stock

The Council owned an average of 6,311 dwellings (including flats and maisonettes, houses and bungalows) during 2012/2013. This table shows the changes in stock over the last two years.

	2012/2013	2011/2012
Opening Stock	6,323	6,316
Sales	-25	-10
Additions	0	17
Closing Stock	6,298	6,323

This table shows an analysis of the housing stock at 31st March 2013:

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
Low-Rise Flats					
1 Bedroom	-	-	50	1,028	1,078
2 Bedroom	-	-	111	84	195
3 (or more) Bedroom	-	-	-	11	11
Sub Total	-	-	161	1,123	1,284
Medium-Rise Flats					
1 Bedroom	-	1	1	315	317
2 Bedroom	-	-	-	632	632
3 (or more) Bedroom	-	-	1	125	126
Sub Total	-	1	2	1,072	1,075
Houses					
1 Bedroom	-	32	287	264	583
2 Bedroom	4	56	220	267	547
3 Bedroom	3	148	489	1,801	2,441
4 (or more) Bedroom	-	5	6	357	368
Sub Total	7	241	1,002	2,689	3,939
Totals	7	242	1,165	4,884	6,298

9. Movement in the Balance Sheet Value of HRA Non Current Assets

	Intangible Assets	Council dwellings	Other land / buildings	Plant & Equipment	Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening value	111	146,797	137	252	72	147,369
Additions/Enhancements		6,761				6,761
Disposals		-836				-836
Depreciation	-25	-2,329		-40		-2,394
Impairment/Revaluation		-2,566				-2,566
Transfers / other		-133	-2			-135
Closing value	86	147,694	135	212	72	148,199

10. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1st April 2012 was £415.4m (£417.1m at 1st April 2011).

The difference between the vacant possession value and balance sheet value of dwellings within the HRA reflects the economic cost to the Government of providing Council housing at less than open market rents.

11. Movement in the Major Repairs Reserve

	2012/2013	2011/2012
	£'000	£'000
Balance brought forward	535	382
Major Repairs Allowance	-	4,085
Depreciation Charge	2,394	-
Funding for Capital Expenditure	-2,929	-3,932
Balance carried forward	0	535

12. Sources of Funding for HRA Capital Expenditure

	2012/2013 £'000	2011/2012 £'000
Major Repairs Reserve	2,929	3,932
HRA Contribution	3,701	0
Capital Grants	139	556
Internal Borrowing	0	726
Total	6,769	5,214

13. Capital Receipts

	2012/2013 £'000	2011/2012 £'000
Receipts on disposals of HRA assets	1,008	480

14. HRA Self Financing

The Council had to make a one off payment of £88.212m to the Government in March 2012 as a result of the introduction of the new HRA Self Financing System. This payment was initially charged to the HRA, but then transferred to the Capital Adjustment Account in the Movement in the HRA Statement.

COLLECTION FUND ACCOUNT

The Council acts as a billing authority for the collection of council tax and business rates and is required by statute to keep a separate account for these transactions.

2011-2012 £'000		2012-2013 £'000 £'000	
INCOME			
48,685	Income from Council Tax - amount receivable net of benefits and transitional relief (note 1)	49,108	
8,962	Transfers from the General Fund (Council tax benefits and transitional relief)	8,718	
407	Contributions to Previous Year's Deficit - Council tax (note 4)	35	
28,879	Income from Business rate payers (note 2)	29,751	
86,933	Total income		87,612
EXPENDITURE			
57,152	Precepts and demands (note 3)	57,539	
	Business rate		
28,747	- Payment to national pool	29,618	
132	- Costs of collection	133	
	Bad and doubtful debts / appeals		
304	- Write offs – Council tax	57	
337	- Provisions – Council tax	356	
86,672	Total expenditure		87,703
261	Movement on Fund Balance (note 5)		-91

NOTES TO COLLECTION FUND

1. Council Tax Base

The council tax base for 2012/2013 was 37,884.00 (37,721.13 in 2011/12) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
A	12,229.80	6/9	8,153.20
B	7,373.75	7/9	5,735.11
C	8,228.10	8/9	7,313.86
D	6,168.25	1	6,168.25
E	4,269.85	11/9	5,218.69
F	2,218.68	13/9	3,204.75
G	1,409.10	15/9	2,348.51
H	62.15	2	124.30
Total Relevant Amount			38,266.67
Estimated Collection Rate			99%
Council Tax Base			37,884.00

2. National Non-Domestic Rates (NNDR)

NNDR is the business rate and is organised on a national basis. The Government specifies an amount (45.8p in 2012/13 and 43.3p in 2011/12) and, subject to the effects of transitional arrangements and reliefs, local businesses pay rates calculated by multiplying that amount by their rateable value.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national NNDR pool. The Government then redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions was £29.751m for 2012/2013 (£28.879m for 2011/12). The rateable value for the Council's area at the end of the financial year 2012/13 was £80.246m (£81.189m for 2011/12).

3. Precepts and Demands

Authority	2012/2013	2011/2012
	£'000	£'000
Lancashire County Council	41,987	41,806
West Lancashire Borough Council	7,461	7,427
Lancashire Police Authority	5,680	5,518
Lancashire Fire Authority	2,411	2,401
Total	57,539	57,152

4. Surplus / Deficit on Council Tax Collection

The final outturn on Council Tax operations shows a deficit of £0.239m, which compares with the estimated deficit of £0.277m declared in January 2013 and which will be recovered in 2013-14.

The financing arrangements for deficits / surpluses in respect of Council Tax provide for a sharing between major precepting authorities in proportion to their demands on the Collection Fund. The following table shows how these items have been shared over the last 2 years.

	2012/2013	2011/2012
	Deficit	Deficit
	£	£
Lancashire County Council	-25,644	-297,422
Lancashire Police Authority	-3,384	-39,253
Lancashire Fire Authority	-1,473	-17,081
West Lancashire Borough Council	-4,556	-52,828
Total	-35,057	-406,584

5. Movement on Fund Balance

	2012/2013	2011/2012
	£'000	£'000
Balance at start of year	-148	-409
Movement in year	-91	261
Balance at end of year	-239	-148



AGENDA ITEM: 7

**AUDIT AND GOVERNANCE COMMITTEE:
24 September 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr M.Coysh (Extn. 2603)
(E-mail: mike.coysh@westlancs.gov.uk)**

SUBJECT: INTERNAL AUDIT ACTIVITY TO SEPTEMBER 2013

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise of progress against the 2013/14 Internal Audit Plan.

2.0 RECOMMENDATION

2.1 That Members note progress in the year to date and direct any questions to the Internal Audit Manager who will be present at the meeting.

3.0 BACKGROUND

3.1 Members approved the 2013/14 Internal Audit Plan in April and the Internal Audit Manager brings written reports to each meeting of this Committee to update on progress against the plan.

3.2 This is the second such report for the year and covers activity against the plan up until early September. The information contained in this report will feed into and inform my overall opinion in the Internal Audit Annual Report issued at the year end.

4.0 INTERNAL AUDIT ACTIVITY TO DATE

4.1 A report summarising progress to date is attached and the Internal Audit Manager will attend the meeting to address any questions Members may have. No significant issues have arisen from Internal Audit's work in the second quarter that would merit being drawn specifically to the attention of the Committee.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 All the activity referred to in this report is covered by existing budget provisions.

7.0 RISK ASSESSMENT

7.1 This report summarises progress against Internal Audit's work programme to date. Internal Audit's work is a key source of assurance to this Committee that risks to the Council's objectives are being properly managed.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. INTERNAL AUDIT SECOND QUARTER ACTIVITY UPDATE REPORT.

Internal Audit Second Quarter Activity Update Report

Progress against the Plan

Title	Position
Icon cash and income collection systems	Work in progress
Market	Report issued
Council Stock Maintenance	Work in progress
Debtors	Work in progress
Council tax	Work in progress
Complaints	Work in progress
Furnished tenancies	Work in progress
Risk Management	Work in progress
Payroll	Work in progress
NNDR	Work in progress
CCTV	Limited work undertaken to date
NFI	Work in progress
Annual Governance Statement	Ongoing activity
Money Laundering	Ongoing activity
Anti Fraud Work	Ongoing activity
Contract	Ongoing activity

Summary	
Report issued	1
Work in progress	10
Ongoing activity	4
Limited work undertaken to date	1
Work not yet commenced	20
Total	36

Commentary

An update report of progress against the plan is brought to each meeting of Audit and Governance Committee. The service is currently operating with a full complement of staff and 16 out of 36 items (44%) from the plan have either been completed or are being progressed.

In order to meet committee publication deadlines this report is always prepared before the end of the quarter and in presenting it the Audit Manager will update Members verbally on any further work undertaken by the date of the committee meeting.

Internal audit have been involved in three investigations during the quarter which are ongoing at the time of writing. Progress against the 2013/14 plan to date has been sustained at an acceptable level and a further update will be brought to the next

meeting of this committee when it is anticipated that activity relating to the investigations will have been completed.

Significant matters arising from internal audit activity

The move to delivery of revenues, benefits and ICT services by One Connect Ltd through the Council's arrangement with Lancashire County Council introduced changes to the procedure for audit access to records, systems and staff in this area which led to delays in the completion of certain audits in 2012/13. This issue has been discussed with OCL and steps have been taken to address these issues. Speed of access for 2013/14 audits to date has improved noticeably although the situation will be kept under review as the year progresses.

There are no other matters arising from internal audit work in the year to date requiring comment at this time.

2012/13 Benefits, Council Tax and NNDR audits

Work on testing was completed for these three audits but, despite the auditor's best efforts, at the time the Internal Audit Annual Report was presented to the last meeting of this Committee in June a range of matters requiring clarification with officers from OCL were still outstanding and it was not possible to bring the audits to a conclusion. This precluded my Annual Report from providing full assurance that the systems were functioning effectively and instead it noted that work to complete these audits would be given priority and the results would be reported back to this meeting. The audits have now been completed.

A key finding arising from these audits is that the new Northgate Council Tax, NNDR and Benefits systems are not currently being reconciled to the General Ledger. Reconciliation of the Northgate systems to the General Ledger is a key control and a process needs to be put in place to ensure that this takes place on a regular basis.

It was concluded that the Northgate Benefits, NNDR and Civica Council Tax systems were calculating accounts and claims in accordance with legislation. Consequently this provides assurance that the amounts tax payers and benefit recipients are paying / receiving have been correctly calculated.

In the case of benefits, while the system itself was operating satisfactorily, a higher than expected volume of errors was noted in the 60 cases tested. These errors were reported to OCL to enable benefit to be corrected and recommendations for improvement have now been made.

The introduction of new systems will have increased pressure on benefits staff as will legislative changes to the benefits framework. Audit work in 2013/14 will review whether the error rate for benefits processing has returned to expected levels as new systems and procedures bed in.



AGENDA ITEM: 8

**AUDIT AND GOVERNANCE
COMMITTEE: 24 SEPTEMBER 2013**

Report of: Borough Solicitor

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr T P Broderick (Ext 5001)
(E-mail: terry.broderick@westlancs.gov.uk)**

**SUBJECT: REGULATION OF INVESTIGATORY POWERS ACT – OSC
INSPECTION UPDATE AND QUARTERLY MONITORING OF USE OF
POWERS**

Borough Wide Interest

1.0 PURPOSE OF THE REPORT

1.1 To monitor the use of the Regulation of Investigatory Powers Act 2000 (RIPA) to ensure it is being used consistently with the Council's Policy and update on the recent inspection of the Council's use and arrangements for the RIPA on behalf of the Office of the Surveillance Commissioner (OSC).

2.0 RECOMMENDATIONS

- 2.1 That the Council's RIPA activity be noted.
- 2.2 That the feedback on the OSC inspection also be noted.

3.0 BACKGROUND

- 3.1 The Council employ a number of investigative techniques including surveillance, which assist its regulatory functions. Relevant areas of activity include investigation activity by Internal Audit, Benefits Fraud Team, Environmental Health, Housing, Licensing, CCTV Services and the MAPs Team. Some activities must be undertaken in accordance with RIPA. RIPA, its subordinate legislation and Codes of Practice in some considerable detail prescribe the type of activities permitted and the procedures required to monitor RIPA activity within the Council. This includes a requirement to monitor any activity through this Committee.
- 3.2 In accordance with the current Scheme of Delegation the Joint Managing Directors and Heads of Service consider whether or not to grant authorisations for surveillance activity. In practice under the Policy this is restricted to the Joint

Managing Directors, the Assistant Director (Community Services) and the Assistant Director (Housing and Regeneration). Revisions now mean that an authorisation for relevant activity would have to be approved by order of a single Magistrate. In the case of the authorisation of communications data (i.e. relating to material, such as subscriber and billing records obtained from telecommunications service providers, but not the content of the communication) the authorisation must be from the Joint Managing Directors and through an externally approved specially trained officer (SPOC).

- 3.3 The Council's approved RIPA Guide is made available on the Council's Intranet and is a working document to assist investigating and co-ordinating officers within the Council. Paragraph 5 of the Guide stresses that grantors must believe the authorised activity is (1) necessary for preventing and detecting crime and/or of preventing disorder (2) is proportionate to what is sought to be achieved in carrying out the surveillance activity (e.g. the 24/7 watching of premises where private individuals may go about their lawful business, for the possibility of gaining collateral evidence for a very minor technical infraction of a byelaw would not in all likelihood be proportionate). If it fails either test, authorisations should not be granted. The RIPA Guide was approved by Cabinet at its last meeting and by this committee too.
- 3.4 The Code requires that Councillors should consider internal reports on the use of RIPA on at least a quarterly basis to ensure that it is being used consistently with the Council's Policy and that the Policy remains fit for purpose. It continues that Councillors should not, however, be involved in making decisions on specific authorisations. It is stressed that the involvement of elected members is not to extend to operational decision making or stipulate in detail how the Council discharges the procedure. The Government's position is that there should be no possibility of political interference in law enforcement operations.

4.0 OSC INSPECTION

- 4.1 On 27 June 2013 the Council received a visit from Sir David Clark, who undertook an inspection of the Council's relevant records as well as interviewing several officers engaged in the process.
- 4.2 I am pleased to report that the resulting report from the OSC gave significant praise to the arrangements in place and concluded that the Council has "a sound RIPA structure with knowledgeable, committed and conscientious senior officers with commendable arrangements for oversight and training". The report gave rise to only one recommendation relating to two minor amendments to the RIPA Guide. These have now been introduced under delegated arrangements.

5.0 MONITORING OF RIPA ACTIVITY

- 5.1 In the last quarter no covert surveillance has been authorised.
- 5.2 The Senior Responsible Officer proactively seeks to ensure that the use of covert surveillance in this authority is well regulated. Applications for authorisation to use covert surveillance must be rejected when the Authorising Officer is not satisfied that the surveillance is necessary or proportionate and legal advice should be sought by Authorising Officers in appropriate cases.

5.3 Amongst other matters, including relevant training, a RIPA guidance note is circulated within the Council at regular intervals.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

7.1 There are no significant sustainability impacts associated with this report, although appropriate use of powers will assist in facilitating the avoidance of crime and disorder issues. The report has no significant links with the Sustainable Community Strategy.

8.0 FINANCE AND RESOURCE IMPLICATIONS

8.1 There are no additional significant financial and resource implications arising from this report.

9.0 RISK ASSESSMENT

9.1 The Council could be in breach of the relevant legislation if it does not follow the procedures set out in the RIPA Orders and Codes. This could result in the inadmissibility of evidence and the possibility of breaches of the Human Rights Act 1990.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report.

Equality Impact Assessment

This will be considered in relation to any particular authorisation.

Appendix

None



AGENDA ITEM: 9

**AUDIT AND GOVERNANCE COMMITTEE:
24 September 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: REVIEW OF FRAUD, BRIBERY AND CORRUPTION ISSUES

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the fraud, bribery and corruption issues facing the Council and the action being taken to deal with them.

2.0 RECOMMENDATIONS

2.1 That the self assessment of Fraud and Corruption issues as set out in Appendix 1 be noted.

2.2 That the Counter Fraud Plan as set out in Appendix 2 be endorsed.

3.0 BACKGROUND

3.1 It is important to recognise that fraud and corruption is a corporate issue that can affect all Council services. It can be internal to the Council (for example staff making fraudulent expenses claims or claiming to have qualifications that they do not possess) or external (for example the illegal sub letting of Council housing or fraudulent claims for benefit).

3.2 It is also important to monitor and respond to new fraud and corruption issues that are highlighted by recent developments and to take a proactive response to dealing with them.

3.3 Incidents of fraud and corruption in local authorities have increased nationally largely due to the financial climate. This is because economic distress can increase the incentive to commit fraud, and controls to prevent and detect fraud come under pressure as Councils must reduce their costs.

- 3.4 Fraud in local government accounts for around 11% of total public sector fraud. In 2012 there was an estimated £900 million in housing tenancy fraud, £890 million in procurement fraud, over £153 million in payroll fraud, £131 million in council tax discounts and exemptions fraud, £46 million in 'blue badge' fraud, £41 million in grant fraud and £5.9 million in pension fraud across local government.
- 3.5 To deal with this threat, the Council's counter fraud, bribery and corruption arrangements are regularly reviewed to ensure that they remain adequate and that they comply with developments in best practice. This report now provides an update on the work that has been undertaken since the last report to Audit and Governance Committee in September 2012.

4.0 CORPORATE APPROACH

4.1 The Council's approach follows the three principles detailed in the Counter fraud strategy "Fighting Fraud Locally" developed for Local Government:

- Acknowledge – acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti fraud response
- Prevent – preventing and detecting fraud by making better use of information and technology, enhancing fraud controls and processes and maintaining an effective anti fraud culture
- Pursue – punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters, and developing a collaborative and supportive law enforcement response

4.2 This strategy highlights that no local authority is immune from fraud and that acknowledging this fact is the most important part in developing an appropriate and effective anti fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses. This can then enable a robust and proportionate fraud response to be developed.

4.3 Publicity is also a key tool in tackling fraud and the Council is dedicated to publicising all frauds to create a strong deterrent effect and to encourage the reporting of fraud.

5.0 REVIEW OF CURRENT ARRANGEMENTS

5.1 The Council's Anti-Fraud, Corruption and Bribery policy was last updated in September 2012. This policy has been recently reviewed and found to be up to date and consequently no changes are required to it.

5.2 An updated Benefit fraud sanctions and prosecutions policy has recently been presented to Cabinet. This takes into account the changes brought about from the 2012 Welfare Reform Act and revisions include; technical changes to administrative penalties, changes permitting a fixed administrative penalty of £350, reducing the time an individual has to withdraw their agreement to pay a penalty and including the permissive power to apply a £50 civil penalty to non-fraud matters i.e. negligent actions. This brings the policy in line with DWP recommendations and ensures actions are robust in tackling benefit fraud.

- 5.3 In 2012 the Audit Commission published its latest version of the report entitled "Protecting the Public Purse" details of which have been previously reported to this Committee. This document contains a self assessment checklist for Councils to evaluate their current arrangements on fraud and corruption particularly in the light of the economic climate. It also includes a section on emerging fraud risks and new areas that require vigilance.
- 5.4 This checklist has been reviewed and completed following discussions with relevant officers and is included in Appendix 1. In general managers feel that there are satisfactory arrangements in place to deal with fraud, bribery and corruption issues and no significant weaknesses have been identified.
- 5.5 Over the previous 12 months there were 47 cases of potential benefit fraud identified, totalling £316,604, which resulted in 11 Administrative penalties, 11 cautions and 25 prosecutions all of which resulted in a guilty outcome. None of these cases involved staff or elected Members. Benefit fraud is a high risk area for all local authorities, and there is a dedicated Benefit Fraud team in place that deal with these issues. There were no other cases of fraud, bribery or corruption that were identified across the Council.
- 5.6 Consequently it can be concluded that the Council's anti fraud and corruption arrangements remain appropriate and fit for purpose. However, the Council is not complacent and this position will be kept under review. Managers will do their utmost to ensure that these issues are tackled as effectively as possible within the resources available.

6.0 COUNTER FRAUD PLAN

- 6.1 Best practice guidance states that Councils should have a Counter Fraud plan in place. This plan should be based on a robust fraud risk assessment focused on areas where there is a high risk of fraud.
- 6.2 The latest Counter Fraud plan is set out in Appendix 2 and summarises the existing work programmes of different service areas as well as identifying significant new areas of work. Members are asked to consider and endorse this Plan.
- 6.3 Alongside the introduction of Universal Credit the Government is creating a Single Fraud Investigation Service. The Government's stated aims in this regard are to:
- Bring together the combined expertise of the welfare benefit fraud investigation work undertaken by the Department for Work and Pensions Fraud Investigations Service, Local Authority Benefit fraud investigators and Her Majesty's Revenues and Customs into a single service
 - Minimise and prevent fraud and error getting into the benefit system through detection and correction together with punishing and deterring those who have committed fraud
- 6.4 The creation of SFIS provides an opportunity to strengthen the local fight against fraud with SFIS using its expertise to support local authorities to tackle organised

and cross boundary fraud. Under these plans local authority benefit investigators will still continue to be employed by the Council and the SFIS will not investigate Council tax support, social housing fraud or other corporate frauds. Prevention and detection in these areas will remain at a local level.

7.0 RISK ASSESSMENT

- 7.1 In the current financial climate there is the possibility that levels of fraud and corruption can increase and consequently it is important that the Council monitors and reviews its internal control arrangements for these areas. The measures set out in this report will help to ensure that the Council has an effective anti fraud, bribery and corruption framework in place.

Background Documents

Fighting Fraud Locally – The Local Government Fraud Strategy

Available at the following web address:

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/strategy-document?view=Binary>

Protecting the Public Purse 2012

Available at the following web address:

<http://www.audit-commission.gov.uk/wp-content/uploads/2012/11/20121107-ppp2012.pdf>

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – Self Assessment Checklist

Appendix 2 – Counter Fraud Plan

APPENDIX 1 - SELF ASSESSMENT OF ANTI FRAUD AND CORRUPTION ISSUES

General	Yes	No	Comments/ Action
1. Do we have a zero tolerance policy towards fraud?	Yes		The Anti Fraud, Bribery and Corruption policy was revised in September 2012 and has recently been reviewed to ensure that it is up to date. There is a Counter Fraud Plan in place that sets out actions being taken to maintain our anti fraud culture including regular reviews of our arrangements
2. Do we have the right approach, counter fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	Yes		Relevant documents which have been reported to this Committee and that reflect current best practice guidance include: <ul style="list-style-type: none"> • Anti Fraud, Bribery and Corruption Policy • Counter Fraud Plan • Whistle Blowing Policy • Anti Money Laundering Policy • Contract Procedure Rules • Financial Regulations • Internal Audit Plan
3. Do we have dedicated counter-fraud resources?	Yes		Counter fraud work is built into the processes and procedures of all Council activities where required for example in creditors payments and in payroll. There are also specific resources dedicated to tackling fraud including the Benefits Fraud team, Internal Audit time dedicated to the National Fraud Initiative (NFI) scheme, and an Insurance Claims Investigator. Given the size of the authority, counter fraud resources are often not teams or full time staff, but represent a core part of the wider role that staff undertake.
4. Do counter-fraud staff review all of the work of our organisation?	Yes		Our management systems for internal control are designed to prevent and detect fraud and this is an inherent part of the work undertaken by all staff. Examples include Member services staff maintaining and reviewing registers of interests as well as the checks carried out on invoice payments by relevant staff

General (continued)	Yes	No	Comments/ Action
5. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	Yes		A regular review of specific fraud and corruption issues is reported to this Committee, and these areas are also considered as a component part of other reports such as the Annual Governance Statement and Internal Audit reports.
6. Have we assessed our management of counter-fraud work against good practice?	Yes		The Anti Fraud, Bribery and Corruption Policy has been drawn up to meet best practice requirements. The work of the Benefit Fraud team and Internal Audit are also conducted in accordance with good practice requirements and relevant professional Codes. In addition the Council is represented on a variety of networking and practitioner groups where best practice is identified and shared.
7. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • new staff (including agency staff) • existing staff • elected members; and • our contractors? 	Yes		<p>Awareness of key policies (code of conduct, whistleblowing, financial regulations etc) are covered in the induction of new staff. Periodic reminders on relevant policies are also sent to all staff to ensure they remain aware of fraud risks. Specific training is arranged for relevant staff while details on emerging issues (such as the latest scams) are circulated by e-mail.</p> <p>There are effective governance arrangements in place that include Member training and providing up to date guidance and protocols for Members as and when required. All Members must also sign up to the Member Code of Conduct that highlights principles of selflessness, honesty and integrity.</p> <p>There are standard terms and conditions included in purchase orders and in contracts covering fraud, corruption and whistle blowing arrangements.</p>

General (continued)	Yes	No	Comments / Actions
8. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	Yes		The Council has an extensive network to identify fraud risks and issues. Membership of the National Anti-Fraud Network (NAFN) and the Local Authorities Investigating Officers Group (LAI OG) is supplemented by professional support groups such as CIPFA and the IIA, with access to online resources. These networks also include the Lancashire Audit Group and the Lancashire Revenues and Benefits Group which includes active participation in Benchmarking/Good Practice sub groups.
9. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	Yes		The Council has joint working arrangements with the Department of Work and Pensions in respect of benefits, and protocols are in place with other organisations to enable information and data to be exchanged where appropriate. The Council also participates in the National Fraud Initiative.
10. Do we identify areas where internal controls may not be performing as intended? How quickly do we then take action?	Yes		Management and Internal Audit consider the effectiveness of internal control systems on an ongoing basis. External Audit and Inspectorate reports may also identify issues. Action plans will then be developed to ensure agreed recommendations are implemented in a timely manner, and these will be monitored to ensure that they are completed.
11. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated?	Yes		A report on outcomes is produced at the end of each NFI mapping exercise and information on the findings are included in the Internal Audit Annual Report to Audit and Governance.
12. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	Yes		An updated Anti-Money Laundering Policy and Guidance and Procedure Notes were endorsed by Audit and Governance Committee in January 2013 before being issued to all staff.
13. Do we have effective whistleblowing arrangements?	Yes		There is a Whistleblowing Code in place which is regularly reviewed and updated. Details on the Code are periodically circulated to all staff and Members to ensure that
14. Do we have effective fidelity insurance arrangements?	Yes		This issue is covered under our insurance policy, and is seen as relatively low risk as no claims have been made in recent years.

Fighting fraud with reduced resources	Yes	No	Comments / Actions
15. Have we reassessed our fraud risks in the light of the current financial climate?	Yes		The increased risk of fraud in the current environment has been recognised by the Council and a range of measures have been put in place to address this position. This includes annual reports on fraud and corruption to this Committee and the development and maintenance of a corporate Counter Fraud plan. Fraud risk assessment is also an integral part of the internal audit annual planning process and both known and emerging risks are considered.
16. Have we amended our counter-fraud action plan as a result?	Yes		The Counter Fraud plan has been drawn up giving specific attention to these issues, and is updated on an annual basis.
17. Have we reallocated staff as a result?			
Current risks and issues	Yes	No	Comments / Actions
18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	Yes		There is a policy in place that ensures that social housing is only allocated to those who require it. This is based upon an assessment and prioritises those most in need.
19. Do we ensure that social housing is occupied by those to whom it is allocated?	Yes		After six weeks a new tenant visit is conducted and the original application is gone through in more detail. Information is also shared with the rents team and the benefits team on applications. Any issues raised by neighbours are followed up by conducting interviews, asking the benefits team to make an investigation etc. Any suspected false tenancy applications will be actively pursued.
20. Are we satisfied our procurement controls are working as intended?	Yes		Payments are always assessed as being a high risk issue and consequently the controls in this area are comprehensive and well documented. Management review the controls on payments on an ongoing basis and they are also subject to an annual review by Internal Audit. The last internal audit review did not identify any significant control issues
21. Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?	Yes		Contract Procedure Rules and Financial Regulations have both been reviewed and updated to reflect best practice. Procurement Practice Notes are also produced to address emerging issues and to provide additional guidance.

Current risks and issues (continued)	Yes	No	Comments / Actions
<p>22. Are we satisfied our recruitment procedures achieve the following:</p> <ul style="list-style-type: none"> • Do they prevent us from employing people working under false identities? • Do they confirm employment references effectively? • Do they ensure applicants are eligible to work in the UK? • Do they require agencies supplying us with staff to undertake the checks that we require? 	Yes		There is a standard checklist of evidence that must be verified before a new employee can start working for the Council, including identity, Disclosure and Barring Scheme, employee references, and eligibility to work in this country.
Personal Budgets	Yes	No	Comments / Actions
23. Where we are expanding the use of personal budgets for social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	N/a	N/a	These questions are intended for authorities that have social services responsibilities and so are not relevant to district councils.
24. Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?			
Council tax	Yes	No	Comments / Actions
25. Are we effectively controlling the discounts and allowances we give to council taxpayers?	Yes		The Council tax section checks discounts and allowances when they are first claimed. Periodic reviews then take place to ensure that taxpayers are still entitled to them, requesting and verifying evidence where appropriate. Data matching work, including NFI, is also undertaken to ensure that this area is effectively controlled.

Housing and Council tax Benefits	Yes	No	Comments / Actions
<p>26. When we tackle housing and council tax benefit fraud do we make full use of the following:</p> <ul style="list-style-type: none"> • National Fraud Initiative? • Department of Work and Pensions Housing Benefit Matching Service? • Internal data matching? • Private sector data matching? 	Yes		The Council has a detailed Benefits Sanctions and Prosecutions Policy and has a good track record in relation to National and Local Performance Indicators
Emerging Fraud Risk	Yes	No	Comments / Actions
<p>27. Do we have appropriate and proportionate defences against emerging fraud risks?</p> <ul style="list-style-type: none"> • Business Rates <ul style="list-style-type: none"> - Falsely claiming mandatory or discretionary rate relief or empty property exemption - Failure to declare occupancy of a property - Falsely using insolvency status with the intent to evade rate payment - Not disclosing relevant information, for example, about the size of the company to gain rate relief • Right to Buy <ul style="list-style-type: none"> - False information on application e.g. fake documentation - Occupying a property unlawfully and applying for a discount 	Yes		<p>The Business Rates section is aware of these issues, which are not new but are more likely to occur in the current environment. Consequently the existing counter fraud procedures and processes can continue to be used but any trends or developments will be closely monitored.</p> <p>The Right to Buy section check all tenancy details and dates of tenancies against housing records liaising with other services and authorities when necessary. We also request original documentation at all times e.g. Birth certificates, marriage certificates etc.</p>

Emerging Fraud Risk (continued)	Yes	No	Comments / Actions
<ul style="list-style-type: none"> • Social fund and local welfare assistance • Local Council tax support <ul style="list-style-type: none"> - Councils should pay particular attention to minimising the risk of fraud in devising their new Local Council Tax support arrangements • Grants <ul style="list-style-type: none"> - False Applications - Failure to use the grant for its intended purpose 			<p>The responsibility for the Social Fund rests with upper tier authorities rather than district councils.</p> <p>The development of our new Local Council Tax Support scheme was given detailed consideration including two separate reports to Council. This scheme operates as a modified version of the previous Council Tax Benefit scheme and consequently the previous counter fraud arrangements continue to apply.</p> <p>In relation to disabled facilities grants and home repairs assistance grants all applicants are visited at home and must show a form of identification and proof of their income. We ensure that grant is used for the intended purpose by checking the work as it progresses and paying the grant to the contractor directly on satisfactory completion.</p> <p>In relation to Community Chest grants an application form, which includes a Funding Agreement, is completed and signed by the applicant and a copy of their constitution and bank account details must also be provided. A check on the Charity Commissioners website is also made if the applicant is claiming to be a charity.</p> <p>In relation to Annual Grants an application form is completed and signed by the applicant, which includes a declaration that the information/documentation provided is correct and true. A copy of their constitution, financial statement, annual report, business plan, H&S Policy, Equality policy etc., must also be provided to prove they are a bona fide organisation. Monitoring and evaluation is undertaken by the Funding of Voluntary and Other Organisations Working Group.</p>

**WEST LANCASHIRE BOROUGH COUNCIL
COUNTER FRAUD AND CORRUPTION PLAN**

This plan summarises key measures that will be put in place to prevent and detect fraud, bribery and corruption and to take effective action against any attempted or actual fraudulent act, but is not a comprehensive list of all the procedures that are in place.

	Main means to achieve effectiveness	Target date	Lead Officer	Further action required
FRAUD REFERRALS & WHISTLEBLOWING				
Improve fraud referral	Circulate anti fraud, bribery and corruption policy to all staff and Members	October 2013	BT	
Improve fraud referral	Circulate Anti Money Laundering Policy and Whistleblowing Code to all staff and Members	March 2014	BT	
Referrals from other agencies	Through partnership working with other agencies Links and protocols	Annual review	IAM TM ADHR	Develop links through the National Fraud Initiative for data matching and through the National Anti-Fraud Network for intelligence sharing.
FRAUD INVESTIGATION				
External data matching	Timely response to NFI data matches Compliance with national reporting requirements	Ongoing	IAM	Regular full participation in NFI in accordance with national guidance, and reports returned in accordance with timetable.
DETERRENCE / PUBLICITY				
Reported publicity	Investigation activity and outcomes, including prosecutions, publicly reported via press releases and website	Ongoing	Relevant Manager	Liaison with Communications and Consultation Unit in particular in relation to the updated Benefit Fraud Sanctions and Prosecution Policy
Counter-fraud culture	Put updated corporate Counter Fraud plan in place	October 2013	DSH	Maintain and develop corporate consideration of fraud and corruption issues

	Main means to achieve effectiveness	Target date	Lead Officer	Further action required
PARTNERSHIP WORKING				
Partnerships and links with other external agencies	To undertake joint working	Annual Review	IAM	See referrals from other agencies above but contact with other organisations also established e.g. Serious Organised Crime Agency for Money Laundering reporting.
FRAUD AWARENESS TRAINING				
Fraud awareness for new staff	Review fraud, bribery and corruption details in the induction material for new staff and ensure it is up to date	March 2014	BT	Review and development of existing arrangements in liaison with HR
Fraud awareness training for relevant staff	Utilise the fraud awareness e-learning training developed by the National Fraud Authority	Ongoing	BT	
KEY ISSUES				
Review of current arrangements to identify areas for improvement	Completion of Fraud and Corruption Self Assessment Checklist	Annual review	DSH	
Monitoring and review of this action plan	Annual report to Audit and Governance Committee	Ongoing	BT	
Payroll controls	Procedures in place Annual internal audit review	Annual review	TM IAM	Check compliance with and effectiveness of existing procedures
Recruitment procedures	Appropriate counter-fraud checks are already in place	Annual Review	TM IAM	Check compliance with and effectiveness of existing procedures
REPORTING				
Audit and Governance Committee	Receive regular reports on counter-fraud arrangements	Ongoing	BT	Regular reporting of issues to Audit and Governance Committee
Audit Commission Annual Fraud and Corruption survey	Report on numbers and types of fraud and emerging issues	May 2014	BT	

	Main means to achieve effectiveness	Target date	Lead Officer	Further action required
Portfolio holder	Receive regular reports of counter fraud activity	Ongoing	IAM BT	Regular reporting

NOTE

This plan does not include measures in relation to Revenues, Benefits and IT Services which are considered through a separate process

Lead Officers

BT Borough Treasurer
IAM Internal Audit Manager
ADHPM Assistant Director Housing and Regeneration
TM Transformation Manager
DSH Heads of Service



AGENDA ITEM:

**AUDIT AND GOVERNANCE COMMITTEE:
24th September 2013**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact: Marc Taylor (Extn. 5092)
(E-mail: Marc.Taylor@westlancs.gov.uk)**

SUBJECT: TREASURY MANAGEMENT FRAMEWORK

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To set out details of the operation of the Treasury Management function.

2.0 RECOMMENDATION

2.1 That the continuing effective operation of the Treasury Management function be noted.

3.0 BACKGROUND

3.1 A revised Treasury Management Code of Practice was approved by Council on 21st July 2010. Contained within this report was a recommendation that the Audit and Governance Committee be the formal body that scrutinises Treasury Management activities and its control framework. This report now provides an update on the operation of this framework since the last report to Audit and Governance Committee in April 2012.

4.0 REPORTING ARRANGMENTS

4.1 There is a well-established procedure consisting of a suite of three reports that are submitted to full Council each year as follows:

- Capital Financing and Treasury Management Framework reported in February to set out the strategy to be pursued in the next financial year
- Treasury Management and Prudential Indicator Performance reported in July to set out details of performance in the previous financial year
- Treasury Management and Prudential Indicator Monitoring reported in October to set out details on the current year's performance and any issues arising

4.2 These reports are comprehensive in nature and contain a wide range of information including financial performance data. These reports are produced for full Council because of the scale of treasury management activities, which for example will involve an average level of investments of around £22m and borrowing of £88m during the course of the year.

4.3 The type of information contained in these reports include details on the investment activity that is being undertaken and performance against a benchmark of the 3 month LIBID interest rate. These reports also provide details on our borrowing policy and investment strategy, the amount of investments, which counterparties are being invested in, and an update of any developments within the financial sector that may affect treasury management activities.

5.0 AUDIT REVIEW

5.1 Given its scale, the treasury management function is subject to regular review by both internal and external audit. However no significant audit issues have been identified, and consequently the treasury management function can be seen to have a "clean bill of health".

6.0 INFORMATION NETWORKING

6.1 The Council uses Sector as its Treasury Management advisors. Sector provide financial information on a daily basis by e-mail and a number of face to face meetings are also held each year to discuss a wide range of issues such as interest rate forecasts, local government finance, government policy, the banking and building society sector, and economic forecasts. Treasury Management staff are also in regular dialogue with the services of a broker in order to gauge market sentiment and developments within this field.

6.2 These discussions are fundamental to setting an effective Treasury Management strategy. However while Sector and our brokers provide advice it is fundamentally the responsibility of Council Officers and Members to ensure that its treasury management functions operate effectively.

- 6.3 The type of information provided by Sector includes regular updates on the credit ratings of banks and building societies, and this information is referred to extensively when making investment decisions. This is because a key feature of the Council's treasury management policy is to minimise risk, and consequently investments are only made in the highest credit rated UK based financial institutions or in other local authorities.
- 6.4 There is also a networking facility with finance colleagues in other Lancashire authorities whereby finance issues can be raised in general and treasury management developments are discussed. The Council also participates in surveys of local authority treasury management activities to ensure it is aware of emerging best practice.

7.0 TREASURY MANAGEMENT DEVELOPMENTS

- 7.1 The Council currently has external borrowing of £88.212m which was taken out with the Public Works Loans Board in March 2012 in order to make the HRA self-financing payment to the Government. No further borrowing has been taken out since that date.
- 7.2 The financial markets continue to be uncertain and as a consequence the security of treasury management investments is ranked as a key risk and is included on the key risk register that is reported bi-annually to Cabinet and Executive Overview and Scrutiny Committee.
- 7.3 The Council's Treasury Management policies require that any sums invested comply with the key principles of security, liquidity and finally yield. All our investments are made in compliance of this requirement. In terms of security, the number of Counter parties that the Council can invest in is very limited due to our strict investment criteria. In practice this means that only around half a dozen UK based banks and building societies are used. However funds can also be placed with other local authorities and at the current time we have an investment facility with Lancashire County Council.
- 7.4 In terms of liquidity, the average length of time that investments are made continues to be substantially reduced. In the past investments have been made for periods of up to a year but given the ongoing economic uncertainty this has an increased risk. Consequently our current approach is that investments are not made for a period of more than 3 months. In practice given the state of the market it is difficult to find an investment opportunity of more than 3 months that meet our security criteria in any case.
- 7.5 Finally in terms of yield, our performance in recent years has exceeded the target of the 3 month LIBID interest rate. However in the current year performance has dipped slightly below this target level. This is mainly a result of the available interest rates moving into line or slightly below the Bank of England Base Rate, whereas previously interest rates could be achieved above this level. The security of taxpayers' money is the key principle behind our treasury management approach, and the depressed state of investment rates in the short term is having a negative impact on the rate of return achieved on investments.

7.6 A review of the Council's Treasury Management Policy, which was last updated in July 2010, has recently taken place to take account of current best practice guidance and emerging developments. This has identified that a number of minor amendments are required and it is intended that these will be reported to Council in February 2014 for approval, at the same time as the Treasury Management Strategy for 2014-15 is reported.

8.0 TREASURY MANAGEMENT STAFFING

8.1 The Treasury Management accountant is CIPFA qualified and has significant experience in Local Government finance. The Borough Treasurer and Deputy Borough Treasurer are also closely involved in treasury management activities.

8.2 This means that the requirement for experienced and qualified staff to be employed in carrying out the treasury management function continues to be met. There are also adequate cover arrangements in place and an appropriate segregation of duties between officers.

9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

9.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

10.0 RISK ASSESSMENT

10.1 Treasury management policies, practices and procedures are an integral part of the Council's financial control framework and provide assurance to Members that this function is operating effectively. The security of investments is recognised as a key risk but there are adequate arrangements in place to mitigate this risk to an acceptable level.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

None

Audit & Governance Committee Work Programme – 24 September 2013

Date	Training (commencing 6.30pm)	Items
28 January 2014	Procurement	<ol style="list-style-type: none"> 1. Risk management Framework 2. Internal Audit Activities – Quarterly Update 3. Regulation of Investigatory Powers Act quarterly monitoring of use of powers 4. Annual Audit Letter 5. Data Quality Protocol - Update
25 March 2014	Basic Guide to Governance	<ol style="list-style-type: none"> 1. External Audit Report – Claims and Returns 2. Local Code of Governance 3. Internal Audit Activities – Quarterly Update 4. Internal Audit Plan 2014/15 5. Regulation of Investigatory Powers Act quarterly monitoring of use of powers.
?? June 2014	TBC	<ol style="list-style-type: none"> 1. Internal Audit Activities – Annual report 2. Internal Audit Activities – Quarterly Update 3. Annual Governance Statement 4. Statement of Accounts 5. Regulation of Investigatory Powers Act Annual and Quarterly Monitoring of Use of Powers 6. External Audit – Draft Audit Plan
?? September 2014	TBC	<ol style="list-style-type: none"> 1. External Audit – Audit Plan Findings Report 2. Internal Audit Mid-Year Review 3. Approval of Statement of Accounts 4. Regulation of Investigatory Powers Act quarterly monitoring of use of powers 5. Annual Review - Anti-Fraud, Bribery and Corruption Policy 6. Treasury Management