



Kim Webber B.Sc. M.Sc.
Chief Executive
52 Derby Street
Ormskirk
West Lancashire
L39 2DF

Friday 26 July 2019

TO: COUNCILLORS **C COOPER, N PRYCE-ROBERTS, T BLANE, C DERELI,**
J GORDON, J MEE, M NIXON, P O'NEILL, E POPE,
A PRITCHARD AND I RIGBY

Dear Councillor,

Please find attached appendices which were marked to follow.

**SUPPLEMENTARY AGENDA
(Open to the Public)**

- | | | |
|-----------|--|--------------|
| 6. | GRANT THORNTON - AUDIT FINDINGS REPORT
(Appendix 1 attached). | 131 -
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| 7. | APPROVAL OF STATEMENT OF ACCOUNTS
(Appendices 1 and 2 attached). | 159 -
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Yours faithfully

A handwritten signature in black ink, appearing to be 'Kim Webber', written over a horizontal line.

Kim Webber
Chief Executive

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:-

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Audit Findings Report

West Lancashire Borough Council

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Year ended 31 March 2019
30 July 2019



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Section

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2. Financial statements
3. Value for money
4. Independence and ethics

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Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

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 findings and other matters arising from the statutory audit of West Lancashire Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial statements audit

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:

- give a true and fair view of the financial position of the Council and its income and expenditure 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.

We are also required to report whether other information published together with the audited financial statements (including the 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.

Our audit work was completed during June and July. Our findings are summarised on pages 4 to 15. Our work on the audit is ongoing at the time of writing this report.

Appendix C sets out any adjusted or unadjusted errors we have identified. At this time, there are no matters of which we are aware that would require modification of our audit opinion. This is subject receiving the remaining information we have requested and the completion of the following outstanding matters;

- receipt of information in order to complete our sample testing in a number of areas such as valuation of land and buildings, debtors and creditors
- review and verification of the changes to the accounts in relation to the adjustments to the pensions figures
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified. We have raised four recommendations as a result of our accounts audit, which are reported in Appendix A.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

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.

We therefore anticipate issuing an unqualified opinion. Our findings are summarised on pages 16 to 19. We have raised two recommendations as a result of our VFM work, which are reported in Appendix A.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We are progressing the audit work required under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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 Report 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) and the Code, 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 is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and

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.

- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in January 2019.

Conclusion

We are in the process of completing our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion.

These outstanding items include:

- receipt of information in order to complete our sample testing in a number of areas such as valuation of land and buildings, debtors and creditors
- review and verification of the changes to the accounts in relation to the adjustments to the pensions figures
- receipt of management representation letter; and
- review of the final set of financial statements

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for West Lancashire Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,483,000	Considered to be the amount above which users of the accounts would wish to be aware of misstatements in the context of overall expenditure
Performance materiality	1,113,000	Assessed as 75% of financial statement materiality
Trivial matters	74,000	Matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.
Materiality for senior officer remuneration	2% of total remuneration for senior officer remuneration	This is a sensitive note in the accounts and is of interest to the public.
Materiality for related party transactions	Made on a case by case basis on whether the transaction is material to either party	This is a sensitive note in the accounts and is of interest to the public.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

There have been no changes to our assessment reporting in the audit plan.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- 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

Therefore, we do not consider this to be a significant risk for West Lancashire Borough Council.

Our work in relation to the testing of revenues is ongoing at the time of writing.

Management override of controls

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. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation to ensure that there is no material difference. GRA assets are due for a revaluation in 2018/19. This valuation represents a significant estimate by management in the financial statements.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluate the competence, capabilities and objectivity of the valuation expert
- discuss with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met
- challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- test a sample of revaluations made during the year to confirm they have been input correctly into the Authority's asset register.

The Council's land and buildings assets have been valued this year by the Council's in-house valuation team. Our work has assessed them as having a good knowledge of the Council's portfolio, and they have used information from the Asset Register and other Council estates systems in carrying out their valuation of the assets. The assumptions used are reasonable and we are satisfied that they had access to appropriate levels of information to complete reliable valuations.

Our testing of the valuation of the Council's land and buildings is ongoing at the time of writing.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£55.495 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work in this areas is ongoing at the time of writing.


We draw your attention to page 8 where a national issue relevant to all local authorities requires them to consider and assess their circumstances and the impact upon the valuation of the pension fund net liability and the pension reserve.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary
<p data-bbox="47 399 932 442">Net Pension Liability – McCloud judgement</p> <p data-bbox="47 442 932 599">The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government recently applied to the Supreme Court for permission to appeal this ruling, but permission to appeal was unsuccessful. We understand the case will now be remitted back to employment tribunal for remedy.</p> <p data-bbox="47 599 932 756">The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for the directly affected pension funds, but also for other public sector pension schemes where they have implemented transitional arrangements on changing benefits, including the local government pension scheme.</p> <p data-bbox="47 756 932 943">Discussion has been ongoing through June and July in the sector regarding the impact of the ruling on the financial statements of local government bodies. Many councils had initially included the impact of the McCloud judgement as a contingent liability in their 2018/19 accounts. However as the picture has now become clearer there is now a general acceptance that the increased liability, where material, should be reflected in the IAS 19 figures in the balance sheet.</p>	<p data-bbox="932 442 1976 542">The Council has reviewed their judgement and accounting treatment for the McCloud ruling, as the draft financial statements did not factor in the impact of the case in the pension liability figures provided by the Actuary.</p> <p data-bbox="932 542 1976 642">The Council requested the Actuary to perform a review of the impact of the McCloud case. The revised report from the actuary estimated the impact on the Council's pension liability to be an increase of £1.028m.</p> <p data-bbox="932 642 1976 714">We are reviewing work from our internal actuaries to provide us with assurance over the assumptions and methods employed by Mercers in compiling the McCloud liability estimates.</p> <p data-bbox="932 714 1976 785">The Council has amended the financial statements to reflect the revised figures from the updated actuary's report.</p>


Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Council Housing - £167.4m	<p>The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation to ensure that there is no material difference.</p> <p>A full valuation of council housing was last completed in 2015/16..</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£167.4 million) and the sensitivity of this estimate to changes in key assumptions.</p>	<p>We reviewed the detail of your assessment of the estimate, considering;</p> <ul style="list-style-type: none"> the assessment of management's expert, your internal valuer; the assessment of the auditor's expert, Gerald Eve; the completeness and accuracy of the underlying information used to determine the valuation; the reasonableness of the change in the valuation including comparison with market trend report provided by our auditor expert Gerald Eve; and the adequacy of the disclosure of the estimate in the financial statements <p>The Council has completed a desk top review of council housing for 2018/19 as at 1 April 2018 which has resulted in an increase in the value of housing stock of around £3m.</p> <p>Our work in this area is ongoing including the testing of a sample of revaluations in the year and review of the Council's accounting treatment of capital expenditure on housing stock.</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £26.4m	<p>The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation to ensure that there is no material difference.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£26.4 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Valuations are carried out during the year and the valuations are assessed as at 1 April 2018.</p>	<p>We reviewed the detail of your assessment of the estimate, considering;</p> <ul style="list-style-type: none"> the assessment of management's expert, your internal valuer; the assessment of the auditor's expert, Gerald Eve; the completeness and accuracy of the underlying information used to determine the valuation; the reasonableness of the change in the valuation including comparison with market trend report provided by our auditor expert Gerald Eve; and the adequacy of the disclosure of the estimate in the financial statements. <p>GRA land and buildings were revalued in full for 2018/19 with a valuation date of 1 April 2018 and an overall reduction in value of around £2m. Because the valuation date was 1 April 2018 we have assessed using indices whether there has been any material movement since that date and concluded that there could be a potential increase in value between £573k - £846k. As this is not material we are satisfied the valuation in the accounts is reasonable.</p> <p>Our work in this area is ongoing at the time of writing including testing of a sample of revaluations completed during the year.</p>	

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment																								
Net pension liability – £55.9m	<p>The Council's net pension liability at 31 March 2019 is £55.9 million (PY £55.5 million) comprising the Local Government Pension Scheme and unfunded discretionary pension scheme obligations.</p> <p>The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements</p>	<p>We reviewed the detail of your assessment of the estimate, considering;</p> <ul style="list-style-type: none"> the assessment of management's expert, Mercers; the completeness and accuracy of the underlying information used to determine the estimate; the reasonableness of the Council's share of the LGPS assets; the reasonableness of the overall increase in the estimate; assessment of actuary's roll forward approach taken, detail work undertaken to confirm reasonableness of approach; use of PwC as auditor's expert to assess the actuary and assumptions made by actuary – see table below for our evaluation of the Actuary's key assumptions; adequacy of disclosure of the pension estimates in the financial statements. the adequacy of the disclosure of the estimate in the financial statements. <p>External auditors are provided with assurance in the form of an auditors expert report from PwC to assess the assumptions made by the Actuary. The table below sets out the key assumptions.</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4 - 2.5%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>2.2% - 2.3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>3.1% - 4.35%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>90.- 90.1/ 87.7-87.8</td> <td>89.8 - 91.3 / 88.2 - 88.7</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>93 – 93.2/ 90.4 – 90.5</td> <td>92.9-94 / 90- 91.4</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary value	PwC range	Assessment	Discount rate	2.4%	2.4 - 2.5%	●	Pension increase rate	2.3%	2.2% - 2.3%	●	Salary growth	3.7%	3.1% - 4.35%	●	Life expectancy – Males currently aged 45 / 65	90.- 90.1/ 87.7-87.8	89.8 - 91.3 / 88.2 - 88.7	●	Life expectancy – Females currently aged 45 / 65	93 – 93.2/ 90.4 – 90.5	92.9-94 / 90- 91.4	●	●
Assumption	Actuary value	PwC range	Assessment																								
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At the time of writing our work in this area is ongoing. We draw your attention to page 8 to the national issued in respect of the McCloud judgement, which has led to an increase in the pension liability.

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> • There were two new accounting standards in 2018/19 IFRS9 and IFRS15 which should be implemented from 1 April 2018. The financial statements submitted for audit did not include any of the required disclosures in respect of these new accounting standards. • Officers have now assessed the likely impact and in their view the new standards do not have a material impact to the financial statements. However the Council is required to comply with the disclosures set out in the Code and so have amended the accounts to reflect some of the requirements of IFRS9. • The classification of financial instruments disclosed within the financial statements has been updated and we are currently assessing the assumptions and judgements of management in respect of the requirements. • The disclosures in the amended financial statements are not fully compliant with the requirements of the Code.
Business conditions affecting the Council, and business plans and strategies that may affect the risks of material misstatement	<ul style="list-style-type: none"> • No such items identified
Concerns about management's consultations with other accountants on accounting or auditing matters	<ul style="list-style-type: none"> • No such items identified
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	<ul style="list-style-type: none"> • We were re-appointed as auditors of West Lancashire Borough Council for five years from 2018/19. • We issued our 2018/19 Audit Plan in January 2019 and presented this to the Audit and Committee at the January 2019 meeting.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	<ul style="list-style-type: none"> • No such matters identified
Other matters that are significant to the oversight of the financial reporting process	<ul style="list-style-type: none"> • Other than those above – no such matters identified.

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Auditor commentary

Management's assessment process

The Council has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists.

- The Council's use of the going concern basis of accounting is appropriate.
- The Council's has provided us with an assessment of the going concern basis. This is based on:
 - the Council having met their budgeted expenditure for 2018/19;
 - the Council having set a balanced budget for 2019/20; and
 - the Council's assessment of future funding requirements in the Medium Term Financial Forecast.
- The disclosure of the going concern basis within the financial statements is satisfactory.

Work performed

We have considered the financial standing of the and reviewed management's assessment of going concern and the assumptions and supporting information.

- Our work has not identified any material uncertainties to the going concern assumption

Concluding comments

The Council's use of going concern basis of accounting is appropriate.

- Our opinion is expected to be unmodified in respect of the going concern conclusion

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
Matters in relation to fraud	<p>We have made specific inquiries to management and to the Chair of the Audit and Governance Committee regarding the processes the Council has in place to prevent and detect fraud. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</p> <p>Our sample testing of transactions has not identified any fraudulent transactions. Our review has also considered:</p> <ul style="list-style-type: none"> • related party transactions, in particular those that are complex, outside the normal course of business or involve management or those charged with governance; • consideration of any management bias in preparing key estimates; and • disclosures in the financial statements.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	<p>We have previously requested from management permission to send confirmation requests to your bank and those bodies with which you hold investments.</p> <p>We have received all requested external confirmations.</p>
Disclosures	<p>Our work in this area is ongoing at the time of writing.</p> <p>We have highlighted on page 12 issues in relation to the disclosure requirements of IFRS9.</p>
Audit evidence and explanations/significant difficulties	At the time of writing we were awaiting some of the information to complete our sample testing.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement 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 unmodified opinion in this respect</p>
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>
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.</p> <p>This work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of West Lancashire Borough Council in the audit opinion. However, due to delays in receiving some of the audit information requested and due to the impact of the McCloud judgements and related changes to the accounts, it is not clear whether we will be able to issue our opinion by the deadline of 31 July.</p> <p>The Council's responsibility under the Accounts and Audit Regulations 2015 is to publish an explanation of why the audited accounts are not available by 31 July 2019. The Regulations do not require the audit to be completed by this date. Provided it does this, the Council will not be in breach of its requirements under the Audit and Accountability Act 2014.</p>

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Value for Money

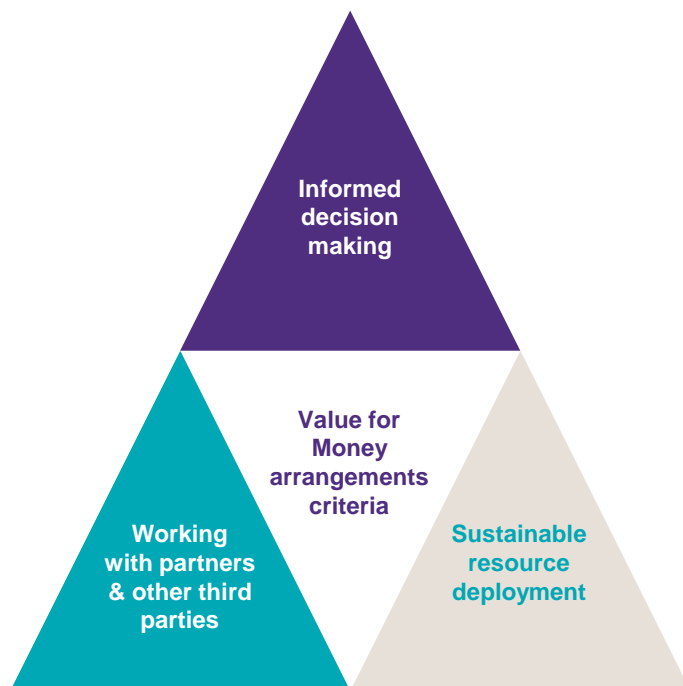
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 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:



Risk assessment

We carried out an initial risk assessment in and identified one significant risk 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 January 2019.

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 Council's arrangements for delivering economy, efficiency and effectiveness.

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

- review of budget monitoring reports and updates to the Medium Term Financial Plan
- discussion with officers regarding plans to address future potential budget gaps including the progress of the Sustainable Organisation Review
- Assessment of how the Council is managing and monitoring financial pressures including the review 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 19.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Recommendations for improvement

We discussed findings arising from our work with management. We have made one recommendation which is included on page 19 and in the action plan in Appendix B.

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

Financial Sustainability

West Lancashire Borough Council has a good track record of making the savings required in order to set and achieve a balanced budget. However, there is increasing pressure due to growing demands around services and rising financial pressures. At the mid way point of the year the Authority was forecasting a favourable variance of £40k on the GRA budget and £1.146m on the HRA budget Whilst this was a positive picture, the Authority needed to deliver the savings identified in order to ensure budgets were met at the year end.

The latest Medium Term Financial Plan update issued in October, set out that the Authority estimated there would be a budget gap of £1.53m for 2019-20, £1.77m for 2020-21 and £1.91m for 2021-22. In order to help address these gaps going forward the Authority is undertaking a Sustainable Organisation Review. It is anticipated that the savings produced from this review combined with use of Authority reserves will close the gaps identified.

- The Council set a balanced GRA budget for 2018-19 prior to the start of the year and achieved this budget with a positive variance of £49k against the planned budget. Performance against budget was monitored through the year and the variance was in line with the Council's forecasts, the mid-year review had forecasted a positive variance of £40k.
- The capital budget was underspent by around £1.5m. This underspend was spread over a number of schemes across different directorates and the underspend will be slipped into the 2019/20 year to complete the relevant schemes.
- The HRA budget was under spent by around £1.7m. Much of this is due to vacant posts and a change in method of delivery for the painting contract for the maintenance of property.
- The year-end Treasury Management Performance Report set out that the Council has achieved its prudential indicators for the year and kept within agreed borrowing limits.
- The Council plan for 2019-2021 sets out the Council's priorities for the next couple of years including proposals to address financial pressures and information around the organisational review and what it hopes to achieve.
- The Medium Term Financial Forecast (MTFF) was updated in October 2018. As set out aside this estimates a cumulative budget gap of £1.53m for 2019-20, £1.77m for 2020-21, and £1.91m for 2021-22. The main mechanism for addressing the budget gap facing the Council is the Sustainable Organisation Review process (SORP). The MTFF went to the Council in October and is due to be updated further after the Sustainable Organisational Review (SORP) is finalised.
- The report and supporting information for the SORP went to Council on 10 July 2019. We reviewed the Council's proposals and have raised some areas for the Council to consider further:
 - Organisation structure – the Authority should ensure that the designated officers have sufficient status and capacity to properly fulfil the statutory duties of the s151 officer and the monitoring officer in addition to any other responsibilities.

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

Financial Sustainability

West Lancashire Borough Council has a good track record of making the savings required in order to set and achieve a balanced budget. However, there is increasing pressure due to growing demands around services and rising financial pressures. At the mid way point of the year the Authority was forecasting a favourable variance of £40k on the GRA budget and £1.146m on the HRA budget Whilst this was a positive picture, the Authority needed to deliver the savings identified in order to ensure budgets were met at the year end.

The latest Medium Term Financial Plan update issued in October, set out that the Authority estimated there would be a budget gap of £1.53m for 2019-20, £1.77m for 2020-21 and £1.91m for 2021-22. In order to help address these gaps going forward the Authority is undertaking a Sustainable Organisation Review. It is anticipated that the savings produced from this review combined with use of Authority reserves will close the gaps identified.

- Cash investment income – the Authority needs to consider Statutory Guidance on Local Government Investments. If the Authority is considering longer term investments, the Authority needs to consider liquidity risk to ensure funds invested are available for expenditure when needed.
- Commercial property investment – Commercial property investment brings risk, which needs to be effectively managed. We recommend that the Authority undertakes due diligence and considers the scrutiny and risk management arrangements before making any investments.
- Agreed proposals are due to be implemented going forward from 2019/20 and we will review the detailed proposals as part of our value for money work in 2019/20. We have raised two recommendations regarding our consideration of the Council's SORP proposals in Appendix A.
- Based on the above, we have not identified any significant issues that would impact on our VFM conclusion.

Independence and ethics

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 confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of 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 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

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 Authority. The following other services were identified:

	Fees £	Threats identified	Safeguards
Audit related			
Pool of 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 £33,684 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	12,000	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 £12,000 in comparison to the total fee for the audit of £33,684 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 – additional fee 2017/18	5,190	Self-Interest (because this is a recurring fee)	The level of this additional fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,190 in comparison to the total fee for the audit of £33,684 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.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services require approval by the Audit and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

Action plan

We have identified five recommendations 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 2019/20 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.

Assessment	Issue and risk	Recommendations
Page 151	<p>SORP implementation – statutory roles</p> <p>One of the outcomes from the SORP review is to create a leaner management structure in order to make efficiency savings to create a financial sustainable organisation.</p>	<p>The Authority needs to ensure that the designated officers have sufficient status and capacity to properly fulfil the statutory duties of the s151 officer and the monitoring officer in addition to any other responsibilities</p> <p>Management response</p> <p>This issue was considered in the design of the new structure and will be kept under review as the new structure is implemented.</p>
	<p>SORP implementation – investment strategy</p> <p>As part of the SORP review, the Authority is considering making longer term cash investments which may increase liquidity risk. In addition, the Authority is considering expanding its investments in commercial property, whose fair value tends to fluctuate more due to changes in market prices.</p>	<p>The Authority needs to consider Statutory Guidance on Local Government Investments. If the Authority is considering longer term investments, the Authority needs to consider liquidity risk to ensure funds invested are available for expenditure when needed.</p> <p>In terms of commercial property investment, we recommend that the Authority undertakes due diligence and considers the scrutiny and risk management arrangements before making any investments.</p> <p>Management response</p> <p>A report will be presented to the October 2019 Council meeting that will cover these issues.</p>

Controls

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

Action plan

We have identified 3 of recommendations 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 2019/20 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.

Assessment	Issue and risk	Recommendations
●	<p>Draft statement of accounts – compliance with the Code</p> <p>The initial set of accounts received did not include the required disclosures under the Code in relation to financial instruments. As the Council diversifies its investments – especially under the SORP – it will need to ensure that disclosure requirements are fully complied with</p>	<p>We recommend the Council reviews this in 2019/20 and ensures it complies with all disclosure requirements set out in the Code.</p> <p>Management response</p> <p>A full review of compliance with Code requirements on financial instruments will take place for the 2019/20 accounts.</p>
●	<p>Super user access to financial ledger</p> <p>The Council has three system administrators for the financial systems who are able to make changes to the parameters of the system and are also able to post financial transactions.</p> <p>The Council has approval processes in place and is able to obtain details from the system on individual items, however, there is a risk that the system could be open to manipulation.</p>	<p>We recommend the Council reviews its user access and ensure sufficient processes are in place to provide assurance over separation of access and role.</p> <p>Management response</p> <p>Agreed</p>

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Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of West Lancashire Borough Council's 2017/18 financial statements, which resulted in one recommendation being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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.	We have confirmed a reconciliation between the information held by the Estates section and the Fixed Asset Register has been completed.

Assessment

- ✓ Action completed
- X Not addressed

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.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<p>McCloud judgement</p> <p>The Court of Appeal has recently ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other public sector pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p>Discussion has been ongoing through June and July in the sector regarding the impact of the ruling on the financial statements of Local Government bodies. Many local government bodies had initially included the impact of the McCloud judgement as a contingent liability in their 2018/19 accounts. However as the picture has now become clearer there is now a general acceptance that the increased liability, where material, should be reflected in the IAS 19 figures in the balance sheet.</p> <p>The Council obtained an updated pension report from its actuary Mercers and has amended the financial statements to reflect the updated figures.</p>	656	Pension liability (656) Pension reserve 656	656
Overall impact	£656	£0	£656

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.

Impact of unadjusted misstatements - misclassification and disclosure changes

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Disclosure omission	Detail	Auditor recommendations	Adjusted?
IFRS 9 Financial Instruments	The Council has not fully applied the required disclosures set out in the Code in relation to Financial Instruments.	We recommend the Council reviews this in 2019/10 and ensures it complies with all disclosure requirements set out in the Code.	X

Fees

We confirm below our final fees charged for the audit and provision of other audit services.

Audit fees	Proposed fee	Final fee
Council Audit	33,684	TBC
Total audit fees (excluding VAT)	£33,684	£TBC

Due to the nature of this year's audit, which has resulted in additional audit procedures on the value of your pension liability and property, plant and equipment (PPE), we are proposing to request an additional fee to cover the cost of this work. Where we charge additional fees the value has to be agreed with both the Council and Public Sector Audit Appointments Ltd. We will include the final proposed fee in our Annual Audit Letter.

Fees for other services	Fees £'000
Audit related services:	
• Housing Benefit subsidy return (TBC)	12,000
• Pooled housing Capital Receipts return (TBC)	1,750
Total non-audit fees (excluding VAT)	£13,750

Note 31 to the financial statements shows fees for certification of grant claims as £18k.

The fees for the audit reconcile to the financial statements for the certification of grant claims as follows:

- Housing benefit subsidy return £11,195 (17/18 fee charged in 18/19) plus £5,190 additional fee charged for additional work performed on behalf of the Council (see below); and
- pooled capital receipts £1,750.

In previous years, officers from the Council's Revenue and Benefits Service have completed the work books, which record the certification testing. In 2017/18, officers were unable to do this because their system had been upgraded and they were unable to gain access to Excel 2010 which is required to run the work books. Therefore, staff from Grant Thornton had to complete the work books meaning significant additional resource was required. The fee for the work set by PSAA for 2017/18 was £11,195. We charged an additional £5,190 in relation to this work. We agreed the fee with officers and obtained PSAA approval. As required, we are reporting this fee variation to the Audit and Governance Committee.



Agenda Item 7

Finance and Human Resources Services

Marc Taylor MA CPFA
Borough Treasurer

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Ormskirk, West Lancashire L39 2DF
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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: 30/7/2019
Your ref:
Our ref: MT/GE/89
Please ask for: Marc Taylor
Direct Dial no: 01695 585092
Extension: 5092

Dear Andrew,

West Lancashire Borough Council **Financial Statements for the year ended 31 March 2019**

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 2019 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 2018/19 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 2018/19 ("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. The Council financial statements have not been amended for these items 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 a draft version of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 30 July 2019. The final version of this letter has been considered and endorsed by the Borough Treasurer and the Chairman of the Audit and Governance Committee.

Yours faithfully,



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

AUDIT AND GOVERNANCE COMMITTEE 30TH JULY 2019
AGENDA ITEM 7 APPROVAL OF STATEMENT OF ACCOUNTS
APPENDIX 2 STATEMENT OF ACCOUNTS

The following changes have been made to the Statement of Accounts since the draft version was published at the end of May 2019:

Financial Instruments

The narrative for Note 1 Accounting Policies ix. Financial Instruments and Note 16 Financial Instruments has been amended and updated to reflect comments made by the auditors. This change doesn't affect any of the figures shown in the accounts.

McCloud pension case

The statement has been updated to reflect a legal case on pensions that only became clear after the draft statement had been produced. Revised figures from the pensions actuary have been incorporated which have a bottom line effect of increasing the net pension deficit by £656,000. This change doesn't affect the usable reserves of the Council at this time but this factor will have a "real" impact when the next actuarial review of the pension fund is undertaken.

An updated version of the statement reflecting these amendments is enclosed below.

WEST LANCASHIRE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2019

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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 2018/2019. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money for this year.

Claire Cooper

Chair 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 2019. 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 £258 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 £72.3m in providing day-to-day services for the local community in 2018-19. The Council also invested £19.6m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves reduced by £1.0m over the course of the year to £25.7m.

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)

	2018/2019	2017/2018
	£'000	£'000
Benefits Payments and Administration grants	23,561	26,734
Housing rents and service charges	25,487	25,642
Service specific fees, charges and grants	12,077	12,695
Total	61,125	65,071

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

	2018/2019	2017/2018
	£'000	£'000
Leisure and Environment	13,370	12,149
Finance and Human Resources	2,165	1,296
Housing and Inclusion	30,385	33,436
Housing Revenue Account	20,190	20,111
Legal and Democracy	1,518	1,864
Development and Regeneration	4,614	5,048
Other Services	98	276
Total	72,340	74,180

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 £12.635m was set for the year.

A favourable variance was delivered against this budget of £49,000 or 0.4%. This position reflects a number of factors including good performance on implementing savings and income measures, under spending on employees and running expenses, and income levels exceeding budget projections in a range of areas. The level of GRA earmarked reserves increased by £0.800m to £13.509m, 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 £1.9m by 2021-22 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 around £1.8m, which represents around 7% of the overall budget requirement. The main reasons for this position were the active management of staffing levels which delivered savings on employee budgets, and underspends on premises costs and supplies and services.

The HRA has had to reduce its general rent levels by 1% per year over recent 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 £13.881m in the housing stock this year against a budget of £15.455m. This means that 90% of the programme was spent, which is above 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 reduced by £2.037m primarily due to the planned use of revenue funding for the capital programme.

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

	2018/2019	2017/2018
	£'000	£'000
Capital Receipts	1,767	1,255
Government Grants and Other Contributions	1,301	880
Revenue Contributions	12,696	6,731
Increase in underlying need to borrow	3,799	316
Other	0	0
Total	19,563	9,182

What the money is spent on

	2018/2019	2017/2018
	£'000	£'000
Property, Plant and Equipment	11,449	7,686
Other long term assets	6,812	226
Revenue Expenditure Funded from Capital	1,074	1,042
Other	228	228
Total	19,563	9,182

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 £228.146m, which is an increase of 2.199m on the previous year.

The Council had a total net worth of £92.192m at 31st March 2019, taking into account all of its assets and liabilities, which was a reduction of £1.814m on the previous year. This change was the result of a wide range of different factors.

Significant issues in the accounts

The value of the net pension liability in the accounts has increased by £1.078m to £56.573m. 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.

West Lancashire Borough Council Statement of Accounts 2018/19

The Cash Flow Statement shows an increase of £0.357m in cash and cash equivalents over the year, and there was also an increase of £2.010m in short term investments. There are a number of explanatory factors for this position, but it primarily reflects increases in the level of short term creditors and grants and contributions in advance.

An impairment charge of £4.639m (£4.537m in 2017/18) 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 2018-19 the scale of capital investment meant there was an increase in the underlying need to borrow of £3.799m, although this was funded from internal sources rather than through external borrowing. This was used to help redevelop the Westec house site in Ormskirk and to finance the Housing Capital Investment programme.

Future revenue spending and capital investment plans

The budget that has been set for 2019-20 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. The budget required an increase of 2.99% in the level of the Council tax and funding from reserves of £1.025m. The budget gap facing the Council in future years means that delivering the Sustainable Organisation Review (SORP) will be vital to ensuring the Council's continuing healthy financial position. The budget for 2019-20 assumes that the SORP will deliver savings and income of £0.3m in the year, and this position will be closely monitored and managed to ensure that financial targets are achieved

The main feature of the capital programme in 2019-20 will be planned investment in the housing stock of £8.8m, 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 £43.7m.

The Council has set up a wholly owned company called Tawd Valley Developments Limited that is expected to start trading in 2019-20 and which will build new housing in the Borough. The Council will provide equity and loan funding for this company in line with an Annual Business Plan.

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.

Comprehensive Income and Expenditure Statement (£'000)

Deficit on the Provision of Services	-1,815
Other Comprehensive Income/Expenditure	<u>2</u>
Total Comprehensive Income and Expenditure	<u>-1,813</u>

Movement in Reserves statement (£000)

Effect on usable reserves	-1,008
Effect on unusable reserves	<u>-805</u>
Change in Total Net Worth	<u>-1,813</u>

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

Change in net assets (excl cash)	-2,170
Change in cash and cash equivalents	<u>357</u>
Change in net worth	<u>-1,813</u>

Cashflow Statement (£000)

Net increase / decrease in cash and cash equivalents	357
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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

2018/19 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 2019 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 key 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 key 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 with 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.

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 2018/19 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 2018/19 and has set a balanced budget for 2019/20. 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.

GENERAL DATA PROTECTION REGULATION

The General Data Protection Regulation and Data Protection Act 2018 requirements work is largely completed following a detailed action plan and additional resources, which has further improved performance in regard to the handling of personal data and in reducing and regularising storage of data more generally.

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 2021/22. 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.

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 once the audit of the accounts is complete

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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 2019 and its income and expenditure for the year then ended.

Marc Taylor
Borough Treasurer
30 July 2019

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 funding 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

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 2018	961	12,709	620	5,627	5,924	0	895	26,736	67,269	94,005
<i>Movement in Reserves during 2018-19</i>										
Total Comprehensive Income and Expenditure	-3,809		1,994					-1,815	2	-1,813
Adjustments between accounting basis and reporting basis under regulations (note 6)	4,609		-4,031		-134		363	807	-807	0
Transfers to / from Earmarked Reserves (note 7)	-800	800	2,037	-2,037				0		0
Increase / Decrease in Year	0	800	0	-2,037	-134	0	363	-1,008	-805	-1,813
Balance at 31 March 2019	961	13,509	620	3,590	5,790	0	1,258	25,728	66,464	92,192

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/2018				2018/2019		
Gross Cost £'000	Gross Income £'000	Net Cost £'000	Service	Gross Cost £'000	Gross Income £'000	Net Cost £'000
12,149	2,689	9,460	Leisure and Environment	13,370	2,233	11,137
1,296	36	1,260	Finance and Human Resources	2,165	23	2,142
33,436	31,242	2,194	Housing and Inclusion	30,385	28,586	1,799
20,111	25,642	-5,531	Housing Revenue Account	20,190	25,487	-5,297
1,864	462	1,402	Legal and Democracy	1,518	9	1,509
5,048	4,787	261	Development and Regeneration	4,614	4,787	-173
276	213	63	Other Services	98	0	98
74,180	65,071	9,109	Cost of Services (note 27)	72,340	61,125	11,215
5,837	3,205	2,632	Other operating expenditure (note 8)	3,579	2,525	1,054
5,883	2,359	3,524	Financing & investment income & expenditure (note 9)	6,738	2,500	4,238
8,191	22,655	-14,464	Taxation & non specific grant income & expenditure (note 10)	8,459	23,151	-14,692
94,091	93,290	801	Surplus (-) or Deficit on Provision of Services	91,116	89,301	1,815
		-5	Surplus (-) or deficit on revaluation of non current assets (note 23i)			3,081
		-9,105	Re-measurement of the net defined pension liability (note 37)			-3,083
		-9,110	Other Comprehensive Income and Expenditure			-2
		-8,309	Total Comprehensive Income and Expenditure			1,813

BALANCE SHEET

31 March 2017 £'000	31 March 2018 £'000		Notes	31 March 2019 £'000
213,049	206,732	Property, Plant & Equipment	11a	209,250
490	490	Heritage Assets	12	508
17,701	17,919	Investment Property	13	17,479
697	748	Intangible Assets	14	851
62	58	Long Term Debtors		58
231,999	225,947	Long term assets		228,146
10,005	15,509	Short Term Investments		17,518
273	270	Assets held for sale	11b	149
16	19	Inventories	17	18
4,722	5,375	Short Term Debtors	18	5,033
4,039	5,434	Cash and Cash Equivalents	19	6,665
19,055	26,607	Current assets		29,383
0	-604	Bank Overdraft	19	-1,478
-8,459	-9,254	Short Term Creditors	20	-11,595
-8,459	-9,858	Current Liabilities		-13,073
-1,168	-1,317	Provisions	21	-1,311
-64,019	-55,495	Pension Liabilities	37	-56,573
-674	-446	Other Long Term Liabilities	36	-218
-2,792	-3,186	Grants & Contributions in Advance	32	-5,916
-88,246	-88,246	Long Term Borrowing	16	-88,246
-156,899	-148,690	Long Term Liabilities		-152,264
85,696	94,006	Net Assets		92,192
-19,891	-26,736	Usable Reserves	22	-25,727
-65,805	-67,270	Unusable Reserves	23	-66,465
-85,696	-94,006	Total Reserves		-92,192

CASH FLOW STATEMENT

2017-2018 £'000		2018-2019 £'000 £'000	
-801	Net Position on the Provision of Services	-1,815	
14,017	Adjustments for non-cash movements (note 24)	18,906	
-3,220	Adjustments for items that are investing or financing activities (note 24)	-2,778	
9,996	Net Cash Flows from Operating Activities		14,313
-10,433	Investing Activities (note 25)		-14,251
1,228	Financing Activities (note 26)		295
791	Change in Cash and Cash Equivalents		357
4,039	Cash & Cash Equivalents at start of period		4,830
4,830	Cash & Cash Equivalents at end of period (note 19)		5,187

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31st March 2019. 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, 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

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Typically the Council's financial liabilities held during the year are measured at amortised cost and the main categories include long-term loans from the Public Works Loan Board and trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the amortised cost classification (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising cash in hand, deposits with banks and building societies, loans to other local authorities, and debtors for goods and services provided

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

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 is revalued every 5 years by a specialist valuer as it is considered that material changes are unlikely and will be infrequent in nature. Reviews of other assets will be conducted on a visual basis.

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 2019/20 including: amendments to IAS40 Investment Property: Transfers of Investment Property; Annual Improvements to IFRS Standards, IFRIC22 Foreign Currency Transactions and Advance Considerations; IFRIC23 Uncertainty over Income Tax Treatments; and amendments to IFRS9 Financial Instruments. 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 2019 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 £0.51m 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 £0.26m 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 2019. 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 2019, 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 2018/19

Adjustments between Accounting and Funding Basis Under Regulations 2018/19	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)	2,851	429				-3,280
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	-627					627
Holiday pay (transferred to the Accumulated Absences Account)	7	-3				-4
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,041	9,772			363	-14,176
Total Adjustments to Revenue Resources	6,272	10,198	0	0	363	-16,833
<i>Adjustments between revenue and capital resources</i>						
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	-126	-2,399	2,525			0
Administrative costs of non current asset disposals funded from the Capital Receipts Reserve		74	-74			0
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	820		-820			0
Posting of HRA resources from revenue to the Major Receipts Reserve		-3,263		3,263		0
Statutory provision for the repayment of debt	-263					263
Capital expenditure financed from revenue balances	-793	-8,641				9,434
Total Adjustments between revenue and capital resources	-362	-14,229	1,631	3,263	0	9,697
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure			-1,765			1,765
Use of the Major Receipts Reserve to finance capital expenditure				-3,263		3,263
Application of capital grants to finance capital expenditure	-1,301					1,301
Cash payments in relation to deferred capital receipts						
Total Adjustments to Capital Resources	-1,301	0	-1,765	-3,263	0	6,329
Total Adjustments	4,609	-4,031	-134	0	363	-807

West Lancashire Borough Council Statement of Accounts 2018/19

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

7. TRANSFERS TO AND FROM EARMARKED RESERVES

	Balance 31/3/17 £'000	Movement in year £'000	Balance 31/3/18 £'000	Movement in year £'000	Balance 31/3/19 £'000
Insurance Fund	2,131	-35	2,096	-4	2,092
Renewal and Repairs Funds	349	84	433	-135	298
Corporate Reserves	6,615	-231	6,384	-199	6,185
Ring Fenced Reserves	868	246	1,114	-414	700
Capital Reserve	857	1,724	2,581	1,653	4,234
Specific Grant Reserves	152	-51	101	-101	0
General Fund subtotal	10,972	1,737	12,709	800	13,509
HRA Reserves	2,084	3,543	5,627	-2,037	3,590
Total	13,056	5,280	18,336	-1,237	17,099

8. OTHER OPERATING EXPENDITURE

	2018/2019 £'000	2017/2018 £'000
Parish Council Precepts	598	575
Payments to the Government Housing Capital Receipts Pool	820	803
Losses / Gains (-) on the disposal of non current assets	-428	1,190
Pension administration expenses	64	64
Total	1,054	2,632

9. **FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	2018/2019 £'000	2017/2018 £'000
Interest payable and similar charges	3,164	3,164
Pensions interest cost and expected return on pension assets	1,408	1,493
Interest income	-183	-75
Income, expenditure and changes in the fair value of investment properties	-150	-1,058
Gains and losses on trading accounts	0	0
Total	4,239	3,524

10. **TAXATION AND NON SPECIFIC GRANT INCOME**

	2018/2019 £'000	2017/2018 £'000
Council tax income	7,578	7,298
Non domestic rates income and expenditure	3,784	3,327
Non ring fenced government grants	3,004	3,729
Capital grants and contributions	326	110
Total	14,692	14,464

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11a. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2018-19	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 2018	197,131	34,947	5,140	1,219	2,025	0	1,685	242,147
Additions	10,220	217	855	11	146		6,486	17,935
Revaluations recognised in the Revaluation Reserve	3,249	-1,004				16		2,261
Revaluations recognised in the Surplus / Deficit on the Provision of Services	-239	-1,083						-1,322
De-recognition - disposals and decommissioning	-1,962	-45	-196					-2,203
Transfers	-149	-344				115	34	-344
Other movements	-1	-5,377						-5,378
Balance at 31st March 2019	208,249	27,311	5,799	1,230	2,171	131	8,205	253,096
Accumulated Depreciation and Impairment								
Balance at 1 st April 2018	-28,337	-5,377	-1,701	0	0	0	0	-35,415
Depreciation charge	-3,191	-723	-518	0	0	0	0	-4,432
- Depreciation written out to the Revaluation Reserve	-575	-251						-826
- Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,616	-472	-518					-3,606
Impairments recognised in the Revaluation Reserve	-5,247	-114						-5,361
Impairments recognised in the Surplus / Deficit on the Provision of Services	-4,344	-103						-4,447
De-recognition - disposals and decommissioning	234		196					430
Other movements	1	5,377	-1					5,377
Balance at 31st March 2019	-40,884	-940	-2,024	0	0	0	0	-43,848
Net Book Value Balance at 1st April 2018	168,794	29,570	3,439	1,219	2,025	0	1,685	206,732
Net Book Value Balance at 31st March 2019	167,365	26,371	3,775	1,230	2,171	131	8,205	209,248

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Movement on Balances 2017-18								
	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 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

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 69 years, non traditional build property 39 years and 17 years for garages
- Other Land and Buildings – these have a range of lives varying between 5 and 50 years, although the majority of assets have an estimated life of around 20 to 35 years
- Vehicles, Plant, Furniture and Equipment – this covers a range of different types of asset with estimated useful lives mostly between 5 and 20 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 2019 the Council had entered into a number of contracts for the construction or enhancement of non current assets in future years budgeted to cost £4.207m. Similar commitments as at 31st March 2018 were £3.890m.

The major commitments are:

- Housing construction works £1.017m
- Council Dwellings works including, electrical, roofing, structural £2.400m
- Heating works £0.750m

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. A full revaluation of general fund assets took place for the 2018-19 financial year, and the valuations were undertaken internally by the requisite Royal Institution of Chartered Surveyors qualified staff. The valuation of the asset is largely impacted by the classification of each asset, which is fully considered as part of the exercise. The methodologies used were those as prescribed by the appropriate regulations and the valuations were fully updated accordingly.

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

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	Council Dwellings £'000	Vehicles, Furniture, Plant & Equipment £'000	Other Assets £'000	Total £'000
Historical cost at last valuation	0	5,800	3,004	8,804
Valued at fair value as at:				
31 st March 2019	11,117		32,904	44,021
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
Total	208,248	5,800	39,048	253,096

11b. ASSETS HELD FOR SALE

	2018/2019 £'000	2017/2018 £'000
Balance at start of year	270	273
Assets newly classified as held for sale	149	145
Assets de-classified as held for sale	-20	-152
Revaluation gains	0	4
Assets sold	-250	0
Balance at end of year	149	270

12. HERITAGE ASSETS

The closing value of Heritage Assets is £0.508m (£0.490m in 2017-18).

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 £0.120m. 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 2018/19 financial year and resulted in a revaluation increase of £0.018m. 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 and £48,000 in 2013-14. 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:

	2018/2019	2017/2018
	£'000	£'000
Rental income	-2,230	-2,284
Direct operating expenses	1,426	1,244
Movement in fair value of investment properties	654	-18
Net gain / loss	-150	-1,058

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.

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

	2018/2019 £'000	2017/2018 £'000
Balance at start of year	17,919	17,701
Net gains/losses from fair value adjustments	-654	18
Additions	0	0
Transfers	214	200
Balance at end of year	17,479	17,919

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.

	2018/2019 £'000	2017/2018 £'000
Balance at start of year:		
- Gross carrying amount	1,074	880
- Accumulated amortisation	-326	-183
Net carrying amount at start of year	748	697
Additions	317	226
Amortisation	-215	-175
Net carrying amount at end of year	850	748

Balance at end of year:		
- Gross carrying amount	1,295	1,074
- Accumulated amortisation	-445	-326
Net carrying amount at end of year	850	748

During the course of the year fully amortised assets with a gross carrying value of £96,000 were written off (£32,000 in 2017-18).

15. IMPAIRMENT AND REVALUATION

An impairment charge of £4.639m (£4.537m in 2017-18) 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. Impairment charges of £1.138m (£0.359m in 2017-18) were also made to other parts of the Comprehensive Income and Expenditure Statement in the year.

A net revaluation decrease of £3.082m (£0.005m increase in 2017-18) was posted to the revaluation reserve for the year. Both the impairment charge and the revaluation were conducted in conjunction with the Council's internal Estates service who followed professional guidelines in conducting both exercises.

16. FINANCIAL INSTRUMENTS

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018, whose main changes include the reclassification of financial assets. Under this new approach debtors, investments and cash that were previously categorised as loans and receivables are now categorised as amortised cost. There were no significant re-measurements arising from the adoption of this new standard.

The Council has £17.519m of short term investments (£15.509m in 2017-18) that are classified at amortised cost. Details on debtors are shown in note 18 to the accounts, and these are classified at amortised cost for financial instruments. The Council has £88.212m of borrowing (£88.212m in 2017-18) that is classified at amortised cost. Details on creditors are shown in note 20, and these are classified at amortised cost for financial instruments.

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 £110.322m 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.

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2019, are as follows:

	Other significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	Fair Value £'000
Commercial Units	10,434	689	11,123
Office Units	6,258	0	6,258
Other	0	98	98
Total	16,692	787	17,479

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 loss attributed to these assets of £0.654m in 2018-19 (gain of £0.018m in 2017-18).

Assets held for sale

Assets held for sale are classified in the hierarchy as level 2 and are valued at £0.149m (£0.270m in 2017-18). 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

	2018/2019 £'000	2017/2018 £'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	127	0
Total	787	660

There have been no transfers between the fair value hierarchies. General Fund assets, including investment properties have been revalued as at 1st April 2018 in line with regulation, and this accounts for the change in the fair value measurement. 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 £689,000, totalling £787,000. 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 £135,000 for the larger.

17. INVENTORIES

	2018/2019 £'000	2017/2018 £'000
Work in progress	0	0
All other items	18	19
Total	18	19

18. DEBTORS

	2018/2019 £'000	2017/2018 £'000
General Government Bodies	1,590	1,842
Other Local Authorities	1,080	1,220
Other Debtors	7,416	7,461
Payments in Advance	77	59
Sub total	10,163	10,582
Provision for impairments	-5,130	-5,207
Total	5,033	5,375

19. CASH AND CASH EQUIVALENTS

	2018/2019 £'000	2017/2018 £'000
Cash and Bank	865	734
Money at call	5,800	4,700
Sub total	6,665	5,434
Bank overdraft	-1,478	-604
Total	5,187	4,830

20. CREDITORS

	2018/2019 £'000	2017/2018 £'000
Central Government Bodies	3,887	2,761
Other Local Authorities	1,268	1,353
Leaseholder Advance and Tenant Prepayments	1,877	1,074
Other Creditors	4,563	4,066
Total	11,595	9,254

21. PROVISIONS

	2018/2019 £'000	2017/2018 £'000
Opening balance	1,317	1,168
Additional provisions made	52	149
Amounts used	-58	0
Unused amounts reversed	0	0
Closing balance	1,311	1,317

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

		2018/2019	2017/2018
		£'000	£'000
i.	Revaluation Reserve	36,194	40,616
ii.	Capital Adjustment Account	87,179	83,987
iii.	Pensions Reserve	-57,715	-57,518
iv.	Collection Fund Adjustment Account	1,040	414
v.	Accumulated Absences Account	-233	-229
Total		66,465	67,270

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.

	2018/2019 £'000	2017/2018 £'000
Balance at start of year	40,616	42,853
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-3,082	5
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	-826	-828
Accumulated gains on assets sold or scrapped	-514	-1,414
Sub total	-1,340	-2,242
Balance at end of year	36,194	40,616

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.

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	2018/2019 £'000	2017/2018 £'000
Balance at start of year	83,987	87,632
<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	-10,208	-9,509
Amortisation of intangible assets	-215	-175
Revenue expenditure funded from capital under statute	-1,074	-1,042
Non-current assets written off as part of the gain / loss on disposal of assets	-2,023	-4,300
Sub total	-13,520	-15,026
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,767	1,256
Use of the Major Repairs Reserve to finance new capital expenditure	3,263	3,316
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	1,301	880
Provision for the financing of capital investment charged against the General Fund and HRA balances	263	255
Capital expenditure charged against the General Fund and HRA balances	9,432	3,414
Sub total	16,026	9,121
Adjusting amounts written out of the Revaluation Reserve	1,340	2,242
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-654	18
Balance at end of year	87,179	83,987

iii. 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.

	2018/2019	2017/2018
	£'000	£'000
Balance at start of year	57,518	64,019
Re-measurement of the net defined benefit liability / asset	-3,083	-9,105
Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	7,016	6,310
Employer's pension contributions payable in the year	-3,736	-3,706
Balance at end of year	57,715	57,518

iv. 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.

	2018/2019 £'000	2017/2018 £'000
Balance at start of year	414	-462
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	626	876
Balance at end of year	1,040	414

v. 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.

	2018/2019 £'000	2017/2018 £'000
Balance at start of year	229	199
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	4	30
Balance at end of year	233	229

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

The cash flows for operating activities include the following items:

	2018/2019 £'000	2017/2018 £'000
Interest received	-160	-71
Interest paid	3,164	3,164

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

	2018/2019 £'000	2017/2018 £'000
Depreciation	4,432	4,614
Impairment and downward valuations	5,777	4,896
Movement in the market value of investment properties	654	-18
Amortisation	215	175
Change in Creditors	1,921	1,489
Change in Debtors	1,758	-4,185
Change in Inventories	1	-3
Movement in Pension Liability	2,138	2,604
Carrying amount of non current assets sold or disposed	2,023	4,300
Other non cash items charged to the deficit on the provision of services	-13	145
Non cash movements	18,906	14,017

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

	2018/2019 £'000	2017/2018 £'000
Proceeds from the sale of non current assets	-2,452	-3,110
Capital grants for non current assets charged through revenue	-326	-110
Non cash movements	-2,778	-3,220

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2018/2019 £'000	2017/2018 £'000
Purchase of property, plant and equipment, investment property and intangible assets	-17,841	-8,606
Purchase of short term and long term investments	-25,750	-33,000
Proceeds from the sale of non-current assets	2,452	3,110
Proceeds from short term and long term investments	23,750	27,500
Other receipts from investing activities	3,138	563
Net cash flows from investing activities	-14,251	-10,433

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2018/2019 £'000	2017/2018 £'000
Receipts from financing activities	523	1,456
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	-228	-228
Net cash flows from financing activities	295	1,228

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
2018-19			
Leisure and Environment	10,672	466	11,138
Finance and Human Resources	1,587	555	2,142
Housing and Inclusion	1,632	167	1,799
Housing Revenue Account	0	-5,297	-5,297
Legal and Democracy	1,104	405	1,509
Development & Regeneration	956	-1,129	-173
Other Services	77	20	97
Net Cost of Services	16,028	-4,813	11,215
Other Income & Expenditure	-14,792	5,392	-9,400
Surplus or Deficit	1,236	579	1,815
Opening balances & reserves	-19,916		
Closing balances & reserves	-18,680		
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		

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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.

	2018-19 Adjustments				
	Pensions	Capital	Other	Internal	Total
	£'000	£'000	£'000	£'000	£'000
Leisure and Environment	222			242	464
Finance & Human Resources	-427			982	555
Housing & Inclusion	338			-171	167
Housing Revenue Account	435			-5,732	-5,297
Legal and Democracy	163			242	405
Development & Regen.	208			-1,336	-1,128
Other Services	172			-152	20
Other Income & Expenditure	2,169	-2,078	-623	5,925	5,393
Surplus or Deficit	3,280	-2,078	-623	0	579

	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

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.

27b. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018/2019	2017/2018
	£'000	£'000
<i>Expenditure</i>		
Employee benefit expenses	21,285	20,617
Other services expenses	40,189	42,074
Support service recharges	12,539	12,778
Depreciation, amortisation and impairment	10,424	9,685
Interest payments	3,164	3,164
Precepts	598	575
Payments to Housing Capital Receipts Pool	820	803
Disposal of assets	2,097	4,395
Total expenditure	91,116	94,091
<i>Income</i>		
Fees, charges and other income	37,994	37,709
Disposal of assets	2,525	3,205
Interest and investment income	183	75
Income from council tax and NDR	19,821	18,816
Government grants and contributions	28,778	33,485
Total income	89,301	93,290
Surplus or Deficit on Provision of Services	1,815	801

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

	2018-19 Expenditure £'000	2018-19 Income £'000	2018-19 Deficit/ Surplus(-) £'000	2017-18 Deficit/ Surplus(-) £'000
Trading Services				
Market	274	237	37	20
Car Parks	639	687	-48	-281
Total	913	924	-11	-261
DSOs				
Refuse Collection & Street Cleaning	5,714	5,724	-10	118
Grounds Maintenance	1,341	1,285	56	59
Repatriation of balances		46	-46	-177
Deficit / Surplus (-) transferred to I&E Statement	7,055	7,055	0	0

29. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.343m (£0.343m in 2017-18).

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	
	2018/19	2017/18
£50,000 - £54,999	4 + 1 *	4
£55,000 - £59,999	5	1 + 1 *
£60,000 - £64,999	1 *	
£70,000 - £74,999	1 *	1 *
Total	12	7

* Includes a one off redundancy payment

The Council terminated the contracts of 6 employees in 2018-19 in different service areas incurring liabilities of £0.288m (£0.588m in 2017-18). This consisted of 6 voluntary redundancies. This compares to 7 voluntary and 1 compulsory 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	
	2018/19	2017/18	2018/19	2017/18
			£'000	£'000
£0 - £20,000	1	2	16	10
£20,001 - £40,000	2	3	53	87
£40,001 - £60,000	1	1	48	55
£60,001 - £80,000	1	1	76	69
£80,001 - £100,000	1		95	
£101,001 - £120,000		1		107
Over £150,000		1		260
Total	6	9	288	588

In addition to the figures shown above there were also £0.049m of pension strain costs incurred in 2018-19 in relation to 2 flexible retirements (nil in 2017-18).

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.

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Post Title	Salary & Election Fees £	Expenses £	Compensation for loss of office £	Benefits in Kind £	Total before pensions £	Pension contribution £	Total £
<u>2018-19 Remuneration</u>							
Chief Executive	108,657	0	0	0	108,657	17,282	125,939
Director of Housing and Inclusion	80,485	0	0	0	80,485	13,054	93,539
Director of Leisure and Environment	80,513	0	0	0	80,513	13,054	93,567
Director of Development and Regeneration	80,510	0	0	0	80,510	13,054	93,564
Borough Treasurer	60,870	0	0	0	60,870	9,922	70,792
Borough Solicitor	62,707	0	0	0	62,707	9,983	72,690
<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

31. EXTERNAL AUDIT COSTS

	2018/2019 £'000	2017/2018 £'000
Fees payable in relation to the audit of the accounts and inspection fees	34	44
Fees payable for the certification of grant claims and returns	18	13
Rebate	0	-6
Total	52	51

32. GRANT INCOME

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

	2018/2019 £'000	2017/2018 £'000
<i>Credited to Taxation and Non Specific Grants</i>		
Revenue Support Grant	433	871
New Homes Bonus	1,172	1,723
Business Rates	1,340	1,116
Other Grants	59	19
Total non ring fenced government grants	3,004	3,729
<i>Credited to Services</i>		
Benefit Payments and Administration	23,561	26,734
Capital Grants	1,338	1,284
Contributions to Refuse and Cleansing	0	953
Contribution to Highways	261	0
Flooding grants	0	212
Other Grants and Contributions	614	573
Total	25,774	29,756

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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:

	2018/2019 £'000	2017/2018 £'000
<i>Grants and Contributions Received in Advance</i>		
Section 106 Agreements	2,336	2,347
Homes and Communities Agency Contributions	3,436	695
Commuted Sums	144	144
Total	5,916	3,186

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 2018-19 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 £0.091m (£0.081m in 2017-18) 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 – £25,000 – 4 Members
- Women’s Refuge – £11,230 – 1 Member
- Dial a Ride - £25,000 – 2 Members
- Homestart - £9,000 – 1 Member
- Lancashire West Citizens Advice Bureau - £40,000 - 1 Member

The Council is committed to maintaining and developing sound arrangements for its corporate governance, including having procedures in place to prevent undue influence. As part of this commitment, Members must make disclosures of their interests to the Council’s Monitoring Officer. Details of these disclosures are recorded and maintained in registers of interests and can be viewed on the Council’s website. Members also 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 2018-19 (£3.1m in 2017-18), and there were payments due to the Council of £0.12m on this contract at the year end. The Council also received income of £0.26m (£0.95m in 2017-18) from Lancashire County Council in relation to Refuse and Recycling, Street Cleansing and Highways Maintenance activities, and there was no outstanding amounts on these arrangements at the year end.

Payment of subsidy of £0.41m (£0.38m in 2017-18) 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 has agreed to set up a new wholly owned company, Tawd Valley Developments Limited, and this company was set up in shadow form by the year end but was not yet trading. The Borough Treasurer and Director of Housing and Inclusion will act as Board Members for this Company, while the Chief Executive will act as the Shareholder on behalf of the Council.

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.

	2018/2019 £'000	2017/2018 £'000
Opening Capital Financing Requirement	101,560	101,727
<i>Capital Investment</i>		
Property, Plant and Equipment	11,449	7,686
Heritage Assets	9	0
Assets Under Construction	6,486	0
Intangible Assets	317	226
Revenue Expenditure Funded from Capital Under Statute	1,074	1,042
<i>Sources of Finance</i>		
Capital Receipts	-1,767	-1,255
Government Grants and Other Contributions	-1,301	-880
Direct Revenue Contributions	-12,696	-6,731
Minimum Revenue Provision	-263	-255
Closing Capital Financing Requirement	104,868	101,560
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	3,799	316
Movement in other long term liabilities	-228	-228
Minimum Revenue Provision	-263	-255
Change in Capital Financing Requirement	3,308	-167

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:

	2018/2019 £'000	2017/2018 £'000
Not later than one year	707	703
Later than one year and not later than five years	295	995
Later than five years	0	0
Total	1,002	1,698

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:

	2018/2019 £'000	2017/2018 £'000
Not later than one year	2,164	2,122
Later than one year and not later than five years	3,838	4,075
Later than five years	7,604	7,608
Total	13,606	13,805

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.

	2018/2019 £'000	2017/2018 £'000
Balance brought forward	446	674
Leisure trust repayments	-228	-228
Leisure trust investment	0	0
Balance carried forward	218	446

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 2018-19 (£3.1m in 2017-18). 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	
	2018-19	2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	0	0	4,106	4,386
- Settlements and curtailments	0	0	410	367
- Past service costs	0	0	1,028	0
<i>Other Operating Expenditure</i>				
- Administration expenses	0	0	64	64
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	132	135	5,239	5,118
- Expected return on scheme assets	0	0	-3,831	-3,625
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	132	135	7,016	6,310
<i>Re-measurement of the net defined benefit liability</i>				
- Return on plan assets	0	0	-13,363	-1,582
- Actuarial gains and losses arising on changes in financial assumptions	174	-120	10,280	-7,523
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	306	15	3,933	-2,795
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	-132	-135	-7,016	-6,310
Actual amount charged against the General Fund Balance for pensions	344	346	3,736	3,706

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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	
	2018-19	2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000
Present value of the benefit obligation	5,211	5,249	219,796	204,325
Fair value of plan assets	0	0	-163,223	-148,830
Net liability	5,211	5,249	56,573	55,495

Reconciliation of the movements in the Fair Value of Scheme Assets	Discretionary Benefits		All Benefits	
	2018-19	2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	0	0	148,830	143,446
Interest on plan assets	0	0	3,831	3,625
Re-measurements	0	0	13,363	1,582
Administration expenses	0	0	-64	-64
Employer contributions	344	346	3,736	3,706
Prepayment of employer contributions	0	0	-881	2,023
Contributions by scheme participants	0	0	836	837
Benefits paid	-344	-346	-6,428	-6,325
Closing Balance	0	0	163,223	148,830

Reconciliation of Present value of the Scheme Liabilities	Discretionary Benefits		All Benefits	
	2018-19	2017-18	2018-19	2017-18
	£'000	£'000	£'000	£'000
Opening Balance	5,249	5,580	204,325	207,465
Current service cost	0	0	4,106	4,386
Past service cost	0	0	1,028	0
Interest cost	132	135	5,239	5,118
Contributions by scheme participants	0	0	836	837
Re-measurement gains and losses	174	-120	10,280	-7,523
Settlements and curtailments	0	0	410	367
Benefits paid	-344	-346	-6,428	-6,325
Closing Balance	5,211	5,249	219,796	204,325

During 2017/18 the Council made a prepayment of employer pension contributions in respect of 2018/19 and 2019/20. The net liability of the pension fund as shown above has changed accordingly to £56.573m, and consequently is different to the value of the pension reserve.

An analysis of scheme assets by category is shown below:

Asset category	Sub category	Quoted (Y/N)	31 March 2018 £'000	31 March 2019 £'000
Bonds	UK corporate	Y	837	1,100
	Overseas corporate	N	1,743	801
	UK index linked	Y	3,503	5,697
	Overseas fixed interest	N	142	0
Property	Offices	N	2,851	3,169
	Offices / Warehouse	N	307	419
	Industrial / Warehouse	N	4,072	4,896
	Shops	N	1,189	1,170
	Retail Warehouse	N	2,283	2,182
	Shopping Centre	N	565	549
	Multi Let Commercial Building	N	2,539	2,721
Alternatives	Overseas private equity	N	10,656	12,457
	Infrastructure	N	18,604	22,912
	Credit Funds	N	27,051	11,508
	Pooled Fixed Income	N	3,622	17,630
	Indirect Property Funds	N	2,230	2,481
	Overseas Pooled Equity Funds	N	65,227	71,446
Cash	Cash and cash equivalents	N	-3,549	0
	Cash accounts	N	6,195	827
	Net current assets	N	-3,260	116
	Prepayment of employer contributions		2,023	1,142
Total			148,830	163,223

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 impact of the McCloud pension judgement has been taken into account in the calculation of these figure, which has resulted in an additional cost impact of £1.028m.

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

	2018/2019	2017/2018
	£'000	£'000
<i>Financial Assumptions</i>		
Rate of inflation	2.2%	2.1%
Rate of increase in salaries	3.7% *	3.6% *
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	2.4%	2.6%
<i>Longevity Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	22.8 / 25.5	22.7 / 25.4
- Future pensioner aged 65 in 20 years time	25.1 / 28.2	25.0 / 28.0

* 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 £'000	Assets £'000	Deficit £'000
Central	219,796	-163,223	56,573
+ 0.1% discount rate	216,259	-163,223	53,036
+0.1% inflation rate	223,391	-163,223	60,168
+0.1% pay growth	220,325	-163,223	57,102
1 year increase in life expectancy	224,224	-163,223	61,001

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 2020 are £3.051m. Expected contributions for Discretionary Benefits in the year to 31st March 2020 are £0.344m. 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. The scheme administrators consider that the present financial situation does not indicate that further payments are currently required. However the financial picture is fluid and it is not possible to estimate the timing and value of any potential 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 £0.9m plus interest and costs.

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end of known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office, which can come from any organisation that pays business rates, and so there is a risk to the Council that further appeals may have a future impact on the accounts. However it is anticipated that the level of the provision will be sufficient to meet the full cost of outstanding appeals.

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 £24.2m 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 £2.8m 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	2018/2019	2017/2018
	£'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	17,642	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	8,822	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 £110.322m to £91.380m.

Investment income in 2018-19 was £0.182m based on an average rate of interest earned of 0.635%.

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 £4,391 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 £1,868 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.

West Lancashire Borough Council Statement of Accounts 2018/19

2017/2018 £'000		2018/2019 £'000	2018/2019 £'000
	Expenditure		
-3,331	Repairs and maintenance (note 2)	-3,572	
-8,371	Supervision and management	-8,210	
-444	Rents, rates, taxes and other charges	-343	
-3,316	Depreciation (note 3)	-3,263	
-4,537	Impairment (note 3)	-4,639	
-111	Movement in bad debt provision	-160	
-20,110	Total expenditure		-20,187
	Income (note 5)		
23,182	Dwelling rents	22,855	
374	Non-dwelling rents	392	
2,086	Charges for services and facilities	2,239	
25,642	Total income		25,486
5,532	Net Cost of HRA Services in the Comprehensive Income & Expenditure Statement		5,299
-421	HRA share of Corporate & Democratic Core		-391
-79	HRA share of Pension Past Service Gain/Cost(-)		-88
5,032	Net Income of HRA Services		4,820
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
318	Gain or Loss on Disposal of Non-Current Assets		455
-3,057	Interest payable		-3,057
33	Interest and Investment Income		91
-320	Pensions interest cost and expected return on pensions assets		-301
-14	Pension administration expenses		-14
0	Capital grants and contributions receivable		0
1,992	Deficit (-) / Surplus for the year on HRA services		1,994

MOVEMENT ON THE HRA STATEMENT

2017/2018 £'000		2018/2019 £'000	
619	HRA Balances brought forward		619
1,992	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	1,994	
1,551	Adjustments between accounting basis and funding basis under statute	-4,031	
3,543	Net change before transfers to or from reserves	-2,037	
-3,543	Transfers to or from reserves	2,037	
0	Increase or Decrease in balances in year		0
619	HRA Balances carried forward		619

Adjustments between accounting basis and funding basis under statute

2017/18 £'000		2018/19 £'000	
14	Transfers to/from the Accumulated Absences Account		-3
-318	Gain (-) or loss on sale of non-current assets		-455
501	HRA share of contributions to or from the Pensions Reserve		429
-3,183	Capital expenditure funded by the HRA		-8,641
-3,316	Transfer to Major Repairs Reserve		-3,263
	Transfers to and from the Capital Adjustment Account		
4,537	- Impairment (note 3)		4,639
3,316	- Depreciation (note 3)		3,263
0	- Capital Grants		0
1,551	Total adjustments		-4,031

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:

	2018/2019	2017/2018
	£'000	£'000
Programmed Work (including painting)	743	913
Repairs	2,829	2,418
Total	3,572	3,331

3. Capital charges

An impairment charge of £4.639m (£4.537m in 2017-18) 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 £3.263m have been made to the HRA to reflect its use of assets (£3.316m in 2017-18). 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 2018/19 was £74.37 (on a 52 week basis). This is a decrease of £0.35 over the like for like figure at the end of 2017/18.

The overall 0.5% decrease in average rent is driven by Government policy to reduce rents by 1% in 2018/19 compared to 2017/18. The effect of this policy had been offset by a reduction in void loss, which is income lost due to properties being empty, for example between tenancies.

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

	2018/2019 £'000	2017/2018 £'000
Arrears carried forward	1,208	1,205
Provision for bad debts carried forward	502	556

7. Movement in the Major Repairs Reserve

	2018/2019 £'000	2017/2018 £'000
Balance brought forward	0	0
Depreciation Charge	3,263	3,316
Funding for Capital Expenditure	-3,263	-3,316
Balance carried forward	0	0

8. Housing Stock

The Council owned an average of 5,899 dwellings (including flats and maisonettes, houses and bungalows) during 2018/2019. The following table shows the changes in stock over the last two years.

	2018/2019	2017/2018
Opening Stock	5,928	5,994
Additions	0	6
Sales	-57	-73
Transfers to / from Assets Held for Sale	-2	2
Demolitions and disposals	0	0
Other movements	0	-1
Closing Stock	5,869	5,928

An analysis of the housing stock at 31 March 2019 is shown below.

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
Low-Rise Flats					
1 Bedroom	-	-	48	1,024	1,072
2 Bedroom	-	-	98	83	181
3 (or more) Bedroom	-	-	-	10	10
Sub Total	-	-	146	1,117	1,263
Medium-Rise Flats					
1 Bedroom	-	1	1	292	294
2 Bedroom	-	-	-	527	527
3 (or more) Bedroom	-	-	-	111	111
Sub Total	-	1	1	930	932
Houses					
1 Bedroom	2	32	287	260	581
2 Bedroom	33	52	206	239	530
3 Bedroom	9	141	443	1,638	2,231
4 (or more) Bedroom	-	6	5	321	332
Sub Total	44	231	941	2,458	3,674
Totals	44	232	1,088	4,505	5,869

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	204	145	168,794	1,549	569	98	171,359
Additions and Enhancements	14		10,220		3,552	94	13,880
Disposals		-145	-1,728				-1,873
Depreciation	-48		-3,190	-18		-7	-3,263
Revaluation and Impairment			-6,580	36			-6,544
Transfers		149	-149	-34			-34
Closing value	170	149	167,367	1,533	4,121	185	173,525

10. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1st April 2018 was £422.1m (£427.9m at 1st April 2017). 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

	2018/2019 £'000	2017/2018 £'000
Major Repairs Reserve	3,263	3,316
HRA Revenue Contribution	8,641	3,183
Internal Borrowing	1,795	0
Capital Receipts	181	340
Total	13,880	6,839

12. Capital Receipts

The value of receipts on disposals of HRA assets were £2.325m in the year (£3.071m in 2017-18).

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2017-18			2018-19	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
INCOME				
31,989	59,254	Income due in year (notes 2 & 3)	31,860	63,078
2,667	0	Contributions to previous year deficits (note 4)	0	0
34,656	59,254	Total income	31,860	63,078
EXPENDITURE				
Precepts, Demands and Shares				
14,650	0	- Central Government	14,428	0
2,136	0	- Transitional Protection Payments	648	0
11,720	7,170	- West Lancashire Borough Council	11,542	7,477
2,637	42,016	- Lancashire County Council	2,597	45,099
293	2,253	- Lancashire Combined Fire Authority	289	2,349
0	5,690	- Lancs Police & Crime Commissioner	0	6,180
0	923	Contributions from previous year surpluses (note 4)	94	1,102
Charges to Collection Fund				
682	1,098	- Impairment of debts – write offs and provisions	620	1,131
248	0	- Change in provision for appeals	-145	0
129	0	- Cost of Collection Allowance	129	0
32,495	59,150	Total expenditure	30,202	63,338
2,161	104	Movement on Fund Balances	1,658	-260
-1,562	1,290	Opening Fund Balances	599	1,394
599	1,394	Closing Fund Balances	2,257	1,134

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 2018/2019 was 34,827.87 (34,390.20 in 2017/18) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
A	8,986.24	6/9	5,990.83
B	6,616.04	7/9	5,145.79
C	7,894.46	8/9	7,017.32
D	6,098.06	1	6,098.06
E	4,380.92	11/9	5,354.46
F	2,307.69	13/9	3,333.33
G	1,468.24	15/9	2,447.08
H	75.91	2	151.82
Total Relevant Amount			35,538.69
Estimated Collection Rate			98%
Council Tax Base			34,827.87

3. National Non-Domestic Rates (Business Rates)

NNDR is the business rate and is organised on a national basis. The Government specifies an amount (49.3p in 2018/19 and 47.9p in 2017/18) 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 £31.860m for 2018/2019 (£31.989m for 2017/18). The rateable value for the Council's area at the end of the financial year 2018/19 was £80.113m (£79.847m for 2017/18).

4. Surplus and Deficit on Collection

The final outturn on Council Tax operations shows a surplus of £1.134m, which compares with the estimated surplus of £0.609m declared in January 2019 and which will be distributed in 2019-20.

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.

	2018/2019 Surplus £	2017/2018 Surplus £
Lancashire County Council	810,165	675,370
Lancashire Police Authority	109,714	93,252
Lancashire Fire Authority	43,435	37,653
West Lancashire Borough Council	138,256	116,644
Total	1,101,570	922,919

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.

	2018/2019 Surplus £	2017/2018 Deficit £
Central Government	46,811	-1,333,334
West Lancashire Borough Council	37,449	-1,066,667
Lancashire County Council	8,426	-240,000
Lancashire Fire Authority	936	-26,667
Total	93,622	-2,666,668

5. Lancashire Business Rates Pool

This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. 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 Housing, 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 total retained levy is £889,169 (£669,688 in 2017/18), hence under pooling we have benefitted from extra income of £800,252 (£602,719 in 2017/18). Lancashire County Council has received the remaining 10% of 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. As part of this arrangement a total fee of £20,000 is payable, charged equally to all members of the pool to Ribble Valley Borough Council in their role as lead.

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.

Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

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Lancashire Business Rates Pool Members 2018/19	Authority Type	Tariffs and Top-Ups in Respect of 2018/19 £	Retained Levy on Growth 2018/19 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2018/19 £
Burnley Borough Council	Tariff	5,813,386	-779,370	77,937	-701,433
Chorley Borough Council	Tariff	6,255,602	-798,029	79,803	-718,226
Fylde Borough Council	Tariff	7,792,807	-640,137	64,014	-576,123
Hyndburn Borough Council	Tariff	3,817,977	-554,502	55,450	-499,052
Pendle Borough Council	Tariff	3,259,593	-355,927	35,593	-320,334
Ribble Valley Borough Council	Tariff	4,147,262	-725,653	72,565	-653,088
Rosendale Borough Council	Tariff	2,610,199	-603,452	60,345	-543,107
South Ribble Borough Council	Tariff	9,933,983	-1,190,680	119,068	-1,071,612
West Lancashire Borough Council	Tariff	8,367,158	-889,169	88,917	-800,252
Wyre Borough Council	Tariff	6,577,163	-608,534	60,853	-547,681
Lancashire County Council	Top-Up	-152,078,891	0	-714,545	-714,545
Central Government	-	93,503,761	0	0	0
Total		0	-7,145,453	0	-7,145,453

Pool membership in 2017/18 did not include Burnley Borough Council

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

West Lancashire Borough Council Statement of Accounts 2018/19

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.

