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Monday, 23 July 2018

**TO: COUNCILLORS P COTTERILL, R PENDLETON, T ALDRIDGE, T BLANE,
C DERELI, J GORDON, N HENNESSY, J MEE, E POPE,
A PRITCHARD AND C WYNN**

Dear Councillor,

AUDIT AND GOVERNANCE COMMITTEE - TUESDAY 24 JULY 2018

Please find attached the following appendices, marked "to follow" on the Agenda recently circulated.

Yours faithfully

A handwritten signature in black ink, appearing to be "Kim Webber".

Kim Webber
Chief Executive

**AGENDA
(Open to the Public)**

- | | | |
|-----------|---|--------------|
| 6. | GRANT THORNTON - AUDIT FINDINGS REPORT | 135 -
158 |
| | Appendix – Audit Findings Report. | |
| 7. | APPROVAL OF STATEMENT OF ACCOUNTS | 159 -
268 |
| | Appendix 1 – Letter of Representation | |
| | Appendix 2 – Statement of Accounts | |

We can provide this document, upon request, on audiotape, in large print, in Braille and in other languages.

FIRE EVACUATION PROCEDURE: Please see attached sheet.

MOBILE PHONES: These should be switched off or to 'silent' at all meetings.

For further information, please contact:-

Jill Ryan on 01695 585017

Or email jill.ryan@westlancs.gov.uk

Audit Findings

Year ending 31 March 2018

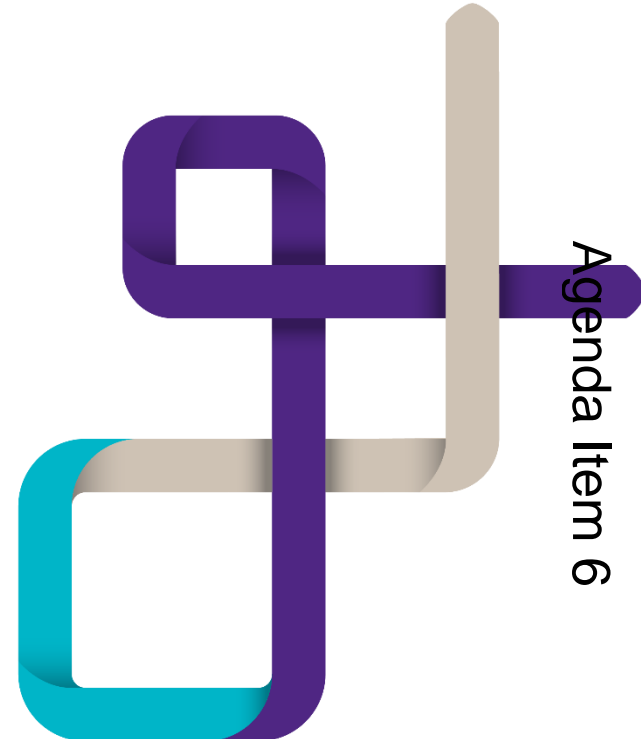
DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

West Lancashire Borough Council

24 July 2018

Page 135



Contents



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Page 136

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Section	Page
1. Headlines	3
2. Financial statements	4
3. Value for money	11
4. Independence and ethics	14

Appendices

- A. Action Plan
- B. Audit adjustments
- C. Fees
- D. Draft audit report

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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Headlines

This table summarises the key issues arising from the statutory audit of West Lancashire Borough Council ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Page 137</p>	<p>Financial Statements</p> <p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Authority's financial statements give a true and fair view of the Authority's financial position and Authority's expenditure and income for the year; and have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was carried out on site during June and July. Our findings are summarised on the following pages. Subject to the completion of the work, we have not identified any adjustments to the financial statements that impact on net expenditure.</p> <p>Subject to outstanding information being provided and queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 24 July 2018, as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none"> review of the treatment of pension contribution prepayment confirmation of the basis of the provision for NNDR appeals work on the valuation of property, plant and equipment receipt of management representation letter; and review of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
	<p>Value for Money arrangements</p> <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that West Lancashire Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 11 to 13.</p>
	<p>Statutory duties</p> <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 24 July 2018, as detailed in Appendix D. These outstanding items include:

- review of the treatment of pension contribution prepayment
- confirmation of the basis of the provision for NNDR appeals
- work on the valuation of property, plant and equipment
- receipt of management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan.

We detail in the table below our assessment of materiality for West Lancashire Borough Council.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1.449m	This equates to 2% of your gross expenditure in 2016/17, which we believe is the most appropriate benchmark to use.
Performance materiality	£1.086m	75% of materiality based on the historic quality of the draft financial statements, the quality of financial systems and processes and the nature of the Council's expenditure and income streams.
Trivial matters	£72k	5% of materiality for the financial statements
Materiality for specific transactions, balances or disclosures – senior manager remuneration	£11,183	The remuneration report is an item of special interest and sensitivity. We have set a lower level of materiality so that our testing ensures individuals are reported on within the correct bands.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Lancashire Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for West Lancashire Borough Council and we have rebutted it.</p>
2	<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of pension liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

We have:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assess whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement
- evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have gained an understanding of the basis on which the valuation was carried out
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made
- checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

At the time of writing we are reviewing the treatment of the prepayment of pension contributions.

Our work has not identified any other significant issues.

Page 140

4

Valuation of plant, property and equipment

The Council revalues its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

We have:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- considered the competence, expertise and objectivity of any management experts used
- discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding
- tested revaluations made during the year to ensure they are input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

We identified that there is no annual reconciliation between the information that the Estates section hold and the Fixed Asset Register held by the finance section. There is a risk that the two sources of information may have inconsistencies that would only be identified in the five year revaluation exercise. Reconciliations should be undertaken annually.

At the time of writing work is ongoing in this area.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

5

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (58%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

We have:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls;
- obtained and reviewed the year-end reconciliation, and investigated any significant reconciling items
- tested a sample of non-pay payments made in April to test whether they are accounted for in the correct year
- tested a sample of non pay expenditure to confirm it is accurately accounted for in the financial statements

Our work has not identified any significant issues.

6

Payroll expenses

Payroll expenditure represents a sizeable percentage (16%) of the Council's operating expenses.




As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

We have:




- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls;
- obtained year-end payroll reconciliation and ensured amount in accounts were reconciled to ledger and through to payroll reports. Investigated significant adjusting items.
- agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents and reviewed any estimates for reasonableness
- performed substantive analytical review

Our work has not identified any significant issues.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Revenue due from customers is recognised as income at the date the goods or services are provided and where it is probable that the income will be received.	<ul style="list-style-type: none"> The Council's accounting policy is in line with the requirements of the CIPFA code and is adequately disclosed in the accounts. Our testing of income, grants income and debtors confirmed that the Council is recognising income in line with its accounting policy. 	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Useful life of Property, Plant and Equipment (PPE) Revaluations Impairments Accruals Valuation of pension fund net liability Provision for National Non Domestic Rates (NNDR) appeals Pension liabilities 	<p>We have:</p> <ul style="list-style-type: none"> reviewed the estimates and judgements made in the accounts as part of our work with no matters arising reviewed/sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts reviewed the calculation of your provision for business rate appeals reviewed assumptions and information in relation to the pension fund liability to assess reasonableness and check the liability figures are accurately reflected in the accounts. <p>We have not identified any significant issues.</p>	 Green
Other critical policies	We have reviewed the Council's policies against the requirements of the CIPFA Code.	The Council's accounting policies are appropriate and consistent with previous years.	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We have previously requested from management permission to send confirmation requests to your bank and those bodies with which you hold investments. We have received all requested external confirmations.
⑥ Disclosures	<ul style="list-style-type: none"> We have identified some disclosure issues which are detailed later in this report.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions where Council's exceed the NAO threshold.</p> <p>This work is not required as the Council does not exceed the threshold.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of West Lancashire Borough Council in the audit opinion.</p>

Value for Money

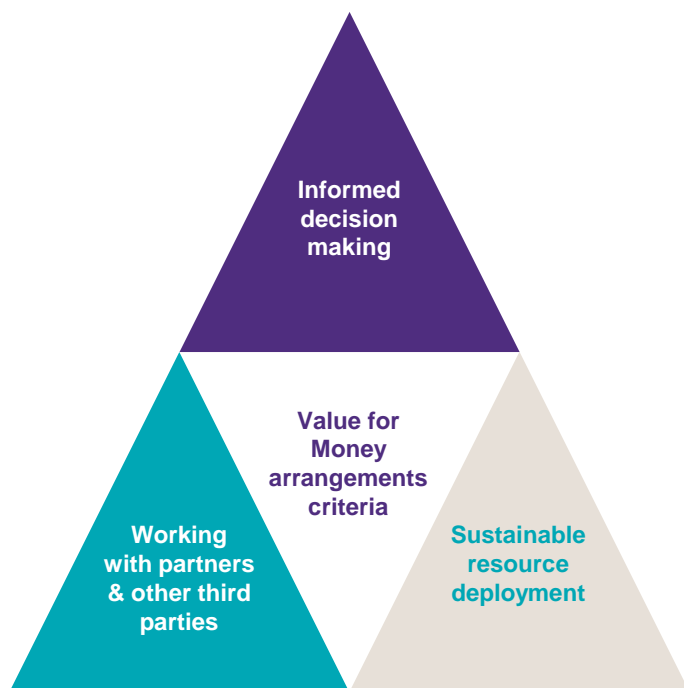
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Page 145

Risk assessment

We carried out an initial risk assessment in February 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- review of budget monitoring reports and updates to the Medium Term Financial Plan
- consideration of plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks
- review and monitoring of revenue and capital reports

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 13.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

"The Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources."

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management. We have not identified any recommendation for improvement.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<p>Financial position and sustainability</p> <p>The Authority does not have a history of financial difficulty but the position is beginning to become more challenging.</p> <p>At the mid-year review budget performance, the Authority was forecasting a favourable variance on the General Revenue Account (GRA) of £90k and a favourable variance on the Housing Revenue Account (HRA) of £875k.</p>	<p>The financial position of the Authority is becoming increasingly challenging however the Authority continues to manage this well. In 2017/18, the Authority delivered a favourable variance of £218k on the GRA and a favourable variance of £824k on the HRA budget.</p> <p>The Authority has monitored performance against budget and achievement of planned savings through the year enabling it to meet targets and deliver financial balance for 2017/18.</p> <p>The Authority originally forecast a budget gap of £1.925m for 2018/19. Through the policy options process some savings were identified to bridge this gap. Additional resource was identified from Authority reserves in order to fully close the gap and enable a balanced budget to be set for 2018/19. The Authority continues to look for ways to reduce costs and make the most of financial opportunities.</p>	<p>We have concluded that the Authority is managing the risk sufficiently and that the Authority has proper financial management arrangements in place.</p> <p>The Authority will need to continue to monitor spending and the achievement of savings closely through the coming year to ensure budgeted spending is met.</p>
Page 147	<p>In July, the Authority identified a forecast budget gap of £1.925m for 2018/19. The Authority has identified around £1m of savings for 2018/19 via the policy options process and are planning to support the remainder of the budget gap via one off use of reserves and any favourable variance from 2017/18. The Authority continues to face a challenging financial position going forward with a budget gap of around £0.800m over the two year period of 2019/20 to 2020/21.</p>	<p>The Medium Term Financial Forecast identified budget gaps of £590k for 2019/20 and £210k for 2020/21. The Authority is undertaking a Sustainable Organisation Review aimed at delivering key Authority objectives, maintaining service provision and securing a balanced budget position. Looking forward, funding future budget gaps from reserves is unlikely to be sustainable and the Authority will need to focus on agreeing a programme of funding in order to deliver their vision for a sustainable organisation and may need to make difficult decisions in order to achieve this.</p>	<p>The Authority need to ensure future funding decisions are sustainable.</p>

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit services were identified.

Service	£	Threats	Safeguards
Audit related			
Pooled capital receipts return	1,750 (TBC)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,750 in comparison to the total fee for the audit of £43,746 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit Subsidy Form	11,195	Self-Interest (because this is a recurring fee)	The level of this fee is set by Public Sector Audit Appointments and the work undertaken follows DWP requirements. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,195 in comparison to the total fee for the audit of £43,746 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

Page 14 of 148

Action plan

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

1	Assessment	Issue and risk	Recommendations
	●	We identified that there is no annual reconciliation between the information that the Estates section hold and the Fixed Asset Register held by the finance section. There is a risk that the two sources of information may have inconsistencies that would only be identified in the five year revaluation exercise.	Reconciliations should be undertaken annually Management response

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Subject to resolving the review of prepayment of pension contributions, confirmation of the basis of the provision for NNDR appeals and work on the valuation of property, plant and equipment there are no adjusted or no unadjusted misstatements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 16 - Financial Instruments Page 150	<p>Note 16 is not in the format shown in the Code Guidance note where financial instruments are set out in tabular format. Although the note gives mostly similar information and cross references to other notes such as - debtors and creditors – it should give the figures for all financial instruments within the note. Neither does the note include the interest table which shows any reduction or increase in fair values (for example on PWLB).</p>	<p>The note should be amended to comply with guidance</p> <p>Management response</p> <p>The Council has a relatively straightforward set of financial instruments and therefore believe that the disclosures included in the statement enable the reader to obtain a clear understanding of this position while avoiding unnecessary complexity.</p>	No
Note 38 – Contingent Liabilities	<p>Proceedings have been issued by 20 Foundation NHS Trusts against 49 Billing Authorities across the Country. The Claimants claim that they are charities and occupy the relevant hereditaments in respect of which business rates have been paid</p> <p>wholly or mainly for charitable purposes. The Trusts are seeking to recover 80% of business rates going forward. The amount claimed is approximately £860K plus interest and costs (the Borough Council's share of the principal amount for the rates is 40%, in line with the normal arrangements for distributing NNDR income. We would expect this to be disclosed as a contingent liability.</p>	<p>A contingent liability in relation to this should be disclosed in note 38</p> <p>Management response</p> <p>The financial statements will be amended to include a note in relation to this contingent liability</p>	Yes

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 39 - Nature and Extent of Risk arising from Financial Instruments	Code Para 7.4.3.7 requires the authority to disclose by class of financial asset: a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired, and b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the authority considered in determining that they are impaired. This disclosure is not included.	The note should be amended to comply with guidance Management response The Council has a relatively straightforward set of financial instruments and therefore believe that the disclosures included in the statement enable the reader to obtain a clear understanding of this position while avoiding unnecessary complexity.	No

Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2016/17 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>1 Accounting issue carried forward from 2014-15. The Council has not charged depreciation on its Infrastructure Assets. We estimate the omitted charge to be understated by approximately £30,475 (if for example Infrastructure assets had a Useful Estimated Life (UEL) of 40 years). This is a trivial amount.</p> <p>If we apply a sensitivity analysis of the UEL being different for individual assets and the average UEL being 10 years this gives depreciation understatement of £40,633, and a UEL of 50 years of £24,380. Both amounts are also trivial</p>	30	(30)	0	This is an ongoing issue previously reported to the committee. The Council's policy is not to depreciate infrastructure assets as the amounts involved would be classified as trivial. We agree the amount are trivial but we would recommend the policy be reviewed.
Overall impact	30	(30)	0	

Fees

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Audit of the authority	£43,746	£43,746
Total audit fees (excluding VAT)	£43,746	£43,746

Provide details of any variations in final fees from the proposed fee (per the audit plan).

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services	Fees £
Audit related services:	£1,750 TBC
<ul style="list-style-type: none"> Pooled Capital Receipts report Housing Benefit Subsidy Return 	£11,195
Total other audit fees	£12,945 TBC

A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report - Draft

Independent auditor's report to the members of West Lancashire Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West Lancashire Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014..

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to

them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Operational Director - Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Operational Director - Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Operational Director - Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 15 to 119, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Other Information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Operational Director - Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 98, 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 Operational Director – Finance. The Operational Director - Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Operational Director - Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Operational Director - Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Business Efficiency Board is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Signature

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

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

Date:



Agenda Item 7

Finance and Human Resources Services

Marc Taylor MA CPFA
Borough Treasurer

PO Box 16, 52 Derby Street
Ormskirk, West Lancashire L39 2DF
Telephone: 01695 577177
Website: www.westlancs.gov.uk
E-mail: marc.taylor@westlancs.gov.uk

Andrew Smith
Director
Grant Thornton UK LLP
4 Hardman Square
Manchester M3 3EB.

Date: 24/7/2018
Your ref:
Our ref: MT/GE/79
Please ask for: Marc Taylor
Direct Dial no: 01695 585092
Extension: 5092

Dear Andrew,

APPENDIX 1

West Lancashire Borough Council **Financial Statements for the year ended 31 March 2018**

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 2018 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits 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 post-employment benefits have been identified and properly accounted for.
- viii 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.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report at Appendix B. The Council financial statements have been amended for one disclosure change in relation to a contingent liability. The other two disclosure issues have not been amended because they are immaterial to the results of the Council and its financial position at the year end.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report in Appendix B. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv 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

- xv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council 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.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.

- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii 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.
- xix 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.

- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi 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.
- xxii We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi 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.

Narrative Report

- xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 24 July 2018.

Yours faithfully,

Marc Taylor
Borough Treasurer
Signed on behalf of West Lancashire Borough Council

WEST LANCASHIRE BOROUGH COUNCIL

**AUDITED
STATEMENT OF ACCOUNTS**

FOR THE YEAR ENDED 31ST MARCH 2018

CONTENTS

	Page
Introduction	2
Narrative Report	3
Annual Governance Statement	11
Independent Auditor's Report	17
Statement of Responsibilities	20
Movement in Reserves Statement	21
Comprehensive Income and Expenditure Statement	23
Balance Sheet	24
Cash Flow Statement	25
Notes	26
Housing Revenue Account and Notes	85
Collection Fund and Notes	91
Glossary	95

INTRODUCTION

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

The Statement shows the financial performance and financial position of the Council for 2017/2018. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money for this year.

Paul Cotterill

Chairman of the Audit
And Governance Committee

Marc Taylor

Borough Treasurer

NARRATIVE REPORT

Introduction

This publication presents the Council's Statement of Accounts for the year ended 31st March 2018. 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.

Background information

The Council employs around 500 people and uses assets of around £250 million to deliver its services. These services cover a wide range of different activities including refuse collection, street cleansing, grounds maintenance, planning, economic development and regeneration, council housing, housing benefits, collecting council tax and business rates income, leisure and cultural activities, environmental health, and community safety.

Our Vision is to be a Council which is ambitious for West Lancashire and our key corporate priorities are:

- Ambitious for our Economy - retain and grow jobs, increase skills levels and encourage business and wealth
- Ambitious for our Environment - enhance the built and physical environment, and its cleanliness.
- Ambitious for Health and Wellbeing - improve the health and wellbeing of local communities.

Financial summary

The Council spent £74.2m in providing day-to-day services for the local community in 2017-18. The Council also invested £9.2m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves increased by £6.8m over the course of the year to £26.7m.

Service Provision

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

Where the money comes from (net cost of services)

	2017/2018	2016/2017
	£'000	£'000
Benefits Payments and Administration grants	26,734	28,019
Housing rents and service charges	25,642	25,989
Service specific fees, charges and grants	12,695	10,467
Total	65,071	64,475

What the money is spent on (net cost of services)

	2017/2018	2016/2017
	£'000	£'000
Leisure and Environment	12,149	11,340
Finance and Human Resources	1,296	1,378
Housing and Inclusion	33,436	34,029
Housing Revenue Account	20,111	18,679
Legal and Democracy	1,864	1,664
Development and Regeneration	5,048	4,789
Other Services	276	594
Total	74,180	72,473

Financial performance for the year

General Revenue Account (GRA)

This account shows income and expenditure for all services except Council housing, and a net budget of £12.927m was set for the year.

A favourable variance was delivered against this budget of £218,000 or 1.7%. This position reflects a number of factors including good performance on implementing savings measures, under spending on employees and running expenses, and income levels exceeding budget projections in a range of areas. The Council intends to use these funds to support its revenue budget position in future years. The level of GRA earmarked reserves increased by £1.737m to £12.709m, primarily as a result of an increase in Community Infrastructure Levy funding, which is being held to support future investment in infrastructure.

The Council is facing a difficult medium term financial situation as a result of the Government reducing the funding it provides to all local authorities. It is expected that there will be a budget gap of £1.5m to £2.0m by 2020-21 between the spending required to maintain existing service levels and the resources that will be available. This challenging financial position is recognised as a significant risk on the Council's key risk register and will primarily be addressed through a Sustainable Organisation Review process which is currently in progress.

Housing Revenue Account (HRA)

This account shows income and expenditure relating to the Council's housing stock. A favourable budget variance was delivered in the year of £1.411m, which represents 5.5% of the overall budget requirement. The main reasons for this position were the active management of staffing levels which delivered savings on employee budgets, underspends on response repairs and void repairs which are demand led areas of spending, and underspends on other premises costs.

The HRA will have to reduce its general rent levels by 1% per year over the next few years as a result of government rules. A series of policy options have already been implemented to address this position, which means that the HRA should have a broadly balanced budget position over the medium term future.

There was investment of £6.839m in the housing stock this year against a budget of £10.652m. This means that 64% of the programme was spent, which is similar to the performance that has been delivered in previous years. It is intended that most of the unused budget will be slipped into the next financial year to enable ongoing schemes to be delivered in line with our standard practice. HRA earmarked reserves increased by £3.543m primarily due to the revenue funding for the capital programme being rolled forward to fund this slippage.

The level of GRA and HRA 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 and how it has been financed:

Where the money comes from

	2017/2018 £'000	2016/2017 £'000
Capital Receipts	1,255	1,367
Government Grants and Other Contributions	880	1,069
Revenue Contributions	6,731	11,447
Increase in underlying need to borrow	316	2,969
Other	0	267
Total	9,182	17,119

What the money is spent on

	2017/2018 £'000	2016/2017 £'000
Property, Plant and Equipment	7,686	11,800
Other long term assets	226	4,262
Revenue Expenditure Funded from Capital	1,042	829
Other	228	228
Total	9,182	17,119

Financial position

The main assets of the Council are its housing stock and the other land, buildings and equipment that it owns. Total long term assets have been valued at £225.947m, which is a reduction of £6.052m on the previous year.

The Council had a total net worth of £94.006m at 31st March 2018, taking into account all of its assets and liabilities, which was an increase of £8.310m on the previous year. The increase was primarily as a result of a reduction in the net pension deficit, which is explained in more detail below.

Significant issues in the accounts

The value of the net pension liability in the accounts has reduced by £6.501m to £57.518m. 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. The change from the previous year is mainly a result of actuarial gains arising on changes in financial assumptions.

West Lancashire Borough Council Statement of Accounts 2017/18

The Cash Flow Statement shows an increase of £0.791m in cash and cash equivalents over the year, and there was also an increase of £5.504m in short term investments. There are a number of explanatory factors for this position, but it primarily reflects the increase in the level of usable reserves.

The level of debtors increased by £2.676m to £7.398m in the year with the main explanation being due to a rise in payments in advance. This situation arose as an opportunity was taken to prepay pension contributions into the Pension Fund to generate revenue savings.

An impairment charge of £4.537m (£3.361m in 2016/17) was made on Council dwellings within the HRA. This was primarily as a result of an element of the Housing capital programme not increasing the book value of these properties. The impairment review was conducted in conjunction with the Council's Estates section who followed professional guidelines in conducting this exercise.

At the start of the year the Council had £88.212m of external borrowing that was taken out with the Public Works Loans Board to finance the introduction of the HRA Self Financing system. During 2017-18 the scale of capital investment meant there was an increase in the underlying need to borrow of £0.316m, although this was funded from internal sources rather than through external borrowing.

Future revenue spending and capital investment plans

The budget that has been set for 2018-19 contains a number of new improvement measures while maintaining service levels for the vast majority of services provided by the Council. This position has been achieved, despite a challenging financial situation, by maximising efficiencies and income and measures to save around £1m have been put in place. This savings programme will be closely monitored and managed in year to ensure that financial targets are achieved. The budget also required an increase of 2.99% in the level of the Council tax and funding from reserves of £0.955m. The budget gap facing the Council in future years means that delivering the Sustainable Organisation Review will be vital to ensuring the Council's continuing healthy financial position.

The main feature of the capital programme in 2018-19 will be planned investment in the housing stock of £13.2m, which will be funded primarily by HRA revenue contributions. This is part of a 5 year programme of investment in Council dwellings which has a total planned value of £48.3m.

Contents of the Accounts

The main accounting statements are inter-related. Total comprehensive income and expenditure is broken down in the Movement in Reserves Statement between usable and non-usable reserves. These constitute the net worth of the Council in the Balance Sheet. The reasons for movements during the year in cash (and cash equivalent) balances held on the Balance Sheet are shown in the Cash Flow Statement. These inter-relationships are shown below.

West Lancashire Borough Council Statement of Accounts 2017/18

Comprehensive Income and Expenditure Statement (£'000)

Deficit on the Provision of Services	-801
Other Comprehensive Income/Expenditure	<u>9,110</u>
Total Comprehensive Income and Expenditure	<u>8,309</u>

Movement in Reserves statement (£000)

Effect on usable reserves	6,845
Effect on unusable reserves	<u>1,464</u>
Change in Total Net Worth	<u>8,309</u>

Balance Sheet (Change in Assets less Liabilities) (£000)

Change in net assets (excl cash)	7,518
Change in cash and cash equivalents	<u>791</u>
Change in net worth	<u>8,309</u>

Cashflow Statement (£000)

Net increase / decrease in cash and cash equivalents	791
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An explanation of the main accounting statements, and their purpose, are set out below.

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 unusable reserves.

The Total Comprehensive Income and Expenditure 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, and the Adjustments between Accounting Basis and Funding Basis under Regulations Line shows the differences between them.

The Transfers to and from Earmarked Reserves line shows the movements between balances and earmarked reserves for the General Fund and the HRA.

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 and housing rents. Councils raise taxation and rents 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 and note 27.

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.

The other parts of the Statement of 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.

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.

Further information

Details on the Council's performance are available in the Council Plan Annual report at the following address:

<http://www.westlancs.gov.uk>

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

2017/18 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, and this statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations, 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 Council 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 2018 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has in place a comprehensive governance framework designed to regulate, monitor and control its various activities in its pursuit of its vision and objectives.

The key elements of the framework include:

The principal statutory obligations and functions of the Authority are identified in the Constitution and reflected in the Budget and Policy Framework which is approved by Council.

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](#). There is also a Council Plan in place that contains details of the priority delivery projects that are designed to drive forward progress against priorities.

The Council's Pentana 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 Council has a number of corporate service standards which apply to all customers and staff. These care standards provide a clear commitment of our desire to provide a high quality of customer service, for example in terms of response times for letters and emails. 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 also available on the Council's website. The Council also has a Standards Committee whose role is to promote and maintain high standards of conduct.

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". Committee meetings are open to the public, except where personal or confidential matters may be disclosed.

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

The Council's professionally qualified Chief Finance Officer (the Borough Treasurer) is responsible for the proper administration of its financial affairs. The Officer attends Council, Cabinet and Corporate Management Team meetings and has a direct reporting line to the Chief Executive. Financial advice is provided for all the key decisions that are made.

A Medium Term Financial Forecast and Treasury Management Strategy, which assesses the potential financial risks to the Council, are in place and are reviewed regularly. Standing orders and financial regulations, that detail the Council's financial management arrangements, are also maintained and reviewed and updated periodically.

The Council has a comprehensive Risk Management process in place which is fully embedded throughout the organisation 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 Council. 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 Committee receives regular reports on governance issues from both officers and the Council's external auditors. The Council has an objective and professional relationship with its external auditors and statutory inspectors, together with other agencies such as the Local Government Association.

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. The Council has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Code provides the opportunity for anyone to report their concerns confidentially and enable them to be investigated properly.

In accordance with best practice the Council has in place Senior Information Risk Owner arrangements. The arrangements ensure suitable allocation of responsibilities for information systems through a network led by the Borough Solicitor.

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. The Council is committed to working in partnership with public, private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

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 (2016).

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 Senior Managers within the Council 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 Grant Thornton concluded that the Council has effective arrangements in place for internal control.

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. No significant issues have been identified in this year's review.

The Borough Treasurer, who has overall responsibility for the Council'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 2017/18 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

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2017/18 and has set a balanced budget for 2018/19. Consequently, the Council is taking appropriate action to ensure a stable financial standing over the medium term and this position has been confirmed in our latest Annual Audit letter.

ELECTRONIC RECORDS

The Council is continuing to review and improve its management of electronic records in light of the large volumes of information currently held on its systems as identified as a significant issue in last year's Statement. This is being overseen by an officer working group, with the assistance of a dedicated officer resource (as authorised by Council) and monitored through reports to the Audit and Governance Committee. An action plan is in place and being implemented to improve governance arrangements to ensure continuing compliance with the relevant regulatory requirements and good practice including adherence to the Corporate Retention and Disposal Schedule. Relevant risk assessments are in place.

CURRENT SIGNIFICANT GOVERNANCE ISSUES

FUTURE FINANCIAL CHALLENGES

Further significant savings and additional income generation will be required to ensure a balanced budget position is achieved in the period to 2020/21. This budget gap will primarily be addressed through the Council's Sustainable Organisation Review Project. Implementing this income and savings programme may create significant risks in the governance framework that will need to continue to be managed and reviewed effectively.

GENERAL DATA PROTECTION REGULATION

This Regulation, which came into force on 25th May 2018 and which is to be supplemented by additional legislation, yet to be enacted, presents significant challenges. While it is not relevant to the period covered by this Statement, it is appropriate to register here the work to address this commenced during the year and will continue into 2018-19. An action plan and additional resources are in place and being proactively managed towards implementation.

On the basis of the work carried out, which has been reviewed by the Audit and Governance Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the above matters to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

SIGNED: Ian Moran
Leader of the Council

SIGNED: Kim Webber
Chief Executive

On behalf of West Lancashire Borough Council

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

This report will be added to the Statement 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 2018 and its income and expenditure for the year then ended.

Marc Taylor
Borough Treasurer
24 July 2018

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances £'000	Earmarked Gen. Fund Reserves £'000	HRA Balances £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2016	961	11,746	783	2,098	3,550	0	17	19,155	55,515	74,670
<i>Movement in Reserves during 2016-17</i>										
Total Comprehensive Income and Expenditure	-2,277		4,028					1,751	9,275	11,026
Adjustments between accounting basis and funding basis under regulations (note 6)	1,503		-4,205		1,323		364	-1,015	1,015	0
Transfers to / from Earmarked Reserves (note 7)	774	-774	14	-14				0		0
Increase / Decrease in Year	0	-774	-163	-14	1,323	0	364	736	10,290	11,026
Balance at 31 March 2017	961	10,972	620	2,084	4,873	0	381	19,891	65,805	85,696

MOVEMENT IN RESERVES STATEMENT

	General Fund Balances £'000	Earmarked Gen. Fund Reserves £'000	HRA Balances £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2017	961	10,972	620	2,084	4,873	0	381	19,891	65,805	85,696
<i>Movement in Reserves during 2017-18</i>										
Total Comprehensive Income and Expenditure	-2,793		1,992					-801	9,110	8,309
Adjustments between accounting basis and reporting basis under regulations (note 6)	4,530		1,551		1,051		514	7,646	-7,646	0
Transfers to / from Earmarked Reserves (note 7)	-1,737	1,737	-3,543	3,543				0		0
Increase / Decrease in Year	0	1,737	0	3,543	1,051	0	514	6,845	1,464	8,309
Balance at 31 March 2018	961	12,709	620	5,627	5,924	0	895	26,736	67,269	94,005

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/2017 Restated			Service	2017/2018		
Gross Cost £'000	Gross Income £'000	Net Cost £'000		Gross Cost £'000	Gross Income £'000	Net Cost £'000
11,340	2,227	9,113	Leisure and Environment	12,149	2,689	9,460
1,378	127	1,251	Finance and Human Resources	1,296	36	1,260
34,029	32,055	1,974	Housing and Inclusion	33,436	31,242	2,194
18,679	25,989	-7,310	Housing Revenue Account	20,111	25,642	-5,531
1,664	248	1,416	Legal and Democracy	1,864	462	1,402
4,789	3,250	1,539	Development and Regeneration	5,048	4,787	261
594	579	15	Other Services	276	213	63
72,473	64,475	7,998	Cost of Services (note 27)	74,180	65,071	9,109
4,466	3,623	843	Other operating expenditure (note 8)	5,837	3,205	2,632
6,103	1,898	4,205	Financing & investment income & expenditure (note 9)	5,883	2,359	3,524
9,681	24,478	-14,797	Taxation & non specific grant income & expenditure (note 10)	8,191	22,655	-14,464
92,723	94,474	-1,751	Surplus (-) or Deficit on Provision of Services	94,091	93,290	801
		-17,991	Surplus (-) or deficit on revaluation of non current assets (note 23i)			-5
		8,716	Re-measurement of the net defined pension liability (note 37)			-9,105
		-9,275	Other Comprehensive Income and Expenditure			-9,110
		-11,026	Total Comprehensive Income and Expenditure			-8,309

BALANCE SHEET

31 March 2016 £'000	31 March 2017 £'000		Notes	31 March 2018 £'000
194,250	213,049	Property, Plant & Equipment	11a	206,732
490	490	Heritage Assets	12	490
12,958	17,701	Investment Property	13	17,919
396	697	Intangible Assets	14	748
65	62	Long Term Debtors		58
208,159	231,999	Long term assets		225,947
11,515	10,005	Short Term Investments		15,509
1,251	273	Assets held for sale	11b	270
37	16	Inventories	17	19
5,586	4,722	Short Term Debtors	18	7,398
1,828	4,039	Cash and Cash Equivalents	19	5,434
20,217	19,055	Current assets		28,630
0	0	Bank Overdraft	19	-604
-7,675	-8,459	Short Term Creditors	20	-9,254
-7,675	-8,459	Current Liabilities		-9,858
-1,938	-1,168	Provisions	21	-1,317
-53,283	-64,019	Pension Liabilities	37	-57,518
-635	-674	Other Long Term Liabilities	36	-446
-1,929	-2,792	Grants & Contributions in Advance	32	-3,186
-88,246	-88,246	Long Term Borrowing	16	-88,246
-146,031	-156,899	Long Term Liabilities		-150,713
74,670	85,696	Net Assets		94,006
-19,155	-19,891	Usable Reserves	22	-26,736
-55,515	-65,805	Unusable Reserves	23	-67,270
-74,670	-85,696	Total Reserves		-94,006

CASH FLOW STATEMENT

2016-2017 £'000		2017-2018 £'000 £'000	
1,751	Net Position on the Provision of Services	-801	
13,621	Adjustments for non-cash movements (note 24)	14,017	
-3,872	Adjustments for items that are investing or financing activities (note 24)	-3,220	
11,500	Net Cash Flows from Operating Activities		9,996
-10,074	Investing Activities (note 25)		-10,433
785	Financing Activities (note 26)		1,228
2,211	Change in Cash and Cash Equivalents		791
1,828	Cash & Cash Equivalents at start of period		4,039
4,039	Cash & Cash Equivalents at end of period (note 19)		4,830

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31st March 2018. 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 2017/18, supported by 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 when cash payments are made or received. In particular:

- Revenue due from customers is 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

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 short term highly liquid investments that are readily convertible to known amounts of cash with 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. Material errors discovered in prior period figures are also corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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.

v. Charges to Revenue for Non Current Assets

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

- 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 fund 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. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and the NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Council's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

vii. Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as 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 entitlements 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 appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of these benefits or when the Council recognises the costs of the restructuring.

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 is accounted for as a defined benefit scheme and provides defined benefits (retirement lump sums and pensions) to members 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 transfers 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.

viii. Events after the Reporting Period

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.

ix. 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.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to the Council 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 service line or Taxation and Non Specific Grant Income 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.

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from this levy will be used to fund infrastructure projects to support the development of the Borough. CIL is received without outstanding conditions and is therefore recognised as income at the commencement date of the chargeable development.

xi. 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. If valuations cannot be determined the assets will be recorded in the Council's Asset Register but not included in the balance sheet, as it is considered that this disclosure would not be material and would not add any enhancement to the reader in the understanding of the accounts. No depreciation will be accounted for due to the indeterminate useful lives of this type of asset.

Civic Regalia items were previously valued on a three yearly basis by a specialist valuer, and the last valuation took place in 2013/14. It has now been decided to move to revaluations every 5 years as the nature and value of the items does not vary significantly over time. Reviews of other assets will be undertaken on a visual basis on a yearly cycle or where there is evidence of impairment.

xii. 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 measured initially 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.

xiii. 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 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 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.

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued 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 disposal.

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xv. 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 currently only has operating leases in place.

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.

xvi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xvii. Property Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided 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 as a revenue expense 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 – current value determined using the basis of existing use value for social housing (EUV-SH)

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value determined as the amount that would be paid for the asset in its existing use

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying value is not materially different to their current value at the year end, 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. 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 and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. 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.

Assets that are to be abandoned or scrapped are not reclassified as 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 credited to the 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 capital receipts relating to housing disposals must be paid over to the Government. The balance of receipts remains within 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.

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.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that will probably lead to a future expense, and where a reliable estimate can be made of the amount of the obligation. For example the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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.

xix. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 transferred 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, local taxation, retirement and employee benefits. These do not represent usable resources for the Council, and include the capital adjustment account, revaluation reserve and pensions reserve.

xx. 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 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.

xxi. 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.

xxii. Fair value measurement

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing it, assuming that market participants act in their economic best interest. When measuring fair value, the Council takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques for which fair value is measured or disclosed within the fair value hierarchy are as follows:

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

xxiii. Accounting Standards issued but not yet adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. There are a number of amendments to the Code for 2018/19 including reporting on the classification and measurement of financial assets (IFRS 9) and the accounting treatment and reporting of revenue from contracts with customers (IFRS 15). However it is not expected that these changes will have a material effect on the Council's Statement of Accounts.

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 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 2018 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 £0.05m.
Fair value measurements	When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.	The significant unobservable inputs used in the fair value measurement include management assumptions about rent growth, vacancy levels (for investment properties) and discount rates. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in note 16.
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 and note 37 provides details on actuarial factors 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 £0.52m to be set aside.

Provision for NNDR Appeals	At the year end an estimate has been made of the cost of outstanding NNDR appeals that organisations have submitted against their business rate bills. This estimate is based on the rateable value of the organisations that have made appeals and the average settlement rate based on experience.	An increase in the estimated settlement rate of 10% would have the effect of adding £0.28m to the provision needed.
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

All material items have been disclosed in the main financial statements or in the notes to the accounts.

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts were authorised for issue by the Borough Treasurer on 31st May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 capital resources that have 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 2017/18

Adjustments between Accounting and Funding Basis Under Regulations 2017/18	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 to Revenue Resources</i>						
Pensions costs (transferred to or from the Pensions Reserve)	2,103	501				-2,604
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	-876					876
Holiday pay (transferred to the Accumulated Absences Account)	16	14				-30
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,889	10,605			514	-15,008
Total Adjustments to Revenue Resources	5,132	11,120	0	0	514	-16,766
<i>Adjustments between revenue and capital resources</i>						
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	-40	-3,165	3,205			0
Administrative costs of non current asset disposals funded from the Capital Receipts Reserve		95	-95			0
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	803		-803			0
Posting of HRA resources from revenue to the Major Receipts Reserve		-3,316		3,316		0
Statutory provision for the repayment of debt	-255					255
Capital expenditure financed from revenue balances	-231	-3,183				3,414
Total Adjustments between revenue and capital resources	277	-9,569	2,307	3,316	0	3,669
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure			-1,256			1,256
Use of the Major Receipts Reserve to finance capital expenditure				-3,316		3,316
Application of capital grants to finance capital expenditure	-879					879
Cash payments in relation to deferred capital receipts						
Total Adjustments to Capital Resources	-879	0	-1,256	-3,316	0	5,451
Total Adjustments	4,530	1,551	1,051	0	514	-7,646

West Lancashire Borough Council Statement of Accounts 2017/18

Adjustments between Accounting and Funding Basis Under Regulations 2016/17	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 to Revenue Resources</i>						
Pensions costs (transferred to or from the Pensions Reserve)	1,686	335				-2,021
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	-844					844
Holiday pay (transferred to the Accumulated Absences Account)	-2	-4				6
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,308	9,347			364	-12,019
Total Adjustments to Revenue Resources	3,148	9,678	0	0	364	-13,190
<i>Adjustments between revenue and capital resources</i>						
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	-174	-3,449	3,623			0
Administrative costs of non current asset disposals funded from the Capital Receipts Reserve		105	-105			0
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	830		-830			0
Posting of HRA resources from revenue to the Major Receipts Reserve		-3,249		3,249		0
Statutory provision for the repayment of debt	-324	0				324
Capital expenditure financed from revenue balances	-942	-7,256				8,198
Total Adjustments between revenue and capital resources	-610	-13,849	2,688	3,249	0	8,522
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure			-1,367			1,367
Use of the Major Receipts Reserve to finance capital expenditure				-3,249		3,249
Application of capital grants to finance capital expenditure	-1,035	-34				1,069
Cash payments in relation to deferred capital receipts			2			-2
Total Adjustments to Capital Resources	-1,035	-34	-1,365	-3,249	0	5,683
Total Adjustments	1,503	-4,205	1,323	0	364	1,015

7. TRANSFERS TO AND FROM EARMARKED RESERVES

	Balance 31/3/16 £'000	Movement in year £'000	Balance 31/3/17 £'000	Movement in year £'000	Balance 31/3/18 £'000
Insurance Fund	2,216	-85	2,131	-35	2,096
Renewal and Repairs Funds	264	85	349	84	433
Corporate Reserves	7,699	-1,084	6,615	-231	6,384
Ring Fenced Reserves	569	299	868	246	1,114
Capital Reserve	878	-21	857	1,724	2,581
Specific Grant Reserves	120	32	152	-51	101
General Fund subtotal	11,746	-774	10,972	1,737	12,709
HRA Reserves	2,098	-14	2,084	3,543	5,627
Total	13,844	-788	13,056	5,280	18,336

8. OTHER OPERATING EXPENDITURE

	2017/2018 £'000	2016/2017 £'000
Parish Council Precepts	575	550
Payments to the Government Housing Capital Receipts Pool	803	830
Losses / Gains (-) on the disposal of non current assets	1,190	-603
Pension administration expenses	64	66
Total	2,632	843

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/2018 £'000	2016/2017 £'000
Interest payable and similar charges	3,164	3,164
Pensions interest cost and expected return on pension assets	1,493	1,810
Interest income	-75	-91
Income, expenditure and changes in the fair value of investment properties	-1,058	-678
Gains and losses on trading accounts	0	0
Total	3,524	4,205

10. TAXATION AND NON SPECIFIC GRANT INCOME

	2017/2018 £'000	2016/2017 £'000
Council tax income	7,298	6,994
Non domestic rates income and expenditure	3,327	3,478
Non ring fenced government grants	3,729	3,973
Capital grants and contributions	110	352
Total	14,464	14,797

West Lancashire Borough Council Statement of Accounts 2017/18

11a. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2017-18	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
Balance at 1 st April 2017	193,495	36,042	5,799	1,219	1,993	582	0	239,130
Additions	6,317	437	101		32		799	7,686
Revaluations recognised in the Revaluation Reserve	3,161	465						3,626
Revaluations recognised in the Surplus / Deficit on the Provision of Services	-2,616							-2,616
De-recognition - disposals and decommissioning	-3,181	-900	-760			-496		-5,337
Transfers	-45	-1,097				-86	886	-342
Other movements								0
Balance at 31st March 2018	197,131	34,947	5,140	1,219	2,025	0	1,685	242,147
Accumulated Depreciation and Impairment								
Balance at 1 st April 2017	-20,057	-4,171	-1,854	0	0	0	0	-26,082
Depreciation charge	-3,244	-769	-601	0	0	0	0	-4,614
- Depreciation written out to the Revaluation Reserve	-582	-247						-829
- Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,662	-522	-601					-3,785
Impairments recognised in the Revaluation Reserve	-3,540	-85						-3,625
Impairments recognised in the Surplus / Deficit on the Provision of Services	-1,921	-352	-7					-2,280
De-recognition - disposals and decommissioning	429		760					1,189
Other movements	-4		1					-3
Balance at 31st March 2018	-28,337	-5,377	-1,701	0	0	0	0	-35,415
Net Book Value Balance at 1st April 2017	173,438	31,871	3,945	1,219	1,993	582	0	213,048
Net Book Value Balance at 31st March 2018	168,794	29,570	3,439	1,219	2,025	0	1,685	206,732

West Lancashire Borough Council Statement of Accounts 2017/18

Movement on Balances 2016-17	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructur e Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
Balance at 1 st April 2016	161,353	35,538	5,595	1,219	1,904	0	2,782	208,391
Additions	10,649	613	449		89			11,800
Revaluations recognised in the Revaluation Reserve	23,155							23,155
Revaluations recognised in the Surplus / Deficit on the Provision of Services	-918							-918
De-recognition - disposals and decommissioning	-2,651	-144	-247					-3,042
Transfers	1,907	37				582	-2,782	-256
Other movements		-2	2					0
Balance at 31st March 2017	193,495	36,042	5,799	1,219	1,993	582	0	239,130
Accumulated Depreciation and Impairment								
Balance at 1 st April 2016	-9,696	-2,922	-1,520	0	0	0	0	-14,138
Depreciation charge	-3,159	-730	-581	0	0	0	0	-4,470
- Depreciation written out to the Revaluation Reserve	-609	-271						-880
- Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,550	-459	-581					-3,590
Impairments recognised in the Revaluation Reserve	-4,947	-252						-5,199
Impairments recognised in the Surplus / Deficit on the Provision of Services	-2,443	-335						-2,778
De-recognition - disposals and decommissioning	200	56	247					503
Other movements	-12	12						0
Balance at 31st March 2017	-20,057	-4,171	-1,854	0	0	0	0	-26,082
Net Book Value Balance at 1st April 2016	151,657	32,616	4,075	1,219	1,904	0	2,782	194,253
Net Book Value Balance at 31st March 2017	173,438	31,871	3,945	1,219	1,993	582	0	213,048

Depreciation

All of the following assets, except infrastructure, are depreciated on a straight line basis over the life of the asset, and no residual value is assumed for these assets.

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

- Council Dwellings – traditional build property 70 years, non traditional build property 40 years and 18 years for garages
- Other Land and Buildings – these have a range of lives varying between 7 and 50 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 2018 the Council had entered into a number of contracts for the construction or enhancement of non current assets in future years budgeted to cost £3.890m. Similar commitments as at 31st March 2017 were £1.890m.

The major commitments are:

- Bathroom installations to Council Dwellings £0.765m
- Electrical works for Council Dwellings £0.677m
- Roofing works for Council Dwellings £1.188m
- Structural works for Council Dwellings £0.885m

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment is re-valued at fair value at least every 5 years, and a full revaluation of the housing stock took place in 2015/16. This exercise also encompassed a review of the asset classes for each item. Valuations are largely carried out internally however professionally qualified firms may be employed to undertake some valuations under the guidance of the Council's Estates Service. Valuations of land and buildings are 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

West Lancashire Borough Council Statement of Accounts 2017/18

	Council Dwellings £'000	Vehicles, Furniture, Plant & Equipment £'000	Other Assets £'000	Total £'000
Historical cost at last valuation	0	5,140	3,004	8,144
Valued at fair value as at:				
31 st March 2018	3,636	0	145	3,781
31 st March 2017	32,142	0	-1,608	30,534
31 st March 2016	161,353	0	4,334	165,687
31 st March 2015	0	0	269	269
31 st March 2014	0	0	33,732	33,732
Total	197,131	5,140	39,876	242,147

11b. ASSETS HELD FOR SALE

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	273	1,251
Assets newly classified as held for sale	145	165
Assets de-classified as held for sale	-152	-800
Revaluation gains	4	34
Assets sold	0	-377
Balance at end of year	270	273

12. HERITAGE ASSETS

The closing value of Heritage Assets is £490,000 (£490,000 in 2016-17).

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 £102,000. These items are used by the Mayor and Deputy Mayor for Civic functions and are valued every 5 years by a specialist firm. The last valuation was undertaken during the 2013/14 financial year and resulted in a revaluation increase of £28,000. There have been no other changes in asset values over the last 5 years.

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. There has been expenditure of £935 in 2015-16 on these sculptures, which has been fully impaired. There have been no other changes in asset values over the last 5 years.

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.

There has been expenditure on war memorials of £2,130 in 2014-15, £48,000 in 2013-14, and £3,000 in 2012-13. All of this expenditure has been fully impaired. There have been no other changes in asset values over the last 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:

	2017/2018	2016/2017
	£'000	£'000
Rental income	-2,284	-1,806
Direct operating expenses	1,244	1,128
Movement in fair value of investment properties	-18	0
Net gain / loss	-1,058	-678

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.

West Lancashire Borough Council Statement of Accounts 2017/18

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

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	17,701	12,958
Net gains/losses from fair value adjustments	18	0
Additions	0	3,852
Transfers	200	891
Balance at end of year	17,919	17,701

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.

	2017/2018 £'000	2016/2017 £'000
Balance at start of year:		
- Gross carrying amount	880	572
- Accumulated amortisation	-183	-176
Net carrying amount at start of year	697	396
Additions	226	410
Amortisation	-175	-109
Net carrying amount at end of year	748	697

Balance at end of year:		
- Gross carrying amount	1,074	880
- Accumulated amortisation	-326	-183
Net carrying amount at end of year	748	697

During the course of the year fully amortised assets with a gross carrying value of £32,000 were written off (£102,000 in 2016-17).

15. IMPAIRMENT AND REVALUATION

An impairment charge of £4.537m (£3.361m in 2016-17) was made to the Housing Revenue Account primarily as a result of an element of the Housing capital programme not increasing the book value of Council dwellings. A net revaluation increase in Council dwellings of £18.208m was posted to the revaluation reserve in 2016-17 primarily as a result of the stock valuation discount factor being increased by the Department for Communities and Local Government (DCLG) from 35% to 40%. Both the impairment charge and the housing stock revaluation were conducted in conjunction with the Council's internal Estates service who followed professional guidelines in conducting both exercises.

Impairment charges of £0.359m (£0.335m in 2016-17) were also made to other parts of the Comprehensive Income and Expenditure Statement in the year, as a result of capital investment that had not increased the book value of assets.

16. FINANCIAL INSTRUMENTS

The Council has £15.509m of short term investments (£10.005m in 2016-17) that are classified as loans and receivables. Details on debtors are shown in note 18 to the accounts, and these are classified as financial assets carried at contract amounts. The Council has £88.212m of borrowing (£88.212m in 2016-17) that is classified as financial liabilities at amortised cost. Details on creditors are shown in note 20, and these are classified as financial liabilities carried at contract amounts.

Details on interest expenses and interest income are shown in note 9. Interest payments primarily relate to the £88.212m of loans taken out from the Public Works Loans Board to fund the HRA self financing payment to Central Government. Investment income is generated mainly from investments of short-term funds with Banks, Building Societies and Local Authorities.

The Code requires the fair value of each class of financial asset and liability to be disclosed in the Notes to the Statement of Accounts to enable it to be compared to its carrying amount in the Balance Sheet:

- The fair value of 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
- The fair value of PWLB borrowing is £107.856m compared to its carrying amount including accrued interest of £88.246m. This difference is because the Council's debt portfolio includes a number of fixed rate loans where the interest rate payable is more than the prevailing rates at the balance sheet date. This shows a notional future loss based on economic conditions at the balance sheet date arising from a commitment to pay interest to lenders above current market rates.

West Lancashire Borough Council Statement of Accounts 2017/18

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2018, are as follows:

	Other significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	Fair Value £'000
Commercial Units	10,895	562	11,457
Office Units	6,364	0	6,364
Other	0	98	98
Total	17,259	660	17,919

Valuation techniques used to determine level 2 and level 3 fair values for Investment properties

The fair values attributed to level 2 categorisation in the fair value hierarchy have been based upon the market approach using current market conditions and recent sales prices and other relevant transactional information for similar assets across the locality.

Level 3 categorisation has also been valued by the market approach however the transactional information available is not as comprehensive and as such the level of reliability is reduced. Levels of assumption have had to be used, the significance of such determines that they should be categorised as level 3.

Highest and best use

In estimating the fair value of the Council's investment properties the highest and best use of the properties is their current use.

Gains and losses

Gains or losses arising from changes in the fair value of Investment Properties are recognised in the surplus or deficit on the provision of services. There was an overall fair value gain attributed to these assets of £0.018m in 2017-18 (zero change in 2016-17).

Assets held for sale

Assets held for sale are classified in the hierarchy as level 2 and are valued at £0.270m (£0.273m in 2016-17). These assets consist of land items and Council house sales. For both classes of asset there is adequate transactional data to classify them as level 2 in the hierarchy.

Valuation process for Investment properties and assets held for sale

The fair value is measured annually at each reporting date. Valuations are carried out internally by a Qualified RICS surveyor (Royal Institute of Chartered Surveyors) following the appropriate professional guidance.

Reconciliation of Fair Value Measurements categorised within level 3 of the Fair Value Hierarchy

	2017/2018 £'000	2016/2017 £'000
Opening Balance	660	660
Total gain / (loss) for the period included in Surplus / Deficit on the provision of services resulting from changes in fair value	0	0
Total	660	660

There have been no transfers between the fair value hierarchies. There are two specific assets classified within the level 3 category, one has a value of some £98,000 and the other is valued at £562,000, totalling £660,000. The robustness of the level 3 categorisation has been tested by varying the yield rate by a full percentage point. This produces changes of just over £11,000 for the smaller valued asset and some £110,000 for the larger.

17. INVENTORIES

	2017/2018 £'000	2016/2017 £'000
Work in progress	0	1
All other items	19	16
Total	19	17

18. DEBTORS

	2017/2018 £'000	2016/2017 £'000
General Government Bodies	1,842	1,323
Other Local Authorities	1,220	1,133
Other Debtors	7,461	6,885
Payments in Advance	2,082	53
Sub total	12,605	9,394
Provision for impairments	-5,207	-4,672
Total	7,398	4,722

19. CASH AND CASH EQUIVALENTS

	2017/2018 £'000	2016/2017 £'000
Cash and Bank	734	539
Money at call	4,700	3,500
Sub total	5,434	4,039
Bank overdraft	-604	0
Total	4,830	4,039

20. CREDITORS

	2017/2018 £'000	2016/2017 £'000
Central Government Bodies	2,761	2,124
Other Local Authorities	1,353	1,554
Leaseholder Advance and Tenant Prepayments	1,074	1,011
Other Creditors	4,066	3,770
Total	9,254	8,459

21. PROVISIONS

	2017/2018 £'000	2016/2017 £'000
Opening balance	1,168	1,938
Additional provisions made	149	25
Amounts used	0	-795
Unused amounts reversed	0	0
Closing balance	1,317	1,168

The Council holds a number of provisions for specific purposes, with the main provision relating to the potential cost of NNDR appeals.

22. USABLE RESERVES

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

23. UNUSABLE RESERVES

		2017/2018	2016/2017
		£'000	£'000
i.	Revaluation Reserve	40,616	42,853
ii.	Capital Adjustment Account	83,987	87,632
iii.	Deferred Capital Receipts	0	0
iv.	Pensions Reserve	-57,518	-64,019
v.	Collection Fund Adjustment Account	414	-462
vi.	Accumulated Absences Account	-229	-199
Total		67,270	65,805

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.

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	42,853	26,414
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	5	17,991
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	-828	-880
Accumulated gains on assets sold or scrapped	-1,414	-672
Sub total	-2,242	-1,552
Balance at end of year	40,616	42,853

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 subsequent costs.

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.

West Lancashire Borough Council Statement of Accounts 2017/18

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	87,632	83,893
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation, impairment, and revaluation losses	-9,509	-8,166
Amortisation of intangible assets	-175	-109
Revenue expenditure funded from capital under statute	-1,042	-829
Non-current assets written off as part of the gain / loss on disposal of assets	-4,300	-2,915
Sub total	-15,026	-12,019
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,256	1,367
Use of the Major Repairs Reserve to finance new capital expenditure	3,316	3,249
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	880	1,069
Provision for the financing of capital investment charged against the General Fund and HRA balances	255	324
Capital expenditure charged against the General Fund and HRA balances	3,414	8,198
Sub total	9,121	14,207
Adjusting amounts written out of the Revaluation Reserve	2,242	1,551
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	18	0
Balance at end of year	83,987	87,632

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.

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	0	2
Transfer to the Capital Receipts Reserve upon receipt of cash	0	-2
Balance at end of year	0	0

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 the pension fund. 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.

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	64,019	53,282
Re-measurement of the net defined benefit liability / asset	-9,105	8,716
Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	6,310	5,247
Employer's pension contributions payable in the year	-3,706	-3,226
Balance at end of year	57,518	64,019

v. Collection Fund Adjustment Account

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

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	462	1,306
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	-876	-844
Balance at end of year	-414	462

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.

	2017/2018 £'000	2016/2017 £'000
Balance at start of year	199	206
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	30	-7
Balance at end of year	229	199

24. **CASH FLOW STATEMENT - OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2017/2018 £'000	2016/2017 £'000
Interest received	-71	-102
Interest paid	3,164	3,164

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

	2017/2018 £'000	2016/2017 £'000
Depreciation	4,614	4,470
Impairment and downward valuations	4,896	3,696
Movement in the market value of investment properties	-18	0
Amortisation	175	109
Change in Creditors	1,489	1,069
Change in Debtors	-4,185	78
Change in Inventories	-3	20
Movement in Pension Liability	2,604	2,020
Carrying amount of non current assets sold or disposed	4,300	2,915
Other non cash items charged to the deficit on the provision of services	145	-756
Non cash movements	14,017	13,621

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

	2017/2018 £'000	2016/2017 £'000
Proceeds from the sale of non current assets	-3,110	-3,520
Capital grants for non current assets charged through revenue	-110	-352
Non cash movements	-3,220	-3,872

25. **CASH FLOW STATEMENT - INVESTING ACTIVITIES**

	2017/2018 £'000	2016/2017 £'000
Purchase of property, plant and equipment, investment property and intangible assets	-8,606	-16,084
Purchase of short term and long term investments	-33,000	-26,000
Proceeds from the sale of non-current assets	3,110	3,520
Proceeds from short term and long term investments	27,500	27,500
Other receipts from investing activities	563	990
Net cash flows from investing activities	-10,433	-10,074

26. **CASH FLOW STATEMENT - FINANCING ACTIVITIES**

	2017/2018 £'000	2016/2017 £'000
Receipts from financing activities	1,456	1,013
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	-228	-228
Net cash flows from financing activities	1,228	785

27a. EXPENDITURE AND FUNDING ANALYSIS

This Analysis shows how expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources used in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Service Area	Net Expenditure Chargeable to the General Fund & HRA £'000	Adjustments Between the Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income and Expenditure £'000
2017-18			
Leisure and Environment	8,775	685	9,460
Finance and Human Resources	1,429	-169	1,260
Housing and Inclusion	1,755	439	2,194
Housing Revenue Account	0	-5,531	-5,531
Legal and Democracy	949	453	1,402
Development & Regeneration	1,165	-904	261
Other Services	247	-184	63
Net Cost of Services	14,320	-5,211	9,109
Other Income & Expenditure	-19,600	11,292	-8,308
Surplus or Deficit	-5,280	6,081	801
Opening balances & reserves	-14,636		
Closing balances & reserves	-19,916		
2016-17			
Leisure and Environment	8,719	394	9,113
Finance and Human Resources	1,633	-382	1,251
Housing and Inclusion	1,575	399	1,974
Housing Revenue Account	0	-7,310	-7,310
Legal and Democracy	1,021	395	1,416
Development & Regeneration	1,460	79	1,539
Other Services	32	-17	15
Net Cost of Services	14,440	-6,442	7,998
Other Income & Expenditure	-13,488	3,739	-9,749
Surplus or Deficit	952	-2,703	-1,751
Opening balances & reserves	-15,588		
Closing balances & reserves	-14,636		

West Lancashire Borough Council Statement of Accounts 2017/18

Net expenditure chargeable to the General Fund and HRA has been adjusted to reflect the reporting format requirements of the comprehensive income and expenditure account. These adjustments separate out costs incurred in providing services from other operating income and expenditure not directly related to providing services such as those arising from investment properties, interest payments and receipts. The adjustments to reflect the full accounting costs of services relate mainly to adjustments for capital purposes and pensions.

The adjustments made to arrive at the Comprehensive Income and Expenditure Statement amounts are shown below.

	2017-18 Adjustments				
	Pensions	Capital	Other	Internal	Total
	£'000	£'000	£'000	£'000	£'000
Leisure and Environment	238			447	685
Finance & Human Resources	-1,033			864	-169
Housing & Inclusion	436			3	439
Housing Revenue Account	494			-6,025	-5,531
Legal and Democracy	185			268	453
Development & Regen.	232			-1,136	-904
Other Services	170			-354	-184
Other Income & Expenditure	1,883	4,322	-846	5,933	11,292
Surplus or Deficit	2,605	4,322	-846	0	6,081

	2016-17 Adjustments				
	Pensions	Capital	Other	Internal	Total
	£'000	£'000	£'000	£'000	£'000
Leisure and Environment	148			246	394
Finance & Human Resources	-1,334			952	-382
Housing & Inclusion	329			70	399
Housing Revenue Account	313			-7,623	-7,310
Legal and Democracy	258			137	395
Development & Regen.	134			-55	79
Other Services	60			-77	-17
Other Income & Expenditure	2,113	-3,874	-850	6,350	3,739
Surplus or Deficit	2,021	-3,874	-850	0	-2,703

Adjustments for Capital Purposes

This column adjusts for a number of factors including depreciation, impairment, Revenue Expenditure Funded from Capital under Statute, write offs of non current assets on disposal, capital grants, the minimum revenue provision, and movements in the market value of investment properties. It also includes adjustments for capital expenditure funded from revenue, the capital receipts reserve and the major repairs reserve.

Pensions Adjustment

For services, this adjustment removes employer pension contributions and replaces them with current and past service costs. This adjustment also charges the net interest on the defined benefit liability to the other income and expenditure line.

Other Adjustments

This adjustment includes the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund. This adjustment also includes transfers to the Accumulated Absences Account.

Internal

This reflects net nil adjustments to the management reporting structure to bring it into line with the requirements of the Comprehensive Income and Expenditure Statement.

The opening and closing balances of reserves in the Expenditure and Funding Analysis are broken down into GRA and HRA reserves and balances in the Movement in Reserves Statement.

Comparative figures for 2016-17 have been restated to reflect the new management structure that was introduced during 2017-18.

27b. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2017/2018 £'000	2016/2017 £'000
<i>Expenditure</i>		
Employee benefit expenses	20,617	19,704
Other services expenses	42,074	45,205
Support service recharges	12,778	11,975
Depreciation, amortisation and impairment	9,685	8,275
Interest payments	3,164	3,164
Precepts	575	550
Payments to Housing Capital Receipts Pool	803	830
Disposal of assets	4,395	3,020
Total expenditure	94,091	92,723
<i>Income</i>		
Fees, charges and other income	37,709	35,517
Disposal of assets	3,205	3,623
Interest and investment income	75	91
Income from council tax and NDR	18,816	20,154
Government grants and contributions	33,485	35,089
Total income	93,290	94,474
Surplus or Deficit on Provision of Services	801	-1,751

28. TRADING OPERATIONS

Trading Services

The Council operates a market in Ormskirk on Thursdays and Saturdays under a market charter, as well as providing several car parks in Ormskirk Town Centre.

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.

	2017-18 Expenditure £'000	2017-18 Income £'000	2017-18 Deficit/ Surplus(-) £'000	2016-17 Deficit/ Surplus(-) £'000
Trading Services				
Market	273	253	20	-17
Car Parks	375	656	-281	-265
Total	648	909	-261	-282
DSOs				
Refuse Collection & Street Cleaning	5,400	5,282	118	6
Grounds Maintenance	1,325	1,266	59	-23
Repatriation of balances		177	-177	17
Deficit / Surplus (-) transferred to I&E Statement	6,725	6,725	0	0

29. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.343m (£0.345m in 2016-17).

30. OFFICER REMUNERATION

The remuneration paid to senior officers whose salary is £50,000 or more is shown overleaf. The number of other staff whose remuneration exceeded £50,000, excluding employer's pension contributions, is shown below.

Remuneration band	Number of employees	
	2017/18	2016/17
£50,000 - £54,999	4	4
£55,000 - £59,999	1 + 1 *	2
£65,000 - £69,999		1 *
£70,000 - £74,999	1 *	
£75,000 - £75,999		1 *
Total	7	8

* Includes a one off redundancy payment

The Council terminated the contracts of 9 employees in 2017-18 in different service areas incurring liabilities of £0.588m (£0.247m in 2016-17). This consisted of 7 voluntary and 1 compulsory redundancies, and the ending of a fixed term contract. This compares to 4 voluntary redundancies and the ending of a fixed term contract in the previous year.

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17
			£'000	£'000
£0 - £20,000	2	1	10	12
£20,001 - £40,000	3	1	87	25
£40,001 - £60,000	1	2	55	83
£60,001 - £80,000	1		69	
£101,001 - £120,000	1		107	
£120,001 - £140,000		1		127
Over £150,000	1		260	
Total	9	5	588	247

It is the Council's policy that the savings made from voluntary redundancies and flexible retirements must be sufficient to ensure that the associated costs are recovered within a 3 year payback period.

West Lancashire Borough Council Statement of Accounts 2017/18

Post Title	Salary & Election Fees £	Expenses £	Compensation for loss of office £	Benefits in Kind £	Total before pensions £	Pension contribution £	Total £
<u>2017-18 Remuneration</u>							
Chief Executive	108,539	0	0	0	108,539	17,055	125,594
Director of Housing and Inclusion	79,265	0	0	0	79,265	12,798	92,063
Director of Leisure and Well Being (left Jan 2018)	66,239	126	84,323	0	150,688	186,663	337,351
Director of Leisure and Environment	72,841	0	0	0	72,841	11,828	84,669
Director of Development and Regeneration	73,090	0	0	0	73,090	11,828	84,918
Borough Treasurer	59,676	0	0	0	59,676	9,727	69,403
Borough Transformation Manager and Deputy Director of Housing and Inclusion (left Nov 2017)	36,390	0	54,934	843	92,167	5,809	97,976
Borough Solicitor	63,091	0	0	0	63,091	9,727	72,818
<u>2016-17 Remuneration</u>							
Chief Executive	110,058	0	0	0	110,058	14,128	124,186
Director of Housing and Inclusion (started Dec 2016)	23,614	0	0	0	23,614	3,235	26,849
Director of Housing and Inclusion (left Dec 2016)	53,571	0	0	0	53,571	7,215	60,786
Director of Leisure and Well Being	78,648	164	0	0	78,812	10,650	89,462
Director of Street Scene (started March 2016)	5,889	0	0	0	5,889	807	6,696
Director of Street Scene (left October 2016)	42,133	0	0	0	42,133	5,648	47,781
Director of Development and Regeneration	71,711	0	0	0	71,711	9,700	81,411
Borough Treasurer	58,370	0	0	0	58,370	7,997	66,367
Borough Transformation Manager and Deputy Director of Housing and Inclusion	58,983	0	0	1,239	60,222	8,013	68,235
Borough Solicitor	61,385	0	0	0	61,385	7,997	69,382

31. EXTERNAL AUDIT COSTS

	2017/2018 £'000	2016/2017 £'000
Fees payable in relation to the audit of the accounts and inspection fees	44	44
Fees payable for the certification of grant claims and returns	13	13
Rebate	-6	0
Total	51	57

32. GRANT INCOME

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

	2017/2018 £'000	2016/2017 £'000
<i>Credited to Taxation and Non Specific Grants</i>		
Revenue Support Grant	871	1,576
New Homes Bonus	1,723	1,714
Business Rates	1,116	553
Other Grants	19	130
Total non ring fenced government grants	3,729	3,973
<i>Credited to Services</i>		
Benefit Payments and Administration	26,734	28,019
Capital Grants	1,284	1,082
Contributions to Refuse and Cleansing	953	970
Contribution to Highways	0	68
Flooding grants	212	578
Other Grants and Contributions	573	399
Total	29,756	31,116

West Lancashire Borough Council Statement of Accounts 2017/18

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:

	2017/2018 £'000	2016/2017 £'000
<i>Grants and Contributions Received in Advance</i>		
Section 106 Agreements	2,347	2,299
Homes and Communities Agency Contributions	695	314
Commutated Sums	144	179
Total	3,186	2,792

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. Grants received from the Government are set out 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 2017-18 is shown in note 29.

There are 54 Council Members, of whom 10 are also Parish Councillors, 5 are County Councillors, and 2 are Members of the Fire and Rescue Authority. Precept payments to Lancashire County Council, the Fire and Rescue Authority and the Police Authority are shown in the Collection Fund. The total precepts paid to Parish Councils are shown in note 8 and grant funding of £0.081m (£0.084m in 2016-17) 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 – £29,250 – 4 Members
- Women’s Refuge – £11,230 – 1 Member
- Dial a Ride - £25,720 – 1 Member
- Homestart - £11,270 – 2 Members
- Lancashire West Citizens Advice Bureau - £43,160 - 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 BTLS for the provision of Revenues, Benefits and IT Services worth £3.1m in 2017-18 (£3.2m in 2016-17), and there were payments due by the Council of £0.53m on this contract at the year end. The Council also received income of £0.95m (£1.04m in 2016-17) from Lancashire County Council in relation to Refuse and Recycling, Street Cleansing and Highways Maintenance activities, and there was £0.24m owed to the Council on these arrangements at the year end.

Payment of subsidy of £0.38m (£0.39m in 2016-17) was made to West Lancashire Community Leisure Ltd 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.

The Council is an associate member of the Liverpool City Region Combined Authority and paid a membership fee of £21,000 for the year (£21,000 in 2016-17).

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 long term contracts), together with the resources used to finance it.

	2017/2018 £'000	2016/2017 £'000
Opening Capital Financing Requirement	101,727	99,043
<i>Capital Investment</i>		
Property, Plant and Equipment	7,686	11,800
Heritage Assets	0	0
Investment Properties	0	3,852
Intangible Assets	226	410
Revenue Expenditure Funded from Capital Under Statute	1,042	829
<i>Sources of Finance</i>		
Capital Receipts	-1,255	-1,367
Government Grants and Other Contributions	-880	-1,069
Direct Revenue Contributions	-6,731	-11,447
Minimum Revenue Provision	-255	-324
Closing Capital Financing Requirement	101,560	101,727
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	316	2,969
Movement in other long term liabilities	-228	39
Minimum Revenue Provision	-255	-324
Other	0	0
Change in Capital Financing Requirement	-167	2,684

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: Operating Leases

The Council has acquired a number of vehicles by entering into operating leases. The Council entered into a new arrangement with regards to vehicle supply and maintenance during 2012-13 for a period of 5 years. This was extended, in line with contractual arrangements, for a further 3 years from September 2017. A review was undertaken that determined the supply of the vehicles under this contract represented an embedded lease.

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

	2017/2018 £'000	2016/2017 £'000
Not later than one year	703	375
Later than one year and not later than five years	995	211
Later than five years	0	2
Total	1,698	588

Authority as Lessor: Operating Leases

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

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

	2017/2018 £'000	2016/2017 £'000
Not later than one year	2,122	2,073
Later than one year and not later than five years	4,075	2,408
Later than five years	7,608	4,082
Total	13,805	8,563

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.

	2017/2018 £'000	2016/2017 £'000
Balance brought forward	674	635
Leisure trust repayments	-228	-228
Leisure trust investment	0	267
Balance carried forward	446	674

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 BTLS, with a value of £3.1m in 2017-18 (£3.2m in 2016-17). In October 2012 the Council agreed a 5 year contract for vehicle supply and maintenance, which has now been extended for a further 3 years, with an annual value of around £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 a Local Government Pension scheme, which is a funded defined benefit 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. The scheme is administered by Lancashire County Council and is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of a Pension Fund Committee comprised of a mixture of County Councillors and representatives from other employers. The Committee is assisted by an investment panel which advises on investment strategy and risk management.

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 and Housing Revenue Account 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 during the year:

	Discretionary Benefits		All Benefits	
	2017-18	2016-17	2017-18	2016-17
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	0	0	4,386	3,194
- Past service cost / gain (-)	0	0	0	0
- Settlements and curtailments	0	0	367	177
<i>Other Operating Expenditure</i>				
- Administration expenses	0	0	64	66
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	135	180	5,118	6,025
- Expected return on scheme assets	0	0	-3,625	-4,215
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	135	180	6,310	5,247
<i>Re-measurement of the net defined benefit liability</i>				
- Return on plan assets	0	0	-1,582	-19,909
- Actuarial gains and losses arising on changes in financial assumptions	-120	416	-7,523	28,625
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	15	596	-2,795	13,963
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	-135	-180	-6,310	-5,247
Actual amount charged against the General Fund Balance for pensions	346	356	3,706	3,227

West Lancashire Borough Council Statement of Accounts 2017/18

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Pension assets and liabilities	Discretionary Benefits		All Benefits	
	2017-18	2016-17	2017-18	2016-17
	£'000	£'000	£'000	£'000
Present value of the benefit obligation	5,249	5,580	204,325	207,465
Fair value of plan assets	0	0	-146,807	-143,446
Net liability	5,249	5,580	57,518	64,019

Reconciliation of the movements in the Fair Value of Scheme Assets	Discretionary Benefits		All Benefits	
	2017-18	2016-17	2017-18	2016-17
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	0	0	143,446	121,657
Interest on plan assets	0	0	3,625	4,215
Re-measurements	0	0	1,582	19,909
Administration expenses	0	0	-64	-66
Employer contributions	346	356	3,706	3,227
Contributions by scheme participants	0	0	837	861
Benefits paid	-346	-356	-6,325	-6,357
Closing Balance	0	0	146,807	143,446

Reconciliation of Present value of the Scheme Liabilities	Discretionary Benefits		All Benefits	
	2017-18	2016-17	2017-18	2016-17
	£'000	£'000	£'000	£'000
Opening Balance	5,580	5,340	207,465	174,940
Current service cost	0	0	4,386	3,194
Interest cost	135	180	5,118	6,025
Contributions by scheme participants	0	0	837	861
Re-measurement gains and losses	-120	416	-7,523	28,625
Past service costs	0	0	0	0
Settlements and curtailments	0	0	367	177
Benefits paid	-346	-356	-6,325	-6,357
Closing Balance	5,249	5,580	204,325	207,465

West Lancashire Borough Council Statement of Accounts 2017/18

An analysis of scheme assets by category is shown below:

Asset category	Sub category	Quoted (Y/N)	31 March 2017 £'000	31 March 2018 £'000
Bonds	UK corporate	Y	523	837
	Overseas corporate	N	1,833	1,743
	UK fixed gilts	Y	275	0
	UK index linked	Y	2,564	3,503
	Overseas fixed interest	N	0	142
Property	Offices	N	2,647	2,851
	Offices / Warehouses	N	264	307
	Industrial / Warehouses	N	3,542	4,072
	Shops	N	1,248	1,189
	Retail Warehouse	N	2,078	2,283
	Shopping Centre	N	578	565
	Multi Let Commercial Building	N	2,279	2,539
Alternatives	UK private equity	N	1,626	0
	Overseas private equity	N	7,606	10,656
	Infrastructure	N	17,309	18,604
	Credit Funds	N	32,144	27,051
	Pooled Fixed Income	N	0	3,622
	Indirect Property Funds	N	2,022	2,230
	Overseas Pooled Equity Funds	N	63,419	65,228
Cash	Cash and cash equivalents	N	1,489	-3,549
	Cash accounts	N	0	6,195
	Net current assets	N	0	-3,261
Total			143,446	146,807

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 2016.

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

	2017/2018	2016/2017
	£'000	£'000
<i>Financial Assumptions</i>		
Rate of inflation	2.1%	2.3%
Rate of increase in salaries	3.6% *	3.8% *
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.5%
<i>Longevity Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	22.7 / 25.4	22.6 / 25.2
- Future pensioner aged 65 in 20 years time	25.0 / 28.0	24.9 / 27.9

* An adjustment has been made for short term pay restraint in line with the latest actuarial valuation.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analyses have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The principal risks to the Council relate to the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Sensitivity Analysis	Liabilities	Assets	Deficit
	£'000	£'000	£'000
Central	204,325	-146,807	57,518
+ 0.1% discount rate	201,037	-146,807	54,230
+0.1% inflation rate	207,667	-146,807	60,860
+0.1% pay growth	204,848	-146,807	58,041
1 year increase in life expectancy	208,442	-146,807	61,635

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial actuarial valuation is due in March 2019.

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31st March 2019 are £3.055m. Expected contributions for Discretionary Benefits in the year to 31st March 2019 are £0.346m. The weighted average duration of the defined benefit obligation for scheme members is 16 years, and the duration profile used to determine assumptions is very mature.

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, but where past members may become liable for payments that the Fund cannot meet. The scheme has been triggered and this resulted in payments becoming due in 2013-14 and 2015-16 and further payments may also become due if the liability situation deteriorates, although it is not possible to estimate the timing and value of any future payments.

Recent Employment Appeals Tribunal rulings on Holiday pay have expanded the types of pay that have to be considered when calculating the amount of holiday pay an employee should receive. No liabilities have been included in the accounts for this factor as its implications are being investigated, but it is not expected that it will have a material impact.

Proceedings have been issued by 20 Foundation NHS Trusts against 49 Billing Authorities across the Country. The Claimants claim that they are charities and occupy the relevant properties in respect of which business rates have been paid wholly or mainly for charitable purposes. The Trusts are seeking to recover 80% of rates going forward. The amount claimed is around £0.86m plus interest and costs (the Borough Council's share of this amount is 40%, in line with the normal arrangements for distributing NNDR income).

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.

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. The Council's maximum exposure to credit risk in relation to its investments and money at call of £20.94m 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 non-collection, are shown in note 18. The single largest bad debt provision is £2.9m in relation to housing benefit overpayments debt which has been fully provided for given the difficulties involved in collecting this type of liability.

(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 a significant amount of money held at call that would be available.

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 in the near future, and the debt portfolio has been spread out over a period of up to 45 years. The maturity analysis of loans is set out below:

Maturity analysis of loans	2017/2018	2016/2017
	£'000	£'000
Between 5 and 10 years	4,411	4,411
Between 10 and 15 years	4,411	4,411
Between 15 and 20 years	8,821	8,821
Between 20 and 25 years	8,821	8,821
Between 25 and 30 years	8,821	8,821
Between 30 and 35 years	17,642	17,642
Between 35 and 40 years	17,642	17,642
Between 40 and 45 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 borrowed 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 of 1% in discount rates would result in a reduction in the fair value of these loans from the current level of £107.856m to £89.089m.

Investment income in 2017-18 was £0.075m based on an average rate of interest earned of 0.308%.

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 £4,371 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 £1,859 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

2016/2017 £'000		2017/2018 £'000 £'000	
Expenditure			
-3,559	Repairs and maintenance (note 2)	-3,331	
-7,927	Supervision and management	-8,371	
-401	Rents, rates, taxes and other charges	-444	
-3,249	Depreciation (note 3)	-3,316	
-3,361	Impairment (note 3)	-4,537	
-182	Movement in bad debt provision	-111	
-18,679	Total expenditure		-20,110
Income (note 5)			
23,589	Dwelling rents	23,182	
379	Non-dwelling rents	374	
2,021	Charges for services and facilities	2,086	
25,989	Total income		25,642
7,310	Net Cost of HRA Services in the Comprehensive Income & Expenditure Statement		5,532
-443	HRA share of Corporate & Democratic Core		-421
-40	HRA share of Pension Past Service Gain/Cost(-)		-79
6,827	Net Income of HRA Services		5,032
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
607	Gain or Loss on Disposal of Non-Current Assets		318
-3,057	Interest payable		-3,057
43	Interest and Investment Income		33
-411	Pensions interest cost and expected return on pensions assets		-320
-15	Pension administration expenses		-14
34	Capital grants and contributions receivable		0
4,028	Deficit (-) / Surplus for the year on HRA services		1,992

MOVEMENT ON THE HRA STATEMENT

2016/2017 £'000		2017/2018 £'000	
782	HRA Balances brought forward		619
4,028	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	1,992	
-4,205	Adjustments between accounting basis and funding basis under statute	1,551	
-177	Net change before transfers to or from reserves	3,543	
14	Transfers to or from reserves	-3,543	
-163	Increase or Decrease in balances in year		0
619	HRA Balances carried forward		619

Adjustments between accounting basis and funding basis under statute

2016/17 £'000		2017/18 £'000	
-4	Transfers to/from the Accumulated Absences Account		14
-607	Gain (-) or loss on sale of non-current assets		-318
335	HRA share of contributions to or from the Pensions Reserve		501
-7,256	Capital expenditure funded by the HRA		-3,183
-3,249	Transfer to Major Repairs Reserve		-3,316
	Transfers to and from the Capital Adjustment Account		
3,361	- Impairment (note 3)		4,537
3,249	- Depreciation (note 3)		3,316
-34	- Capital Grants		0
-4,205	Total adjustments		1,551

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. The Council charges rents to cover expenditure in accordance with the legislative framework 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 on the HRA Statement.

2. Repairs and Maintenance

Details of repairs and maintenance expenditure are as follows:

	2017/2018 £'000	2016/2017 £'000
Programmed Work (including painting)	913	1,133
Repairs	2,418	2,426
Total	3,331	3,559

3. Capital charges

An impairment charge of £4.537m (£3.361m in 2016-17) 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 £3.316m have been made to the HRA to reflect its use of assets (£3.249m in 2016-17). 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 an 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. 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 2017/18 was £74.71 (on a 52 week basis). This is a decrease of £0.22 over the like for like figure at the end of 2016/17.

The overall 0.3% decrease in average rent is driven by Government policy to reduce rents by 1% in 2017/18 compared to 2016/17. The effect of this policy had been offset by a reduction in void loss, that is income lost due to properties being empty, for example between tenancies or in preparation for demolition.

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.

6. Rent Arrears and Provision for Bad Debts

	2017/2018 £'000	2016/2017 £'000
Arrears carried forward	1,205	1,153
Provision for bad debts carried forward	556	565

7. Movement in the Major Repairs Reserve

	2017/2018 £'000	2016/2017 £'000
Balance brought forward	0	0
Depreciation Charge	3,316	3,249
Funding for Capital Expenditure	-3,316	-3,249
Balance carried forward	0	0

8. Housing Stock

The Council owned an average of 5,961 dwellings (including flats and maisonettes, houses and bungalows) during 2017/2018. The following table shows the changes in stock over the last two years.

	2017/2018	2016/2017
Opening Stock	5,994	6,062
Additions	6	38
Sales	-73	-81
Transfers to / from Assets Held for Sale	2	7
Demolitions and disposals	0	-52
Other movements	-1	20
Closing Stock	5,928	5,994

An analysis of the housing stock at 31 March 2018 is shown below.

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
Low-Rise Flats					
1 Bedroom	-	-	49	1,025	1,074
2 Bedroom	-	-	103	85	188
3 (or more) Bedroom	-	-	-	10	10
Sub Total	-	-	152	1,120	1,272
Medium-Rise Flats					
1 Bedroom	-	1	1	293	295
2 Bedroom	-	-	-	532	532
3 (or more) Bedroom	-	-	1	115	116
Sub Total	-	1	2	940	943
Houses					
1 Bedroom	2	32	287	260	581
2 Bedroom	33	52	208	240	533
3 Bedroom	9	144	448	1,662	2,263
4 (or more) Bedroom	-	6	5	325	336
Sub Total	44	234	948	2,487	3,713
Totals	44	235	1,102	4,547	5,928

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

	Intangible Assets £'000	Assets held for sale £'000	Council dwellings £'000	Other land / buildings £'000	Assets Under Construction £'000	Other Assets £'000	Total £'000
Opening value	209	145	173,438	1,574	0	615	175,981
Additions and Enhancements	17		6,317		483	22	6,839
Disposals		-145	-2,753			-497	-3,395
Depreciation	-22		-3,244	-17		-33	-3,316
Revaluation and Impairment			-4,916	-8			-4,924
Transfers		145	-48	0	86	-9	174
Closing value	204	145	168,794	1,549	569	98	171,359

10. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1st April 2017 was £427.9m (£428.3m at 1st April 2016). 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. Sources of Funding for HRA Capital Expenditure

	2017/2018 £'000	2016/2017 £'000
Major Repairs Reserve	3,316	3,249
HRA Revenue Contribution	3,183	7,256
Capital Grants	0	34
Capital Receipts	340	314
Total	6,839	10,853

12. Capital Receipts

The value of receipts on disposals of HRA assets were £3.071m in the year (£3.344m in 2016-17).

West Lancashire Borough Council Statement of Accounts 2017/18

2016-17			2017-18	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
INCOME				
31,734	56,317	Income due in year (notes 2 & 3)	31,989	59,254
1,377	0	Contributions to previous year deficits (note 4)	2,667	0
315	0	Transitional Protection Payments	0	0
33,426	56,317	Total income	34,656	59,254
EXPENDITURE				
Precepts, Demands and Shares				
16,150	0	- Central Government	14,650	0
0	0	- Transitional Protection Payments	2,136	0
12,920	6,903	- West Lancashire Borough Council	11,720	7,170
2,907	39,970	- Lancashire County Council	2,637	42,016
323	2,228	- Lancashire Combined Fire Authority	293	2,253
0	5,519	- Lancs Police & Crime Commissioner	0	5,690
0	288	Contributions from previous year surpluses (note 4)	0	923
Charges to Collection Fund				
837	976	- Impairment of debts – write offs and provisions	682	1,098
-1,819	0	- Change in provision for appeals	248	0
132	0	- Cost of Collection Allowance	129	0
31,450	55,884	Total expenditure	32,495	59,150
1,976	433	Movement on Fund Balances	2,161	104
-3,538	857	Opening Fund Balances	-1,562	1,290
-1,562	1,290	Closing Fund Balances	599	1,394

NOTES TO THE COLLECTION FUND

1. The Collection Fund Account

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

2. Council Tax

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority’s precept or demand for the year plus its share of the previous year’s Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account, as shown in note 6.

Since the collection of Council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor/creditor position between the billing authority and each major preceptor.

The council tax base for 2017/2018 was 34,390.20 (34,020.96 in 2016/17) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
A	8,747.40	6/9	5,831.60
B	6,508.56	7/9	5,062.20
C	7,842.91	8/9	6,971.48
D	6,067.53	1	6,067.53
E	4,314.14	11/9	5,272.85
F	2,288.98	13/9	3,306.32
G	1,460.94	15/9	2,434.91
H	72.57	2	145.14
Total Relevant Amount			35,092.03
Estimated Collection Rate			98%
Council Tax Base			34,390.20

3. National Non-Domestic Rates (Business Rates)

NNDR is the business rate and is organised on a national basis. The Government specifies an amount (47.9p in 2017/18 and 49.7p in 2016/17) and, subject to the effects of transitional arrangements and mandatory and discretionary reliefs, local businesses pay rates calculated by multiplying that amount by their rateable value.

The NNDR income after reliefs and discounts was £31.989m for 2017/2018 (£31.734m for 2016/17). The rateable value for the Council's area at the end of the financial year 2017/18 was £79.847m (£81.563m for 2016/17).

4. Surplus and Deficit on Collection

The final outturn on Council Tax operations shows a surplus of £1.394m, which compares with the estimated surplus of £1.102m declared in January 2018 and which will be distributed in 2018-19.

The financing arrangements for deficits and 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.

	2017/2018 Surplus £	2016/2017 Surplus £
Lancashire County Council	675,370	209,451
Lancashire Police Authority	93,252	29,488
Lancashire Fire Authority	37,653	12,024
West Lancashire Borough Council	116,644	36,725
Total	922,919	287,688

The financing arrangements for deficits and surpluses in respect of Business Rates provide for a sharing between the Government and major precepting authorities on a set percentage basis. The following table shows how these items have been shared over the last 2 years.

	2017/2018 Deficit £	2016/2017 Deficit £
Central Government	-1,333,334	-688,341
West Lancashire Borough Council	-1,066,667	-550,673
Lancashire County Council	-240,000	-123,901
Lancashire Fire Authority	-26,667	-13,767
Total	-2,666,668	-1,376,682

5. Lancashire Business Rates Pool

The Council is part of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their levy.

With regard to this Council, the retained levy would be £669,688, hence under pooling we have benefited from extra income of £602,719. Lancashire County Council has received the remaining 10% of the retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

The Net Retained Levy for the Council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the Council's own share of growth achieved in the year.

GLOSSARY OF TERMS

This Glossary of Terms is designed to aid interpretation of the Council's Statement of Accounts.

Accounting Policies

These specify how transactions and other events should be reflected in financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuary

An actuary is an expert on pension scheme assets and liabilities.

Actuarial Gains and Losses

Changes in the actuarial deficits or surpluses over time arising from either or both of i) differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation (known as experience gains and losses), and ii) changes in the actuarial assumptions.

Amortisation

An annual charge to the revenue account that spreads the cost of an asset over a period of time.

Appropriation

A contribution to or from a financial reserve.

Balances (Or Reserves)

These represent accumulated funds available to the Council. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are for technical purposes and it is not possible to utilise these to provide services.

Budget

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

Capital Expenditure

Expenditure on the acquisition and/or improvement of an existing Non-Current Asset which adds to, and not merely maintains, its value. Expenditure that does not fall within the definition must be charged to a revenue account.

Capital Receipts

Proceeds from the sale of capital assets which can only be used to repay loans or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as 'capital receipts unapplied'.

CIPFA (Chartered Institute of Public Finance and Accounting)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

Collection Fund

The Collection Fund is a separate statutory fund which billing authorities have to maintain. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.

Consistency

This is a concept that the accounting treatment of like items, within an accounting period and from one period to the next, is the same.

Contingency

This is a condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent assets and contingent liabilities are not recognised in the accounting statements but are disclosed by way of notes.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Council Tax

This is a banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1st April 1991. The level of tax is set annually by each local authority for the properties in its area.

Creditors

Amounts owed by the Council for work done, services rendered or goods received for which payment has not been made by the balance sheet date.

Current Assets

Current assets are items that can be readily converted into cash.

Current Liabilities

Amounts which will become payable or could be called in within the next accounting period.

Current Service Cost (Pensions)

The increase in the pension liabilities as a result of years of service earned this year.

Debtors

Amounts owed to the Council for work carried out, services rendered or goods provided by the Council for which income has not been received by the balance sheet date.

Deferred Credits

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed.

Defined Benefit Scheme

A pension or other retirement benefits scheme other than a defined contribution scheme, where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Depreciation

This is the measure of the cost or revalued amount of the benefits of the Non-Current Asset that have been consumed during the period.

Direct Revenue Financing

Resources provided from an authority's revenue budget to finance the cost of capital projects.

Emoluments

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

Estimation Techniques

The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Events after the Balance Sheet Date

These are events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

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

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives.

Finance Lease

This is a lease that transfers substantially all of the risks and rewards of ownership of a Non-Current Asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Reporting Standards (FRSs)

FRSs are statements which deal with accounting issues of fundamental importance and general application. They are applicable to all published accounts and compliance is mandatory. The Code of Practice on Local Authority Accounting in the UK applies FRSs to Council accounts as appropriate.

Financial Year

The Council's financial year runs from the 1st April to 31st March.

General Fund

This is the main revenue account of the Council covering day to day spending on services other than the provision of housing.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Heritage Assets

Heritage assets are defined as assets which have historical, artistic or cultural qualities and that are held and maintained principally for their contribution to knowledge and culture.

Historic Cost

The cost of an asset at the time it was bought.

Housing Revenue Account (HRA)

The HRA is an account which includes the expenditure and income arising from the direct provision of housing by the Council.

Impairment

This is a reduction in the value of a Non-Current Asset below its carrying amount on the balance sheet.

Infrastructure Assets

Non-Current Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

These are non-financial Non-Current Assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. Examples are purchased software licences.

Inventories

The amount of unused or unconsumed stocks bought but not used at the end of the accounting period, held in expectation of future use, for example goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, and finished goods.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Investment Properties

This represents an interest in land and/or buildings in respect of which construction work and development have been completed, and which is held for its investment potential, with any rental income being negotiated at arm's length.

Leasing

Leasing is a method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

Liquid Resources

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Materiality

The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by the reader.

Minimum Revenue Provision (MRP)

The minimum amount (as laid down in Statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Non Domestic Rates (NDR)

NDR is a tax levied on business properties and sometimes known as Business Rates. This tax is set nationally by the Government. Sums based on rateable values are collected by billing authorities and shared between major preceptors, central government, the Police and Crime Commissioner and the billing authority.

Net Book Value

The amount at which Non-Current Assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Current Replacement Cost

This is the cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Assets

Assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non-distributable Costs

These are costs that cannot be specifically applied to a service or services and are held centrally, for example certain pension costs.

Non-Operational Assets

Non-Current Assets held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases

An operating lease is a lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own an asset. A third party purchases the asset on behalf of the Council, who then pay the lessor an annual rental over the life of the asset.

Operational Assets

Non-Current Assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Examples include Council dwellings, other land and buildings, vehicles, plant, equipment, infrastructure assets and community assets.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Post Balance Sheet Events

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

This is a charge levied by one Council which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Principal

The amount of money borrowed, not including interest charges.

Prior Year Adjustments

Prior year adjustments are material adjustments, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Provision

These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

Prudence

The concept that revenue is not anticipated but is recognised only when realisation in cash is reasonably certain. Conversely, provisions should be made for all known liabilities.

Prudential Code for Capital Finance

This Code was introduced from 1st April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

Public Works Loan Board (PWLB)

A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

Related Parties

Two or more parties are related parties when at any time during the financial period: one party has direct or indirect control of the other party; or the parties are subject to common control from the same source; or one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves

Amounts set aside in one year's accounts which can be spent in later years. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

Residual Amount

The amount an asset can be sold for, less the cost of selling it.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by the employee.

Revenue Expenditure

This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

Revenue Expenditure Funded from Capital Under Statute

Expenditure that is not capital in accordance with UK GAAP is allowed by statute to be funded from capital resources and hence such expenditure would have no impact on council tax in the year that it was incurred.

Revenue Support Grant (RSG)

This is a general grant received from Central Government to contribute towards the cost of providing services.

Scheme Liabilities

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

Specific Grants

Government grants for a particular service.

Statement of Recommended Practice – (SORP)

This is the Code of Practice on Local Authority Accounting in the United Kingdom.

Tangible Non-Current Assets

Assets which have a physical form e.g. buildings, equipment.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned.

Total Net Worth

The total net value of resources available to or owned by the Council.

Useful Life

The period over which the local authority will derive benefits from the use of a Non-Current Asset.

