

WEST LANCASHIRE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

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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 2015/2016. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money for this year.

The Audit and Governance Committee approved the Statement of Accounts at its meeting of 27th September 2016 following the external audit of the accounts.

John Bullock

Chairman of the Audit
And Governance Committee

Marc Taylor

Borough Treasurer

NARRATIVE REPORT

Introduction

This publication contains the Council's Statement of Accounts for the year ended 31st March 2016.

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

Stewardship of public money and best value

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

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

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

Financial summary

The Council spent £78.964m in providing day-to-day services for the local community. The Council also invested £17.753m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves increased by £1.146m over the course of the year to £19.155m.

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)

	2015/2016	2014/2015
	£'000	£'000
Benefits Payments and Administration grants	29,898	30,454
Housing rents and service charges	26,513	25,852
Service specific fees, charges and grants	9,551	9,619
Total	65,962	65,925

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

	2015/2016	2014/2015
	£'000	£'000
Cultural and Related Services	3,837	3,600
Environmental and Regulatory Services	7,989	7,621
Highways and Transport Services	880	913
Housing Revenue Account excl. impairment	15,269	16,103
HRA Impairment	8,184	6,966
Housing – Other Services	32,203	33,428
Planning and Development	3,981	3,522
Corporate and Democratic Core	2,102	1,874
Non Distributed Costs	237	74
Central Services to the Public	4,282	4,289
Total	78,964	78,390

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 £12.954m was set for the year.

A significant favourable variance was delivered against this budget of £615,000 or 4.7%. This position reflects a number of factors including good performance on implementing savings measures, under spending on employees and running expenses, and income levels exceeding budget projections in a range of areas. The Council has already allocated £470,000 of these funds for specific purposes, leaving a balance of £145,000 still to be allocated. The level of GRA reserves reduced by £0.873m to £11.746m, as a result of using funds to support the budget position and specific capital schemes in line with financial plans.

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. This position will primarily be addressed through the Council's established Policy Option process, which has proved effective in dealing with these issues in recent years.

Housing Revenue Account (HRA)

This account shows income and expenditure relating to the Council's housing stock. A significant favourable budget variance was delivered in the year of £0.955m, which represents 3.6% 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 because rental income exceeded the budget target due to a range of factors including good performance on rent collection.

It is currently planned that the budget variance will be held at this time to finance budget savings in future years and to deal with any potential issues arising from government levy proposals on the sale of higher value properties.

The HRA faces a budget gap over the next 3 years between the expenditure required to deliver the agreed business plan and the resources that are expected to be available to fund it. This is primarily as a result of government rules requiring the Council to reduce its general rent levels by 1% per annum over this period. Once again it is intended that this position will be addressed through the Council's Policy Options process.

There was investment of £11.995m in the housing stock this year against a budget of £16.601m. This means that 72% of the programme was spent, which is similar to the performance that has been delivered in previous years. It is intended that £3.411m 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. The balance of £1.195m of unused budget is no longer required for its original purpose and will be reallocated for other purposes.

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

	2015/2016	2014/2015
	£'000	£'000
Capital Receipts	1,225	1,580
Government Grants and Other Contributions	1,162	1,091
Revenue Contributions	10,014	8,906
Increase in underlying need to borrow	5,069	1,525
Other	283	-1
Total	17,753	13,101

What the money is spent on

	2015/2016	2014/2015
	£'000	£'000
Property, Plant and Equipment	16,011	11,199
Other long term assets	217	114
Revenue Expenditure Funded from Capital	1,297	1,560
Other	228	228
Total	17,753	13,101

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 £208.159m, which is an increase of £11.779m on the previous year.

The Council had a total net worth of £74.670m at 31st March 2016, taking into account all of its assets and liabilities, which was an increase of £16.765m on the previous year. The reduction was primarily as a result of pension factors and the revaluation of assets, which are explained in more detail below.

Significant issues in the accounts

The value of the net pension liability in the accounts has reduced by £8.661m to £53.283m. The net pension liability represents the excess of long term accrued liabilities, assessed on a prescribed basis, compared with the market value of pension assets. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy. The large reduction over the previous year is mainly a result of actuarial gains on the pension fund.

The Cash Flow Statement shows a reduction of £1.893m in cash and cash equivalents over the year, which has been used primarily to assist in financing the capital programme without using external borrowing. This reflects a cost effective approach at the current time given relative interest rate levels. This approach has also been supported by a reduction in the level of debtors of £2.660m, primarily as a result of falls in the level of debtors with central government and other local authorities.

An impairment charge of £8.184m (£6.966m in 2014/15) 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. This position was reached after consultation with the Council's Estates section, who reviewed the elements of the capital programme and assessed those elements that increased the book value of properties and those that could be discounted.

During the year the total value of Property Plant and Equipment increased by £9.350m to £194.250m. This partly reflected a 5 yearly review of the value of the housing stock which led to a revaluation increase. It also reflected investment in solar PV on Council dwellings, the building of new houses on the Firbeck Estate in Skelmersdale, and the building of new industrial units as part of the Greenshoots project.

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 2015-16 the scale of capital investment meant there was an increase in the underlying need to borrow of £5.069m, although this was funded from internal sources rather than through external borrowing.

Future revenue spending and capital investment plans

The budget that has been set for 2016-17 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 position, by maximising efficiencies and income and through the planned use of reserves. The budget also required an increase of 1.75% in the level of the Council tax. The package of savings measures that has been agreed has a total value of £1.7m and this will be closely monitored and managed in year to ensure that financial targets are achieved.

The capital programme for 2016-17 is based on a budget of £15.953m. This includes planned investment in the housing stock of £12.559m, which will be funded by HRA revenue contributions and HRA borrowing.

Contents of the Accounts

The different 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.

Movement in Reserves Statement

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

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

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

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

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

Cash Flow Statement

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

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

Housing Revenue Account (HRA)

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

Collection Fund

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

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/media/445853/Council_Plan_2015-16_AnnualReport.pdf

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

2015/16 ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

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

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

This statement explains how the Council has complied with the code and also meets the requirements of 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 Authority is directed and controlled and the mechanisms through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

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

The governance framework has been in place at West Lancashire Borough Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

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

The key elements of the framework include:

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

The Council reviews its vision and priorities regularly. A statement of the current vision, values and priorities is available in a number of formats and, together with a number of other documents referred to in this Annual Governance Statement, can be viewed online on the Council's [website](#). There is also a Council Plan in place that contains details of the priority delivery projects that are designed to drive forward progress against priorities.

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis and there is a Data Quality protocol in place to ensure the accuracy of this information.

A management restructure took place during the year, which saw the creation of a new Chief Executive and Director structure to replace the previous Joint Managing Director structure. This new structure will continue to provide high quality management for the Council but at a reduced cost.

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

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are 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".

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

The Council's professionally qualified Chief Finance Officer (the Borough Treasurer) is responsible for the proper administration of its financial affairs. The Officer attends 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 fully assesses the potential financial risks to the Authority, are in place and are reviewed regularly. Standing orders and financial regulations, that detail the Authority'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 Authority and forms an integral part of the management process. This includes a dedicated resource committed to this area of work to ensure consistency and compliance throughout the Authority. In addition all reports to Council and Cabinet have a risk assessment section.

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*. The Committee receives regular reports on governance issues from both officers and the Council's external auditors.

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

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a formal Complaints Procedure, Anti-Money Laundering Policy, Whistleblowing Code and Anti-Fraud, Bribery and Corruption Policy. 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 Owners arrangements. The arrangements ensure suitable allocation of responsibilities for information systems through a network led by the Borough Solicitor.

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

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

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

FINANCIAL MANAGEMENT ARRANGEMENTS

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

REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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

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

Our most recent Annual Audit Letter from 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 Authority's financial framework, has not identified any significant governance or internal control issues in relation to financial matters. In carrying out a continuous audit of the Council's business, the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2015/16 does not identify any serious deficiencies in the Council's internal control mechanisms.

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

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

PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2015/16 and has set a balanced budget for 2016/17. Consequently, the Council is taking appropriate action to ensure a stable financial standing and this position has been confirmed in our latest Annual Audit letter.

CURRENT SIGNIFICANT GOVERNANCE ISSUES

FUTURE FINANCIAL CHALLENGES

Further significant savings will be required to ensure a balanced budget position is achieved over the next three years. The latest Medium Term Financial Forecast identifies the scale of the savings required and this will primarily be addressed through the Council's Policy Option process. Implementing this savings programme may create significant risks in the governance framework that will need to continue to be managed and reviewed effectively.

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

SIGNED:

Date

LEADER

SIGNED:

Date

CHIEF EXECUTIVE

On behalf of West Lancashire Borough Council

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

This report will be added to the Statement once the audit of the accounts has been completed.

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

As the Authority's Chief Finance Officer, I am responsible for preparing the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, I have:

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

I have also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31st March 2016 and its income and expenditure for the year then ended.

Marc Taylor
Borough Treasurer
27 September 2016

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MOVEMENT IN RESERVES STATEMENT

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014	961	11,570	783	469	3,748	0	0	17,531	55,902	73,433
<i>Movement in Reserves during 2014-2015</i>										
Surplus or deficit (-) on the provision of services	-2,606		-693					-3,299		-3,299
Other Comprehensive Income and Expenditure								0	-12,229	-12,229
Total Comprehensive Income and Expenditure	-2,606	0	-693	0	0	0	0	-3,299	-12,229	-15,528
Adjustments between accounting basis and funding basis under regulations (note 6)	3,655		583		-461	0	0	3,777	-3,777	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	1,049	0	-110	0	-461	0	0	478	-16,006	-15,528
Transfers to / from Earmarked Reserves (note 7)	-1,049	1,049	110	-110				0		0
Increase / Decrease (-) in 2014-15	0	1,049	0	-110	-461	0	0	478	-16,006	-15,528
Balance at 31 March 2015	961	12,619	783	359	3,287	0	0	18,009	39,896	57,905

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 2015	961	12,619	783	359	3,287	0	0	18,009	39,896	57,905
<i>Movement in Reserves during 2015-2016</i>										
Surplus or deficit (-) on the provision of services	-2,244		-381					-2,625		-2,625
Other Comprehensive Income and Expenditure								0	19,390	19,390
Total Comprehensive Income and Expenditure	-2,244	0	-381	0	0	0	0	-2,625	19,390	16,765
Adjustments between accounting basis and funding basis under regulations (note 6)	1,371		2,120		263	0	17	3,771	-3,771	0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	-873	0	1,739	0	263	0	17	1,146	15,619	16,765
Transfers to / from Earmarked Reserves (note 7)	873	-873	-1,739	1,739				0		0
Increase / Decrease (-) in 2015-16	0	-873	0	1,739	263	0	17	1,146	15,619	16,765
Balance at 31 March 2016	961	11,746	783	2,098	3,550	0	17	19,155	55,515	74,670

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/2015				2015/2016		
Gross Cost £'000	Gross Income £'000	Net Cost £'000		Gross Cost £'000	Gross Income £'000	Net Cost £'000
3,600	255	3,345	Cultural and Related Services	3,837	406	3,431
7,621	1,825	5,796	Environmental and Regulatory Services	7,989	1,756	6,233
913	877	36	Highways & Transport Services	880	890	-10
16,103	25,852	-9,749	Housing – HRA excl. impairment	15,269	26,513	-11,244
6,966	0	6,966	Housing - HRA impairment	8,184	0	8,184
33,428	32,122	1,306	Housing - Other Services	32,203	31,481	722
3,522	2,279	1,243	Planning Services	3,981	2,337	1,644
1,874	2	1,872	Corporate & Democratic Core	2,102	3	2,099
74	0	74	Non Distributed Costs	237	0	237
4,289	2,713	1,576	Central Services to the Public	4,282	2,576	1,706
78,390	65,925	12,465	Cost of Services	78,964	65,962	13,002
2,813	1,862	951	Other operating expenditure (note 8)	3,447	2,420	1,027
5,809	1,555	4,254	Financing & investment income & expenditure (note 9)	3,828	1,386	2,442
9,476	23,847	-14,371	Taxation & non specific grant income & expenditure (note 10)	9,869	23,715	-13,846
96,488	93,189	3,299	Surplus (-) or Deficit on Provision of Services	96,108	93,483	2,625
		-2,091	Surplus (-) or deficit on revaluation of non current assets (note 23i)			-8,365
		14,320	Re-measurement of the net defined pension liability (note 37)			-11,025
		12,229	Other Comprehensive Income and Expenditure			-19,390
		15,528	Total Comprehensive Income and Expenditure			-16,765

BALANCE SHEET

31 March 2014 £'000	31 March 2015 £'000		Notes	31 March 2016 £'000
183,662	184,900	Property, Plant & Equipment	11a	194,250
490	490	Heritage Assets	12	490
10,643	10,657	Investment Property	13	12,958
242	267	Intangible Assets	14	396
15	0	Long Term Investments		0
68	66	Long Term Debtors		65
195,120	196,380	Long term assets		208,159
4,509	11,017	Short Term Investments		11,515
1,345	1,003	Assets held for sale	11b	1,251
40	15	Inventories	17	37
10,114	8,246	Short Term Debtors	18	5,586
8,571	5,434	Cash and Cash Equivalents	19	1,828
24,579	25,715	Current assets		20,217
0	-1,713	Bank Overdraft	19	0
-8,099	-8,509	Short Term Creditors	20	-7,675
-8,099	-10,222	Current Liabilities		-7,675
-1,243	-1,135	Provisions	21	-1,938
-45,876	-61,944	Pension Liabilities	37	-53,283
-808	-580	Other Long Term Liabilities	36	-635
-1,994	-2,063	Grants & Contributions in Advance	32	-1,929
-88,246	-88,246	Long Term Borrowing	16	-88,246
-138,167	-153,968	Long Term Liabilities		-146,031
73,433	57,905	Net Assets		74,670
-17,531	-18,009	Usable Reserves	22	-19,155
-55,902	-39,896	Unusable Reserves	23	-55,515
-73,433	-57,905	Total Reserves		-74,670

CASH FLOW STATEMENT

2014-2015 £'000		2015-2016 £'000 £'000	
-3,299	Net Deficit on the Provision of Services	-2,625	
16,781	Adjustments for non-cash movements (note 24)	14,522	
-2,105	Adjustments for items that are investing or financing activities (note 24)	-2,719	
11,377	Net Cash Flows from Operating Activities		9,178
-16,495	Investing Activities (note 25)		-13,496
268	Financing Activities (note 26)		2,425
-4,850	Change in Cash and Cash Equivalents		-1,893
8,571	Cash & Cash Equivalents at start of period		3,721
3,721	Cash & Cash Equivalents at end of period (note 19)		1,828

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31st March 2016. 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 2015/16, the Service Reporting Code of Practice and International Financial Reporting Standards.

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

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place and not 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

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

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

The Council is not required to raise Council tax to 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. **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 or, where applicable, the Non Distributed Cost line in the Comprehensive Income and Expenditure Statement 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.

vii. 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.

viii. Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

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

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

ix. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as 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.

x. Heritage Assets

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

Heritage assets are generally recognised and measured in accordance with the Council's policies on property, plant and equipment. These assets will be recognised at cost in the Council's balance sheet where this can be identified. If valuations cannot be determined the assets will be recorded in the Council's Asset Register but not included in the balance sheet, as it is considered that this disclosure would not be material and would not add any enhancement to the reader in the understanding of the accounts. No depreciation will be accounted for due to the indeterminate useful lives of this type of asset.

Civic Regalia items will be valued on a three yearly basis by a specialist valuer. Reviews of other assets will be undertaken on a visual basis on a yearly cycle or where there is evidence of impairment.

xi. Intangible Assets

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

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of an asset can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

xii. Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received 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.

xiii. 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. 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.

xiv. Leases

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

xv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or the service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice. The total absorption costing principle is used and the full cost of overheads and support services are shared between users in proportion to the benefits received, or charged to the Corporate and Democratic Core or Non Distributed Costs where relevant.

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

xvi. Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, 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
- 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 then also credited to this same line in the Comprehensive Income and Expenditure Statement. The net value of these transactions then reflects the gain or loss on the disposal of the asset. Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

A proportion of receipts relating to housing disposals must be paid over to the Government under a pooling arrangement. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's capital financing requirement. Receipts are appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event 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.

xviii. Reserves

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

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

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure that has been incurred that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement in the year.

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

xx. VAT

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

xxi. 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

xxii. Accounting Standards Issued But Not Yet Adopted

A number of new accounting standards have been issued but have not been incorporated into the 2015/16 Code of Practice. These standards include:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Issues included in the Annual Improvements to IFRSs (2010–2012 Cycle and 2012-14 Cycle)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement.

These standards have not been reflected in these accounts, but it is not expected they will have a material impact on the Council's financial position.

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 2016 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 £0.04m.
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 £0.44m 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, apart from one site where a large provision is held based on specific factors.	An increase in the estimated settlement rate of 10% would have the effect of adding £0.43m 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.
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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 30th June 2016. 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 2016, 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 2015/16

Adjustments between Accounting and Funding Basis Under Regulations 2015/16	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Mov't in Unusable Reserves £'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,216	2,940				-4,156
Charges for impairment and revaluation losses of non current assets	166	8,184				-8,350
Movements in the fair value of Investment Properties	-2,001					2,001
Amortisation of intangible assets	62	26				-88
Capital grants and contributions applied	-902	-260				1,162
Revenue expenditure funded from capital under statute	1,297					-1,297
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	34	1,938				-1,972
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Provision for the financing of capital investment	-55	-281				336
Capital expenditure charged against the General Fund and HRA balances	-1,241	-5,807				7,048
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-17				17	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Transfer to Major Repairs Reserve		-2,966		2,966		
Use of the Major Repairs Reserve to finance new capital expenditure				-2,966		2,966

West Lancashire Borough Council Statement of Accounts 2015/16

Adjustments between Accounting and Funding Basis Under Regulations 2015/16 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-177	-2,243	2,420			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,225			1,225
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal		74	-74			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	859		-859			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			1			-1
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	4,371	1,351				-5,722
Employer's pension contributions and direct payments to pensioners	-2,525	-833				3,358
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which income credited to the Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	276					-276
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	8	-3				-5
Total Adjustments	1,371	2,120	263	0	17	-3,771

West Lancashire Borough Council Statement of Accounts 2015/16

Adjustments between Accounting and Funding Basis Under Regulations 2014/15	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Mov't in Unusable Reserves £'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non current assets	1,178	2,592				-3,770
Charges for impairment and revaluation losses of non current assets	119	6,966				-7,085
Movements in the fair value of Investment Properties	-4					4
Amortisation of intangible assets	46	31				-77
Capital grants and contributions applied	-972	-119				1,091
Revenue expenditure funded from capital under statute	1,560					-1,560
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal	310	1,228				-1,538
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	-26	-266				292
Capital expenditure charged against the General Fund and HRA balances	-219	-6,064				6,283
<i>Adjustments primarily involving the Capital Grants Unapplied Accounts</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	0				0	
Application of grants to capital financing transferred to the Capital Adjustment Account					0	0
<i>Adjustments primarily involving the Major Repairs Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		-2,623		2,623		
Use of Major Repairs Reserve to finance new capital expenditure				-2,623		2,623

West Lancashire Borough Council Statement of Accounts 2015/16

Adjustments between Accounting and Funding Basis Under Regulations 2014/15 (continued)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	-298	-1,566	1,864			
Use of the Capital Receipts Reserve to finance new capital expenditure			-1,580			1,580
Contribution from the Capital Receipts Reserve towards administrative costs on non current asset disposal	3	46	-49			
Contribution from the Capital Receipts Reserve to finance payments to the Housing Capital Receipts Pool	698		-698			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			3			-3
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of retirement benefits items charged to the Income and Expenditure Statement	3,653	1,139				-4,792
Employer's pension contributions and direct payments to pensioners	-2,259	-785				3,044
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which income credited to the Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	-140					140
<i>Adjustments primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	4	4				-8
Total Adjustments	3,653	583	-460	0	0	-3,776

7. TRANSFERS TO AND FROM EARMARKED RESERVES

	Balance 31/3/14 £'000	Movement in year £'000	Balance 31/3/15 £'000	Movement in year £'000	Balance 31/3/16 £'000
Insurance Fund	2,377	-82	2,295	-79	2,216
Renewal and Repairs Funds	491	45	536	-272	264
Corporate Reserves	6,964	1,009	7,973	-274	7,699
Ring Fenced Reserves	643	152	795	-226	569
Capital Reserve	800	-160	640	238	878
Specific Grant Reserves	295	85	380	-260	120
General Fund subtotal	11,570	1,049	12,619	-873	11,746
HRA Reserves	469	-110	359	1,739	2,098
Total	12,039	939	12,978	866	13,844

8. OTHER OPERATING EXPENDITURE

	2015/2016 £'000	2014/2015 £'000
Parish Council Precepts	489	476
Payments to the Government Housing Capital Receipts Pool	859	698
Losses / Gains (-) on the disposal of non current assets	-374	-275
Pension administration expenses	53	52
Total	1,027	951

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/2016 £'000	2014/2015 £'000
Interest payable and similar charges	3,168	3,163
Pensions interest cost and expected return on pension assets	1,931	1,953
Interest income	-123	-103
Income, expenditure and changes in the fair value of investment properties	-2,534	-759
Gains and losses on trading accounts	0	0
Total	2,442	4,254

10. TAXATION AND NON SPECIFIC GRANT INCOME

	2015/2016	2014/2015
	£'000	£'000
Council tax income	6,743	6,597
Non domestic rates income and expenditure	1,996	2,438
Non ring fenced government grants	4,734	5,046
Capital grants and contributions	373	290
Total	13,846	14,371

West Lancashire Borough Council Statement of Accounts 2015/16

11a. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2015-16	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
<i>Cost or Valuation</i>								
Balance at 1 st April 2015	194,295	33,994	4,084	1,152	1,852	110	0	235,487
Additions	10,365	269	2,476	67	52		2,782	16,011
Revaluations recognised in the Revaluation Reserve	10,064	883						10,947
Revaluations recognised in the Surplus / Deficit on the Provision of Services	-3,015	-95						-3,110
De-recognition - disposals and decommissioning	-2,583	-33	-965			-110		-3,691
Transfers	-1,097	520						-577
Other movements	-46,676							-46,676
Balance at 31st March 2016	161,353	35,538	5,595	1,219	1,904	0	2,782	208,391
<i>Accumulated Depreciation and Impairment</i>								
Balance at 1 st April 2015	-46,676	-1,980	-1,897	0	0	-32	0	-50,585
Depreciation written out to the Revaluation Reserve	-265	-272						-537
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,605	-459	-556					-3,620
Impairments recognised in the Revaluation Reserve	-2,500	-82						-2,582
Impairments recognised in the Surplus / Deficit on the Provision of Services	-5,073	-133	-32					-5,238
De-recognition - disposals and decommissioning	747	4	965			32		1,748
Other movements	46,676							46,676
Balance at 31st March 2016	-9,696	-2,922	-1,520	0	0	0	0	-14,138
Net Book Value Balance at 1st April 2015	147,619	32,014	2,187	1,152	1,852	78	0	184,902
Net Book Value Balance at 31st March 2016	151,657	32,616	4,075	1,219	1,904	0	2,782	194,253

West Lancashire Borough Council Statement of Accounts 2015/16

Movement on Balances 2014-15	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
Balance at 1 st April 2014	180,222	33,725	4,444	1,066	1,852	150	221,459
Additions	10,350	243	520	86			11,199
Revaluations recognised in the Revaluation Reserve	5,165	86					5,251
Revaluations recognised in the Surplus / Deficit on the Provision of Services	-277						-277
De-recognition - disposals and decommissioning	-1,140	-70	-880			-40	-2,130
Transfers	-25	10					-15
Other movements							0
Balance at 31st March 2015	194,295	33,994	4,084	1,152	1,852	110	235,487
Accumulated Depreciation and Impairment							
Balance at 1 st April 2014	-34,421	-1,149	-2,194	0	0	-32	-37,796
Depreciation written out to the Revaluation Reserve	-116	-250					-366
Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,433	-453	-518				-3,404
Impairments recognised in the Revaluation Reserve	-3,088	-106					-3,194
Impairments recognised in the Surplus / Deficit on the Provision of Services	-6,689	-52	-65				-6,806
De-recognition - disposals and decommissioning	71	30	880				981
Other movements							0
Balance at 31st March 2015	-46,676	-1,980	-1,897	0	0	-32	-50,585
Net Book Value Balance at 1st April 2014	145,801	32,576	2,250	1,066	1,852	118	183,663
Net Book Value Balance at 31st March 2015	147,619	32,014	2,187	1,152	1,852	78	184,902

Depreciation

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

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

- Council Dwellings – traditional build property 70 years, non traditional build property 40 years and 18 years for garages
- Other Land and Buildings – these have a range of lives varying between 7 and 50 years, although the majority of assets have an estimated life of around 30 to 40 years
- Vehicles, Plant, Furniture and Equipment – this covers a range of different types of asset with estimated useful lives mostly between 5 and 12 years
- Infrastructure – these assets are inalienable in nature, in that value is derived only by continued use of the asset in its current form (there is no prospect of sale or alternative use). As such these assets are not depreciated but will either be written out when there is a change of use or a revaluation exercise.

Capital Commitments

At 31st March 2016 the Council had entered into a number of contracts for the construction or enhancement of non current assets in future years budgeted to cost £2.810m. Similar commitments as at 31st March 2015 were £5.334m.

The major commitments are:

- Bathroom installations to Council Dwellings £0.435m
- Kitchen installations to Council Dwellings £0.463m
- Greenshoots Project £0.834m

Revaluations

The Council carries out a programme that ensures that all Property, Plant & Equipment is re-valued at fair value at least every 5 years, and this year a full revaluation of the housing stock took place. This exercise also encompasses a review of the asset classes for each item. Valuations are largely carried out internally however professionally qualified firms may be employed to undertake some valuations under the guidance of the Council's Estates Service. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating fair values are:

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

	Council Dwellings £'000	Vehicles, Furniture, Plant & Equipment £'000	Other Assets £'000	Total £'000
Historical cost at last valuation	0	5,595	3,004	8,599
Valued at fair value as at:				
31 st March 2016	161,353	0	4,334	165,687
31 st March 2015	0	0	269	269
31 st March 2014	0	0	33,732	33,732
31 st March 2013	0	0	104	104
31 st March 2012	0	0	0	0
Total	161,353	5,595	41,443	208,391

11b. ASSETS HELD FOR SALE

	2015/2016 £'000	2014/2015 £'000
Balance at start of year	1,003	1,345
Assets newly classified as held for sale	283	25
Assets de-classified as held for sale	-5	-10
Revaluation gains	0	33
Assets sold	-30	-390
Balance at end of year	1,251	1,003

12. HERITAGE ASSETS

The closing value of Heritage Assets is £490,000 (£490,000 in 2014-15).

Civic Regalia:

The Council owns a range of Civic regalia items including Mayoral Chains, Pendants and various other Chains and items of Office valued at £102,000. These items are used by the Mayor and Deputy Mayor for Civic functions and are valued every 3 years by a specialist professional firm. The last valuation was undertaken during the 2013/14 financial year, and resulted in a revaluation increase of £28,000. There have been no other changes in asset values over the last 5 years.

Public Sculptures

Three public sculptures were built within the Skelmersdale area of the Borough and were identified as the ‘Roundabout Sculptures.’ These were built to provide character to the area as well as exhibiting high technology and innovation, and interaction with the local community. The sculptures are commonly termed the Daffodil Sculpture, the Faces Roundabout and the Lighting Column. They are valued on the asset register at cost, £364,000, and no depreciation is accounted for as they have an indeterminate useful life.

These assets are visually inspected on an annual basis to review any potential impairment. There has been expenditure of £935 in 2015-16 on these sculptures, which has been fully impaired. There have been no other changes in asset values over the last 5 years.

Memorials, fountains and village cross

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

There has been expenditure on war memorials of £2,130 in 2014-15, £48,000 in 2013-14, and £3,000 in 2012-13. All of this expenditure has been fully impaired. There have been no other changes in asset values over the last 5 years.

13. INVESTMENT PROPERTIES

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

	2015/2016	2014/2015
	£'000	£'000
Rental income	-1,259	-1,448
Direct operating expenses	726	693
Movement in fair value of investment properties	-2,001	-4
Net gain / loss	-2,534	-759

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

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

	2015/2016 £'000	2014/2015 £'000
Balance at start of year	10,657	10,643
Net gains/losses from fair value adjustments	2,001	4
Additions	0	10
Transfers	300	0
Balance at end of year	12,958	10,657

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.

	2015/2016 £'000	2014/2015 £'000
Balance at start of year:		
- Gross carrying amount	437	384
- Accumulated amortisation	-170	-142
Net carrying amount at start of year	267	242
Additions	216	102
Amortisation	-87	-77
Net carrying amount at end of year	396	267

Balance at end of year:		
- Gross carrying amount	572	437
- Accumulated amortisation	-176	-170
Net carrying amount at end of year	396	267

During the course of the year fully amortised assets with a gross carrying value of £81,000 were written off (£49,000 in 2014-15).

15. IMPAIRMENT AND REVALUATION LOSSES

An impairment charge of £8.184m (£6.966m in 2014-15) 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, and as a result of revaluation reductions. A full revaluation of the Council's housing stock was undertaken as at the 1st April 2015, and this resulted in an overall net revaluation increase of £7.564m (£2.091m in 2014-15) being posted to the Revaluation Reserve. Both the impairment charge and the housing stock revaluation were conducted in conjunction with the Council's internal Estates service who followed professional guidelines in conducting both exercises.

Impairment charges of £0.166m (£0.120m in 2014-15) were also made to other parts of the Comprehensive Income and Expenditure Statement in the year, as a result of capital investment that has not increased the book value of assets.

16. FINANCIAL INSTRUMENTS

The Council has £11.515m of short term investments (£11.017m in 2014-15) that are classified as loans and receivables. Details on debtors are shown in note 18 to the accounts, and these are classified as financial assets carried at contract amounts. The Council has £88.212m of borrowing (£88.212m in 2014-15) that is classified as financial liabilities at amortised cost. Details on creditors are shown in note 20, and these are classified as financial liabilities carried at contract amounts.

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

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

- The fair value of debtors and creditors (as shown in notes 18 and 20) are taken to be the invoiced or billed amount. Consequently these items' carrying value is judged to be not materially different from their fair value
- The fair value of investments is assumed to approximate to its carrying value, as these instruments will mature within the next 12 months
- The fair value of PWLB borrowing is £97.223m 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 2016, are as follows:

	Other significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	Fair Value as at 31st March 2016 £'000
Commercial Units	6,950	562	7,512
Office Units	5,348	0	5,348
Other	0	98	98
Total	12,298	660	12,958

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. The overall fair value gain attributed to these assets for 2015/16 was £2.001m.

Assets held for sale

Assets held for sale are classified in the hierarchy as level 2 and are valued at £1.251m. The majority of these assets are land items whilst some £0.28m are 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

	2015/2016
	£'000
Opening Balance	475
Total gain / (loss) for the period included in Surplus / Deficit on the provision of services resulting from changes in fair value	185
Total	660

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

17. INVENTORIES

	2015/2016	2014/2015
	£'000	£'000
Work in progress	26	0
All other items	11	15
Total	37	15

18. DEBTORS

	2015/2016	2014/2015
	£'000	£'000
General Government Bodies	1,438	2,108
Other Local Authorities	1,553	3,556
Trade Debtors	2,001	2,235
Other Debtors	4,797	4,899
Payments in Advance	87	43
Sub total	9,876	12,841
Provision for impairments	-4,290	-4,595
Total	5,586	8,246

19. CASH AND CASH EQUIVALENTS

	2015/2016 £'000	2014/2015 £'000
Cash and Bank	828	434
Money at call	1,000	5,000
Sub total	1,828	5,434
Bank overdraft	0	-1,713
Total	1,828	3,721

20. CREDITORS

	2015/2016 £'000	2014/2015 £'000
General Government Bodies	1,348	1,581
Other Local Authorities	945	1,273
Trade Creditors	3,423	3,822
Leaseholder Advance and Tenant Prepayments	1,077	1,006
Other Creditors	882	828
Total	7,675	8,510

21. PROVISIONS

	2015/2016 £'000	2014/2015 £'000
Opening balance	1,135	1,243
Movement to grants & contributions in advance	-3	0
Additional provisions made	1,013	0
Amounts used	-192	-68
Unused amounts reversed	-15	-40
Closing balance	1,938	1,135

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

	2015/2016	2014/2015
	£'000	£'000
i. Revaluation Reserve	26,414	18,786
ii. Capital Adjustment Account	83,893	84,281
iii. Deferred Capital Receipts	2	4
iv. Pensions Reserve	-53,282	-61,944
v. Collection Fund Adjustment Account	-1,306	-1,030
vi. Accumulated Absences Account	-206	-201
Total	55,515	39,896

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.

	2015/2016	2014/2015
	£'000	£'000
Balance at start of year	18,786	17,210
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	8,365	2,091
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	-537	-366
Accumulated gains on assets sold or scrapped	-200	-149
Sub total	-737	-515
Balance at end of year	26,414	18,786

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.

	2015/2016 £'000	2014/2015 £'000
Balance at start of year	84,281	85,924
<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	-12,506	-10,856
Amortisation of intangible assets	-88	-77
Revenue expenditure funded from capital under statute	-1,297	-1,560
Non-current assets written off as part of the gain / loss on disposal of assets	-1,972	-1,538
Sub total	-15,863	-14,031
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,225	1,580
Use of the Major Repairs Reserve to finance new capital expenditure	2,966	2,623
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	1,162	1,091
Provision for the financing of capital investment charged against the General Fund and HRA balances	336	292
Capital expenditure charged against the General Fund and HRA balances	7,048	6,283
Sub total	12,737	11,869
Adjusting amounts written out of the Revaluation Reserve	737	515
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,001	4
Balance at end of year	83,893	84,281

iii. Deferred Capital Receipts Reserve

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

	2015/2016 £'000	2014/2015 £'000
Balance at start of year	4	6
Transfer to the Capital Receipts Reserve upon receipt of cash	-2	-2
Balance at end of year	2	4

iv. Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/2016 £'000	2014/2015 £'000
Balance at start of year	61,944	45,876
Re-measurement of the net defined benefit liability / asset	-11,025	14,320
Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	5,722	4,792
Employer's pension contributions payable in the year	-3,359	-3,044
Balance at end of year	53,282	61,944

v. Collection Fund Adjustment Account

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

	2015/2016 £'000	2014/2015 £'000
Balance at start of year	1,030	1,170
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	276	-140
Balance at end of year	1,306	1,030

vi. Accumulated Absences Account

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

	2015/2016 £'000	2014/2015 £'000
Balance at start of year	201	192
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	9
Balance at end of year	206	201

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/2016 £'000	2014/2015 £'000
Interest received	-124	-94
Interest paid	3,172	3,164

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

	2015/2016 £'000	2014/2015 £'000
Depreciation	4,156	3,770
Impairment and downward valuations	8,350	7,085
Movement in the market value of investment properties	-2,001	-4
Amortisation	88	77
Change in Creditors	-1,111	1,214
Change in Debtors	-80	1,374
Change in Inventories	-21	25
Movement in Pension Liability	2,364	1,748
Carrying amount of non current assets sold or disposed	1,972	1,538
Other non cash items charged to the deficit on the provision of services	805	-46
Non cash movements	14,522	16,781

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

	2015/2016 £'000	2014/2015 £'000
Proceeds from the sale of non current assets	-2,346	-1,815
Capital grants for non current assets charged through revenue	-373	-290
Non cash movements	-2,719	-2,105

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015/2016 £'000	2014/2015 £'000
Purchase of property, plant and equipment, investment property and intangible assets	-15,669	-12,115
Purchase of short term and long term investments	-43,500	-33,500
Proceeds from the sale of non-current assets	2,346	1,815
Proceeds from short term and long term investments	43,000	27,015
Other receipts from investing activities	327	290
Net cash flows from investing activities	-13,496	-16,495

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015/2016 £'000	2014/2015 £'000
Receipts from financing activities	2,653	496
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	-228	-228
Net cash flows from financing activities	2,425	268

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

	2015/2016 £'000	2014/2015 £'000
Net expenditure in the Service Analysis	15,137	15,002
Net expenditure of services and support services not included in the analysis	-519	-199
Amounts in the Income and Expenditure Statement not reported to management in the Analysis	339	-427
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-1,955	-1,912
Cost of Services in the Income and Expenditure Statement	13,002	12,464

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

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Income and Expenditure	Leisure & Wellbeing	Corporate Services	Housing & Inclusion	HRA	Development & Regen	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Income and Expenditure 2015-16							
Fees, charges and other service income	1,845	3,885	9,492	35,546	6,272	9,148	66,188
Government grants and contributions	924	150	29,936	1	68	1,182	32,261
Total income	2,769	4,035	39,428	35,547	6,340	10,330	98,449
Employee expenses	2,148	3,354	2,756	4,583	2,255	4,405	19,501
Other service expenses	3,123	1,337	34,307	17,297	2,723	9,095	67,882
Capital Charges	854	0	200	11,149	152	238	12,593
Support service recharges	1,205	2,165	3,808	2,518	2,413	1,501	13,610
Total expenditure	7,330	6,856	41,071	35,547	7,543	15,239	113,586
Net expenditure	4,561	2,821	1,643	0	1,203	4,909	15,137
Service Income and Expenditure 2014-15							
Fees, charges and other service income	1,879	4,083	9,947	33,894	6,279	9,260	65,342
Government grants and contributions	977	52	30,518	0	85	1,214	32,846
Total income	2,856	4,135	40,465	33,894	6,364	10,474	98,188
Employee expenses	2,172	2,888	2,849	4,534	2,235	4,319	18,997
Other service expenses	3,606	1,469	35,028	17,226	2,538	9,197	69,064
Capital Charges	791	0	216	9,589	292	221	11,109
Support service recharges	1,202	2,278	3,935	2,545	2,545	1,515	14,020
Total expenditure	7,771	6,635	42,028	33,894	7,610	15,252	113,190
Net expenditure	4,915	2,500	1,563	0	1,246	4,778	15,002

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Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2015-16	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	66,188	1,076	-1,032	-7,732	-24,948	33,552	1,261	34,813
Interest and investment income						0	123	123
Income from council tax and business rates						0	18,607	18,607
Government grants and contributions	32,261	182		-33		32,410	5,107	37,517
Other Items						0	2,423	2,423
Total income	98,449	1,258	-1,032	-7,765	-24,948	65,962	27,521	93,483
Employee expenses	19,501	440	-285	-3,060		16,596		16,596
Other service expenses	67,882	250	-348	-5,788	-24,948	37,048		37,048
Capital Charges	12,593			-161		12,432		12,432
Support service recharges	13,610	49	-60	-711		12,888		12,888
Interest payments						0	3,168	3,168
Precepts						0	489	489
Payments to Housing Capital Receipts Pool						0	859	859
Other Items						0	12,628	12,628
Total expenditure	113,586	739	-693	-9,720	-24,948	78,964	17,144	96,108
Surplus or deficit on the provision of services	15,137	-519	339	-1,955	0	13,002	-10,377	2,625

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Reconciliation to Subjective Analysis 2014-15	Service Analysis	Services not in Mngt Analysis	Amounts not reported to management	Amounts not included in I&E statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	65,342	815	-1,112	-7,458	-24,508	33,079	1,451	34,530
Interest and investment income						0	103	103
Income from council tax						0	18,512	18,512
Government grants and contributions	32,846	39		-39		32,846	5,336	38,182
Other Items						0	1,862	1,862
Total income	98,188	854	-1,112	-7,497	-24,508	65,925	27,264	93,189
Employee expenses	18,997	333	-676	-2,943		15,711		15,711
Other service expenses	69,064	136	-716	-5,578	-24,508	38,398		38,398
Capital Charges	11,109		-165	-172		10,772		10,772
Support service recharges	14,020	186	18	-716		13,508		13,508
Interest payments						0	3,164	3,164
Precepts						0	477	477
Payments to Housing Capital Receipts Pool						0	698	698
Other Items						0	13,760	13,760
Total expenditure	113,190	655	-1,539	-9,409	-24,508	78,389	18,099	96,488
Surplus or deficit on the provision of services	15,002	-199	-427	-1,912	0	12,464	-9,165	3,299

28. TRADING OPERATIONS

Trading Services

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

Direct Service Organisations

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

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

	2015-16 Expenditure £'000	2015-16 Income £'000	2015-16 Deficit/ Surplus(-) £'000	2014-15 Deficit/ Surplus(-) £'000
Trading Services				
Market	215	223	-8	-24
Car Parks	297	685	-388	-337
Commercial Assets Portfolio	472	905	-433	-436
Total	984	1,813	-829	-797
DSOs				
Refuse Collection & Street Cleaning	4,731	4,699	32	-236
Grounds Maintenance	1,526	1,525	1	-2
Repatriation of balances		33	-33	238
Deficit / Surplus (-) transferred to I&E Statement	6,257	6,257	0	0

29. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.344m (£0.341m in 2014-15).

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	
	2015/16	2014/15
£50,000 - £54,999	7	6
Total	7	6

The Council terminated the contracts of 4 employees in 2015-16 in different service areas incurring liabilities of £0.354m (£0.017m in 2014-15).

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2014/15	2015/16	2014/15
			£'000	£'000
£0 - £20,000	1	2	16	17
£20,000 - £40,000	2	0	50	0
Over £150,000	1	0	288	0
Total	4	2	354	17

There have been no compulsory redundancies over the last 2 years.

In addition to the figures shown above there were also £0.037m of pension strain costs incurred in 2014-15 in relation to a flexible retirement.

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

A management restructure was agreed during the year involving the redundancy of a Managing Director post, the re-designation of another Managing Director post to Chief Executive, and the re-designation of Assistant Directors to Directors. The savings resulting from this restructure will be more than sufficient to meet the 3 year payback requirement.

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Post Title	Salary £	Expenses £	Compensation for loss of office £	Benefits in Kind £	Total before pensions £	Pension contribution £	Total £
<u>2015-16 Remuneration</u>							
Chief Executive	92,015	0	0	4,578	96,593	12,360	108,953
Managing Director (People and Places) left in year	82,432	0	99,575	4,164	186,171	199,945	386,116
Director of Housing and Inclusion	69,916	0	0	4,578	74,494	9,540	84,034
Director of Leisure and Well Being	70,131	138	0	4,578	74,847	9,540	84,387
Director of Street Scene	63,720	0	0	4,578	68,298	8,673	76,971
Director of Development and Regeneration	63,305	0	0	4,578	67,883	8,673	76,556
Borough Treasurer	55,688	0	0	0	55,688	7,629	63,317
Borough Transformation Manager and Deputy Director of Housing and Inclusion	56,183	0	0	1,239	57,422	7,629	65,051
Borough Solicitor	56,988	0	0	0	56,988	7,629	64,617
<u>2014-15 Remuneration</u>							
Managing Director (Transformation)	89,919	0	0	4,871	94,790	12,072	106,862
Managing Director (People and Places)	96,772	0	0	4,871	101,643	13,220	114,863
Assistant Director Housing and Regeneration	68,075	0	0	4,871	72,946	9,310	82,256
Assistant Director Community Services	68,390	151	0	4,871	73,412	9,310	82,722
Assistant Director Street Scene	61,967	0	0	4,871	66,838	8,463	75,301
Assistant Director Planning	62,092	0	0	4,871	66,963	8,463	75,426
Borough Treasurer	54,877	0	0	0	54,877	7,518	62,395
Transformation Manager	55,382	0	0	1,239	56,621	7,518	64,139
Borough Solicitor	56,177	0	0	0	56,177	7,518	63,695

31. EXTERNAL AUDIT COSTS

	2015/2016 £'000	2014/2015 £'000
Fees payable in relation to the audit of the accounts and inspection fees	44	58
Fees payable for the certification of grant claims and returns	16	16
Audit Commission Rebate	-	-5
Total	60	69

32. GRANT INCOME

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

	2015/2016 £'000	2014/2015 £'000
<i>Credited to Taxation and Non Specific Grants</i>		
Revenue Support Grant	2,385	3,370
New Homes Bonus	1,369	1,050
Council Tax Freeze Grant	71	70
Business Rate Relief	658	517
Business Rates Safety Net	218	0
Other Grants	33	39
Total non ring fenced government grants	4,734	5,046
<i>Credited to Services</i>		
Benefit Payments and Administration	29,898	30,454
Capital Grants	806	800
Contributions to Refuse and Cleansing	981	991
Contribution to Highways	201	224
Other Grants and Contributions	524	377
Total	32,410	32,846

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:

	2015/2016	2014/2015
	£'000	£'000
<i>Grants and Contributions Received in Advance</i>		
Section 106 Agreements	1,723	1,867
Commutated Sums	206	197
Total	1,929	2,064

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 the subjective analysis in note 27 on reporting for resource allocation decisions and in note 32 on grant income.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Member allowances paid in 2015-16 is shown in note 29.

There are 54 Council Members, of whom 13 are also Parish Councillors, 6 are County Councillors, and 1 is a Member 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 £0.131m (£0.087m in 2014-15) 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 – £32,779 – 3 Members
- Women's Refuge – £11,230 – 1 Member
- Dial a Ride - £28,575 – 1 Member
- Community Centres - £13,095 – 6 Members

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

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

Officers

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

Other Related Parties

The Council has entered into a long term contractual arrangement with Lancashire County Council and BTLs for the provision of Revenues, Benefits and IT Services worth £3.2m in 2015-16 (£3.2m in 2014-15). The Council also received income of £1.18m (£1.22m in 2014-15) from Lancashire County Council in relation to Refuse and Recycling, Street Cleansing and Highways Maintenance activities.

Payment of subsidy of £0.404m (£0.434m in 2014-15) was made to West Lancashire Community Leisure Ltd as part of the Council's Leisure services arrangement. The Council provides the majority of the Trust's funding and also appoints one out of the Trust's 6 Board Members.

The Council is an associate member of the Liverpool City Region Combined Authority and paid a membership fee of £21,000 for the year. The Council has also agreed to become a constituent member of the Lancashire Combined Authority, which is currently in the process of being established.

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.

	2015/2016 £'000	2014/2015 £'000
Opening Capital Financing Requirement	94,255	93,251
<i>Capital Investment</i>		
Property, Plant and Equipment	16,011	11,199
Heritage Assets	1	2
Investment Properties	0	10
Intangible Assets	216	102
Revenue Expenditure Funded from Capital Under Statute	1,297	1,560
<i>Sources of Finance</i>		
Capital Receipts	-1,225	-1,580
Government Grants and Other Contributions	-1,162	-1,091
Direct Revenue Contributions	-10,014	-8,906
Minimum Revenue Provision	-336	-292
Closing Capital Financing Requirement	99,043	94,255
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	5,069	1,525
Movement in other long term liabilities	55	-228
Minimum Revenue Provision	-336	-292
Other	0	-1
Change in Capital Financing Requirement	4,788	1,004

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, typically with lives not exceeding five years. The Council entered into a new arrangement with regards to vehicle supply and maintenance during 2012-13. A review was undertaken that determined the supply of the vehicles under this contract represented an embedded lease.

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

	2015/2016 £'000	2014/2015 £'000
Not later than one year	787	741
Later than one year and not later than five years	324	1,050
Total	1,111	1,791

Authority as Lessor: Operating Leases

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

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

	2015/2016 £'000	2014/2015 £'000
Not later than one year	1,634	1,799
Later than one year and not later than five years	2,702	2,560
Later than five years	2,992	3,103
Total	7,328	7,462

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.

	2015/2016	2014/2015
	£'000	£'000
Balance brought forward	580	808
Leisure trust repayments	-228	-228
Leisure trust investment	283	0
Balance carried forward	635	580

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 an annual value of £3.2m. In October 2012 the Council agreed a 5 year contract for vehicle supply and maintenance with Kier Limited with an annual value of just over £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	
	2015-16	2014-15	2015-16	2014-15
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	0	0	3,518	2,732
- Past service cost / gain (-)	0	0	0	45
- Settlements and curtailments	0	0	220	10
<i>Other Operating Expenditure</i>				
- Administration expenses	0	0	53	52
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	177	229	5,667	6,592
- Expected return on scheme assets	0	0	-3,736	-4,639
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	177	229	5,722	4,792
<i>Re-measurement of the net defined benefit liability</i>				
- Return on plan assets	0	0	-1,899	-8,685
- Actuarial gains and losses arising on changes in financial assumptions	-185	495	-9,126	23,005
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	-8	724	-5,303	19,112
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	-177	-229	-5,722	-4,792
Actual amount charged against the General Fund Balance for pensions	367	379	3,358	3,044

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	
	2015-16	2014-15	2015-16	2014-15
	£'000	£'000	£'000	£'000
Present value of the benefit obligation	5,340	5,715	174,940	179,560
Fair value of plan assets	0	0	-121,657	-117,616
Net liability	5,340	5,715	53,283	61,944

Reconciliation of the movements in the Fair Value of Scheme Assets	Discretionary Benefits		All Benefits	
	2015-16	2014-15	2015-16	2014-15
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	0	0	117,616	106,541
Interest on plan assets	0	0	3,736	4,639
Re-measurements	0	0	1,899	8,685
Administration expenses	0	0	-53	-52
Employer contributions	367	379	3,358	3,044
Contributions by scheme participants	0	0	872	851
Benefits paid	-367	-379	-5,771	-6,092
Closing Balance	0	0	121,657	117,616

Reconciliation of Present value of the Scheme Liabilities	Discretionary Benefits		All Benefits	
	2015-16	2014-15	2015-16	2014-15
	£'000	£'000	£'000	£'000
Opening Balance	5,715	5,370	179,560	152,417
Current service cost	0	0	3,518	2,732
Interest cost	177	229	5,667	6,592
Contributions by scheme participants	0	0	872	851
Re-measurement gains and losses	-185	495	-9,126	23,005
Past service costs	0	0	0	45
Settlements and curtailments	0	0	220	10
Benefits paid	-367	-379	-5,771	-6,092
Closing Balance	5,340	5,715	174,940	179,560

An analysis of scheme assets by category is shown below:

Asset category	Sub category	Quoted (Y/N)	31 March 2015 £'000	31 March 2016 £'000
Equities	Consumer Discretionary	Y	6,125	6,174
	Consumer Staples	Y	6,880	7,021
	Energy	Y	934	522
	Financials	Y	6,969	7,368
	Health Care	Y	3,997	4,408
	Industrials	Y	5,644	5,262
	Information Technology	Y	6,649	7,476
	Materials	Y	1,593	1,504
	Telecommunications	Y	818	1,008
	Utilities	Y	877	1,006
Bonds	UK corporate	Y	1,133	1,746
	Overseas corporate	Y	500	728
	UK index linked	Y	3,691	2,441
Property	Offices	N	2,438	2,455
	Offices / Warehouses	N	249	251
	Industrial / Warehouses	N	2,849	2,869
	Shops	N	2,096	1,456
	Retail Warehouse	N	2,085	2,100
	Shopping Centre	N	601	605
	Multi Let Commercial Building	N	756	1,940
Alternatives	UK private equity	N	2,951	1,981
	Overseas private equity	N	4,180	5,334
	Infrastructure	N	6,546	9,706
	Credit Funds	N	30,301	30,566
	Indirect Property Funds	N	861	1,677
	Overseas Pooled Equity Funds	N	10,195	9,688
Cash	Cash and cash equivalents	N	5,698	4,293
	Net current assets	N	0	72
Total			117,616	121,657

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 2013.

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

	2015/2016	2014/2015
	£'000	£'000
<i>Financial Assumptions</i>		
Rate of inflation	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.5%	3.2%
<i>Longevity Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	23.0 / 25.6	22.9 / 25.4
- Future pensioner aged 65 in 20 years time	25.2 / 27.9	25.1 / 27.8

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	174,940	-121,657	53,283
+ 0.1% discount rate	171,996	-121,657	50,339
+0.1% inflation rate	177,935	-121,657	56,278
+0.1% pay growth	175,576	-121,657	53,919
1 year increase in life expectancy	178,426	-121,657	56,769

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 to be completed in March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension scheme may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pension and other benefits to certain public servants.

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31st March 2017 are £2.937m. Expected contributions for Discretionary Benefits in the year to 31st March 2017 are £0.367m. The weighted average duration of the defined benefit obligation for scheme members is 17 years (which is unchanged from the previous year), and the duration profile used to determine assumptions is very mature.

38. CONTINGENT LIABILITIES AND ASSETS

The Council, along with many other local authorities, was a member of the Municipal Mutual Insurance Scheme (MMI), which ran between 1975 and 1993 when the scheme ceased in its current form. Since that date MMI has been in a scheme of arrangement whereby claims for the period are settled under the arrangement terms, with an objective of matching assets to liabilities, but where past members may become liable for payments that the Fund cannot meet. The scheme has been triggered and this resulted in payments becoming due in 2013-14 and 2015-16 and further payments may also become due if the liability situation deteriorates, although it is not possible to estimate the timing and value of any future payments.

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

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 £13.34m cannot be assessed generally as the risk of any institution failing to make payments of interest or repaying the principal sum will be specific to each individual institution. However the Council prioritises minimising risk above maximising its investment returns. Consequently the Council does not expect any losses from defaults on its investments, and this position has been validated by historical experience.

The Council is also exposed to credit risk that it may not recover all of its debtor balances in full from its customers and other parties. Details on debtor balances and the associated bad debt provisions, which are typically based on the age of the debt and experience of default and uncollectability, are shown in note 18. The single largest bad debt provision is £2.4m 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 for over 10 years, and the debt portfolio has been spread out over a period of up to 50 years. The maturity analysis of loans is set out below:

Maturity analysis of loans	2015/2016 £'000	2014/2015 £'000
Between 10 and 15 years	4,411	4,411
Between 15 and 20 years	4,411	4,411
Between 20 and 25 years	8,821	8,821
Between 25 and 30 years	8,821	8,821
Between 30 and 35 years	17,642	17,642
Between 35 and 40 years	17,642	17,642
Between 40 and 45 years	17,643	17,643
Between 45 and 50 years	8,821	8,821
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 £97.223m to £80.467m.

Investment income in 2015-16 was £0.123m based on an average rate of interest earned of 0.535%.

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 £3,675 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 £1,547 and there are no liabilities.

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2014/2015		2015/2016	
£'000		£'000	£'000
Expenditure			
-4,743	Repairs and maintenance (note 2)	-3,578	
-8,062	Supervision and management	-8,230	
-367	Rents, rates, taxes and other charges	-348	
-2,623	Depreciation (note 3)	-2,966	
-6,966	Impairment (note 3)	-8,184	
-309	Movement in bad debt provision	-145	
-23,070	Total expenditure		-23,451
Income (note 5)			
23,192	Dwelling rents	24,023	
372	Non-dwelling rents	385	
2,288	Charges for services and facilities	2,016	
0	Contributions towards expenditure	88	
25,852	Total income		26,512
2,782	Net Cost of HRA Services in the Comprehensive Income & Expenditure Statement		3,061
-403	HRA share of Corporate & Democratic Core		-416
-13	HRA share of Pension Past Service Gain/Cost(-)		-58
2,366	Net Income of HRA Services		2,587
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
292	Gain or Loss on Disposal of Non-Current Assets		231
-3,057	Interest payable		-3,057
64	Interest and Investment Income		65
-465	Pensions interest cost and expected return on pensions assets		-455
-12	Pension administration expenses		-12
119	Capital grants and contributions receivable		260
-693	Deficit (-) / Surplus for the year on HRA services		-381

MOVEMENT ON THE HRA STATEMENT

2014/2015		2015/2016	
£'000		£'000	£'000
782	HRA Balances brought forward		782
-693	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	-381	
583	Adjustments between accounting basis and funding basis under statute	2,120	
-110	Net change before transfers to or from reserves	1,739	
110	Transfers to or from reserves	-1,739	
0	Increase or Decrease in balances in year		0
782	HRA Balances carried forward		782

Adjustments between accounting basis and funding basis under statute

2014/15		2015/16	
£'000		£'000	
4	Transfers to/from the Accumulated Absences Account		-3
-292	Gain (-) or loss on sale of non-current assets		-231
354	HRA share of contributions to or from the Pensions Reserve		518
-6,064	Capital expenditure funded by the HRA		-5,807
-2,623	Transfer to Major Repairs Reserve		-2,966
	Transfers to and from the Capital Adjustment Account		
6,966	- Impairment (note 3)		8,184
2,623	- Depreciation (note 3)		2,966
-119	- Capital Grants		-260
-266	- Provision for repayment of debt		-281
583	Total adjustments		2,120

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision. The Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. The Council charges rents to cover expenditure in accordance with regulations and this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2. Repairs and Maintenance

Details of repairs and maintenance expenditure are as follows:

	2015/2016	2014/2015
	£'000	£'000
Programmed Work (including painting)	1,141	1,288
Repairs	2,437	3,455
Total	3,578	4,743

3. Capital charges

An impairment charge of £8.184m (£6.966m in 2014-15) has been made to the HRA in the year. This reflects impairment and revaluation decreases that could not be charged against the Revaluation Reserve. These charges do not affect the bottom line position of the HRA as they are reversed in the Adjustments section of the Movement on the HRA Statement.

Depreciation charges of £2.966m have been made to the HRA to reflect its use of assets (£2.623m in 2014-15). An amount equal to depreciation has then been transferred to the Major Repairs Reserve, which has been used to finance capital expenditure.

4. Pensions

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

5. 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 2015/16 was £75.31 (on a 52 week basis). This is an increase of £1.55 over the like for like figure at the end of 2014/15 or 2.1%, which primarily reflects a general increase in line with the government's formula for rent increases.

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

	2015/2016 £'000	2014/2015 £'000
Arrears carried forward	1,237	828
Provision for bad debts carried forward	505	513

7. Movement in the Major Repairs Reserve

	2015/2016 £'000	2014/2015 £'000
Balance brought forward	0	0
Depreciation Charge	2,966	2,623
Funding for Capital Expenditure	-2,966	-2,623
Balance carried forward	0	0

8. Housing Stock

The Council owned an average of 6,169 dwellings (including flats and maisonettes, houses and bungalows) during 2015/2016. This table shows the changes in stock over the last two years.

	2015/2016	2014/2015
Opening Stock	6,198	6,236
Additions	12	5
Sales	-57	-35
Demolitions and disposals	0	-7
Other movements	-13	-1
Closing Stock	6,140	6,198

A revaluation of the housing stock was carried out in year and during this exercise the original build date for some properties was amended. The updated analysis of the housing stock at 31 March 2016 is shown below.

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
Low-Rise Flats					
1 Bedroom	-	-	50	1,019	1,069
2 Bedroom	4	-	107	75	186
3 (or more) Bedroom	-	-	-	11	11
Sub Total	4	-	157	1,105	1,266
Medium-Rise Flats					
1 Bedroom	-	1	1	356	358
2 Bedroom	-	-	-	565	565
3 (or more) Bedroom	-	-	1	118	119
Sub Total	-	1	2	1,039	1,042
Houses					
1 Bedroom	2	32	287	272	593
2 Bedroom	34	55	210	231	530
3 Bedroom	10	155	470	1,720	2,355
4 (or more) Bedroom	-	6	5	343	354
Sub Total	46	248	972	2,566	3,832
Totals	50	249	1,131	4,710	6,140

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

	Intangible Assets	Assets held for sale	Council dwellings	Other land / buildings	Assets Under Construction	Other Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening value	58	25	147,620	627	0	196	148,526
Additions and Enhancements			10,365		1,890		12,255
Disposals		-25	-1,836			-77	-1,938
Depreciation	-26		-2,870	-27		-43	-2,966
Revaluation and Impairment			-524	-95			-619
Transfers		283	-1,097	814			0
Closing value	32	283	151,658	1,319	1,890	76	155,258

10. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1st April 2015 was £432.8m (£424.0m at 1st April 2014). 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

	2015/2016	2014/2015
	£'000	£'000
Major Repairs Reserve	2,966	2,623
HRA Revenue Contribution	5,807	6,054
Internal Borrowing	3,124	1,525
Capital Grants	260	119
Capital Receipts	98	28
Other	0	1
Total	12,255	10,350

12. Capital Receipts

The value of receipts on disposals of HRA assets were £2.169m in the year (£1.520m in 2014-15).

COLLECTION FUND STATEMENT

2014-15			2015-16	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
INCOME				
30,994	52,537	Income due in year (notes 2 & 3)	31,671	54,001
489	0	Contributions to previous year deficits (note 4)	1,554	125
31,483	52,537	Total income	33,225	54,126
EXPENDITURE				
Precepts, Demands and Shares				
14,958	0	- Central Government	15,609	0
40	0	- Transitional Protection Payments	14	0
11,966	6,563	- West Lancashire Borough Council	12,487	6,654
2,692	36,732	- Lancashire County Council	2,809	37,947
299	2,111	- Lancashire Combined Fire Authority	312	2,178
0	5,172	- Lancs Police & Crime Commissioner	0	5,342
0	284	Contributions from previous year surpluses (note 4)	0	0
Charges to Collection Fund				
1,187	1,698	- Impairment of debts – write offs and provisions	481	1,177
-152	0	- Change in provision for appeals	2,334	0
133	0	- Cost of Collection Allowance	133	0
31,123	52,560	Total expenditure	34,179	53,298
360	-23	Movement on Fund Balances	-954	828
-2,944	52	Opening Fund Balances	-2,584	29
-2,584	29	Closing Fund Balances	-3,538	857

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 council tax and non-domestic rates transactions of the billing authority in relation to collection from taxpayers and distribution to local authorities and the Government.

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 2015/2016 was 33,587.59 (33,159.36 in 2014/15) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
A	8,657.67	6/9	5,771.78
B	6,279.62	7/9	4,884.15
C	7,592.24	8/9	6,748.67
D	5,905.88	1	5,905.88
E	4,261.17	11/9	5,208.11
F	2,238.21	13/9	3,232.98
G	1,426.66	15/9	2,377.77
H	71.85	2	143.70
Total Relevant Amount			34,273.04
Estimated Collection Rate			98.0%
Council Tax Base			33,587.59

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 2015/16 and 48.2p in 2014/15) 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 £31.671m for 2015/2016 (£30.994m for 2014/15). The rateable value for the Council's area at the end of the financial year 2015/16 was £81.337m (£80.495m for 2014/15).

Prior to April 2013, accounting arrangements for NNDR reflected the fact that it was in substance an agency arrangement, with the Council being the agent of the Government in the collection of the charge. However from 2013/14, NNDR income, debtor and creditor balances, provisions, arrears and prepayments have been apportioned between the Council, Government, Lancashire County Council, and Lancashire Combined Fire Authority, as a result of the implementation of a new Business Rates Retention system.

4. Surplus and Deficit on Collection

The final outturn on Council Tax operations shows a surplus of £0.857m, which compares with the estimated surplus of £0.288m declared in January 2016 and which will be distributed in 2016-17.

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.

	2015/2016 Deficit £	2014/2015 Surplus £
Lancashire County Council	-91,032	205,264
Lancashire Police Authority	-12,816	28,900
Lancashire Fire Authority	-5,231	12,029
West Lancashire Borough Council	-16,265	37,364
Total	-125,344	283,557

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.

	2015/2016 Deficit £	2014/2015 Deficit £
Central Government	-777,141	-244,713
West Lancashire Borough Council	-621,713	-195,770
Lancashire County Council	-139,885	-44,048
Lancashire Fire Authority	-15,543	-4,894
Total	-1,554,282	-489,425