

***WEST LANCASHIRE BOROUGH COUNCIL***

**STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2021**

CONTENTS

---

INTRODUCTION	3
NARRATIVE REPORT	4
2020/21 ANNUAL GOVERNANCE STATEMENT	16
INDEPENDENT AUDIT REPORT	27
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	28
MOVEMENT IN RESERVES STATEMENT 2020/21	29
MOVEMENT IN RESERVES STATEMENT 2019/20	30
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	31
BALANCE SHEET	32
CASH FLOW STATEMENT	33
NOTES TO THE ACCOUNTS	34
1. ACCOUNTING POLICIES	34
2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED.	46
3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES	46
4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY	47
5. MATERIAL ITEMS OF INCOME AND EXPENSE	49
6. EVENTS AFTER THE REPORTING PERIOD	49
<b>7. PRIOR PERIOD ADJUSTMENTS</b>	<b>50</b>
8. EXPENDITURE AND FUNDING ANALYSIS	55
9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS	58
10. TRANSFERS TO AND FROM EARMARKED RESERVES	62
11. OTHER OPERATING EXPENDITURE	62
12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE	63
13. TAXATION AND NON-SPECIFIC GRANT INCOME	63
14. PROPERTY, PLANT AND EQUIPMENT	64
15. ASSETS HELD FOR SALE	67
16. HERITAGE ASSETS	67
17. INVESTMENT PROPERTIES	68
18. INTANGIBLE ASSETS	69
19. IMPAIRMENT AND REVALUATION	70
20. FINANCIAL INSTRUMENTS	70
21. INVENTORIES	74
22. DEBTORS	74
23. CASH AND CASH EQUIVALENTS	74
24. CREDITORS	75
25. PROVISIONS	75

## West Lancashire Borough Council Statement of Accounts 2020/21

26. USABLE RESERVES -----	75
27. UNUSABLE RESERVES -----	76
28. CASH FLOW STATEMENT - OPERATING ACTIVITIES -----	79
29. CASH FLOW STATEMENT - INVESTING ACTIVITIES -----	80
30. CASH FLOW STATEMENT - FINANCING ACTIVITIES -----	80
31. EXPENDITURE AND INCOME ANALYSED BY NATURE -----	81
32. TRADING OPERATIONS -----	82
33. MEMBER ALLOWANCES -----	82
34. OFFICER REMUNERATION -----	82
35. EXTERNAL AUDIT COSTS -----	85
36. GRANT INCOME -----	85
37. RELATED PARTIES -----	86
38. CAPITAL EXPENDITURE AND CAPITAL FINANCING -----	87
39. LEASES -----	88
40. OTHER LONG-TERM LIABILITIES AND CONTRACTS -----	88
41. DEFINED BENEFIT PENSION SCHEMES -----	89
42. CONTINGENT LIABILITIES AND ASSETS -----	94
43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS -----	94
44. TRUST FUNDS -----	96
45. AGENCY ARRANGEMENTS -----	97
GROUP ACCOUNTS -----	98
GROUP MOVEMENT IN RESERVES STATEMENT 2020/21 -----	99
GROUP MOVEMENT IN RESERVES STATEMENT 2019/20 -----	100
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT -----	101
GROUP BALANCE SHEET -----	102
GROUP CASH FLOW STATEMENT -----	103
GROUP NOTES TO THE ACCOUNTS -----	104
HOUSING REVENUE ACCOUNT -----	109
NOTES TO THE HOUSING REVENUE ACCOUNT -----	111
COLLECTION FUND -----	115
NOTES TO THE COLLECTION FUND -----	116
GLOSSARY OF TERMS -----	120

**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 2020/2021. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money for this year.

Edward Pope

Chair of the Audit and Governance Committee

James Pierce

Head of Finance, Procurement and  
Commercial Services (Section 151 Officer)

Date

## NARRATIVE REPORT

---

### Introduction

This publication presents the Council's Statement of Accounts for the year ended 31 March 2021. 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.

### About the Council

The Council employs around 550 people and uses assets of around £254 million to deliver its services.

The Council is structured using a Chief Operating Officer model with two Corporate Directors. The Corporate Director of Place and Community manages Growth and Development Services, Housing and Regulatory Services, Wellbeing and Leisure Services and Environmental Services. The Corporate Director of Transformation and Resources manages Finance, Procurement and Commercial Services, Corporate and Customer Services and Legal and Democratic Services.

Council services cover a wide range of different activities including refuse collection, street cleansing, grounds maintenance, planning, economic development and regeneration, council housing, housing benefits, collecting council tax and business rates income, leisure and cultural activities, environmental health, and community safety.

The Council currently has 54 Borough Councillors serving the 25 wards of the borough. Councillors are elected by a simple majority and serve for four years.

Our Vision is to be a Council which is ambitious for West Lancashire - our Economy, Environment and for Health and Wellbeing. We are ambitious for our economy, and for inclusive growth in West Lancashire, retaining and growing good quality jobs, increasing skills levels and encouraging business and wealth generation. This is matched by our ambitions for a good quality, clean, built and physical environment, and for ensuring the conditions are in place for people in West Lancashire to live healthy and fulfilling lives.

The operating environment over the course of 2020/21 due to the COVID-19 pandemic has been truly exceptional, during this time the Council has led the local response working across a vast range of areas to ensure its residents, customers and businesses receive the support they need.

Through adapting services and working environments to ensure the safety of our staff and customers as well as providing new services such as the West Lancs Together helpline, running food and medication delivery services and distributing £33m business and just under £100k personal self-isolation grants through dedicated teams brought together from across the Council.

### Governance

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.

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 for Delivering Good Governance in Local Government 2016.

This Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of Regulation (1) (b) of the Accounts and Audit Regulations (England & Wales) Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

The Council also fulfils a governance role in relation to Tawd Valley Developments Company for which it is a shareholder.

In respect of 2020/21, 14 assurance audits were completed, 13 of which recorded an audit opinion (10 moderate assurance and 3 limited assurance) and a further one with no opinion which has been taken into account.

Based upon the work undertaken by Internal Audit in respect of 2020/21, and the implications of the Covid-19 epidemic on the Council's internal control framework, the opinion of the Internal Audit Manager on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is **moderate assurance**.

The 2020/21 annual governance review undertaken by the Council's Internal Audit Service has identified the following issues:

- The Local Code of Corporate Governance requires an update.
- The Council is not fully GDPR compliant.
- The Council's Medium Term Financial Strategy shows a budget gap of £1.2m in 21/22.
- The way in which the office upgrade work was procured was found not to be in accordance with the Council's Contract Procedure Rules or Public Contracts Regulations 2015.

### Operation Model

#### The Council Plan 2020/21 to 2022/23

In October 2020 the Council formally adopted a Council Plan 2020/21-2022/23 with a vision and priorities. The purpose of the Plan is to deliver the Council's priorities, communicate its direction with the public and stakeholders including staff and to support transparency and accountability.

Vision

## West Lancashire Borough Council Statement of Accounts 2020/21

*West Lancashire together; the place of choice to live, work, visit and invest.*

The Council aims to deliver the vision through 6 key priorities of:

1. Create empowered, engaged and inclusive communities.
2. Support businesses to adapt and prosper.
3. Become a Greener West Lancashire.
4. Be a financially sustainable Council by 2023.
5. A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire.
6. Everyone to be healthy, happy, safe and resilient.

Each of the 6 key priorities contain "We will" statements that provide an outline of suggested supporting actions to deliver the priorities and to give a programme of work and action plan for the priorities.

The "We will" statements are dynamic and continue to be developed throughout the 3-year life of the Plan. These statements will form the basis of the delivery plans to achieve the priorities. A refresh will be considered annually thereafter to ensure that the Plan remains relevant and in line with the needs of the Borough.

### Non-financial performance for the year

Progress against the actions and supporting KPIs are summarised and provided as a Corporate Performance Delivery Plan. The Delivery Plan refers to 47 items within the suite of KPIs, 11 of which are 'data only' (no target). Of the 36 PIs with targets reported:

	2020/2021
Indicators meeting or exceeding target ('Green')	26
Indicators narrowly missing target ('Amber')	5
Indicators 5% or more off target ('Red')	5
Data not yet available	0
Data that will not be provided (reason in notes)	0

Progress has been measured against the Council's key priorities for the Borough of:

- Create empowered, engaged and inclusive communities.
- Support business to adapt and prosper.
- Become a greener West Lancashire.
- A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire.
- Everyone to be healthy, happy, safe and resilient.
- Be a financially sustainable Council by 2023.

Some key performance areas (both positive achievements and challenges) include for 2020-21:

### General Revenue Account (GRA)

- Average of missed bins per fortnight 75.50% (target 50%)
- 93.06% Council Tax collected (target 98.00%)
- 87.46% NNDR collected (target 96.50%)
- Invoices paid on time 95.95% (target 98.75%)
- Percentage of kerbside household waste sent for reuse, recycling and composting 48.72% (target 50%)
- Contact Centre calls answered 96.5% (target 88%)
- 8,708 separate payments totalling £33m in covid business grants processed.

### **Housing Revenue Account (HRA)**

- Rent collected from current and former tenants as a % of rent 100.26% (target 100.04%)
- Rent loss through vacant dwellings 1.45% (target 0.99%)
- Properties with a valid Landlord Gas Safety Record 99.9% (target 100%)
- Properties with a valid Electrical Installation Condition Report (homes and buildings) 98.1% (target 100%)

Performance plans are prepared by service managers for those indicators where performance falls short of the target by 5% or more and include proposed actions plans:

- % Rent loss through dwellings being vacant.  
Staffing resources, working arrangements due to localised risk assessments for COVID and power supplies have all impacted on the turnaround of properties.  
The Tenancy Services Team, the Property Services Team and the contractors will continue to work closely together to improve performance and reduce void loss.
- Average missed bins per fortnight.  
Due to restrictive ways of working during COVID, these performance indicators have not been achieved.  
In accordance with proposed Government social distancing guidelines, it is proposed to phase out the utilisation of the additional ancillary vehicles in late June, however, this will be discussed with TU representatives accordingly.
- % of kerbside household waste sent for reuse, recycling and composting.  
The target has not been achieved for 2020/21 due to low participation rates in some areas of the Borough. The Waste & Recycling Promotions Officer was employed with effect from July 2020 however, due to COVID the educational and promotional campaigns have been solely through social media, website and targeted comms as face-to-face opportunities were unavailable.  
Develop & deliver promotional campaigns as soon as face-to-face activities can resume.

### **2020/21 Budget Setting**

On the 26 February, Council approved and set a net revenue budget of £13.430m.

The budget setting process for 20/21 initially started with budget headroom of £195k excluding policy options, the inclusion of £195k policy options set a net nil budget that included £1.3m to be funded from reserves.

The Council's medium term financial approach involves using reserves to support the budget position while the savings attributable to the Sustainable Organisation Review (SORP) are being realised. There were adequate funds in reserves to support this approach and consequently, enabled the Council to achieve a balanced budget position for 20/21.

### **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 £13.430m was set for the year.

A favourable variance was delivered against this budget of £260,000 or 1.9%. This position reflects a number of factors including good performance on implementing savings and income measures,



## West Lancashire Borough Council Statement of Accounts 2020/21

under spending on employees and running expenses, and income levels exceeding budget projections in a range of areas.

	Revised Budget	Outturn reported to Council	Variance	Additional Adjustments	Revised Outturn	Revised Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Customer Services	3,198	2,638	(560)	2	2,640	(558)
Environmental Services	6,997	7,254	257	(1)	7,253	256
Finance, Procurement and Commercial Services	270	104	(166)	(87)	17	(253)
Housing and Regulatory	1,779	1,757	(22)	8	1,765	(14)
Growth and Development	1,217	1,314	97	1	1,315	98
Wellbeing and Leisure	2,965	2,981	16	-	2,981	16
Other Budget Items	(2,996)	(2,888)	108	87	(2,801)	195
<b>Total Net Budget</b>	<b>13,430</b>	<b>13,160</b>	<b>(270)</b>	<b>10</b>	<b>13,170</b>	<b>(260)</b>
Council Tax	7,621	7,621	-	-		-
Business Rates (NNDR)	4,923	4,923	-	-		-
Government Grants and Contributions	886	886	-	-		-
<b>Total Funding</b>	<b>13,430</b>	<b>13,430</b>	<b>-</b>	<b>-</b>		<b>-</b>

The level of GRA earmarked reserves increased by £7.9m, from £8.9m to £16.8m, primarily as a result of an increase in Corporate reserves which are held to meet income fluctuations and income sustainability due to unconditional Covid grants and S31 Business Compensation grants to be utilised in future years.

### **Housing Revenue Account (HRA)**

This account shows income and expenditure relating to the Council's housing stock. A favourable budget variance was delivered in the year of around £517k, which represents around 2.0% of the overall budget requirement. The main reasons for this position were the active management of staffing levels which delivered savings on employee budgets, increase in dwelling rents due to 30 open market stock purchases, planned maintenance revenue budgets being largely unused and the budget contingency not being fully utilised.

There was capital investment of £4.7m in existing housing stock in the year against a budget of £7.7m. This means that 62% of the programme was spent, the programme was partially delayed by the Covid pandemic and general programme slippage. It is intended that most of the unused budget will be slipped into the next financial year to enable ongoing schemes to be delivered in line with our standard practice.

In addition, there was capital investment of £3.7m in new housing stock, through the Council development company Tawd Valley Developments Limited and £380k for the purchase of properties to utilise Right-to-Buy 1-4-1 receipts.

HRA earmarked reserves reduced by £90k, from £2.600m to £2.510m.

## 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*

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>£'000</b>	<b>£'000</b>
Capital Receipts	2,414	5,207
Government Grants and Other Contributions	4,329	1,933
Revenue Contributions	8,414	9,428
Increase in underlying need to borrow	2,259	627
<b>Total</b>	<b>17,416</b>	<b>17,195</b>

### *What the money is spent on*

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>£'000</b>	<b>£'000</b>
Property, Plant and Equipment	14,657	12,637
Other long-term assets	223	278
Revenue Expenditure Funded from Capital	2,536	4,052
Other	0	228
<b>Total</b>	<b>17,416</b>	<b>17,195</b>

## Strategy and Resource Allocation

### Future revenue spending and capital investment plans

A new service structure was set up in November 2019 through the SORP process and a large-scale staff restructuring programme was then implemented largely at the end of March 2020. These initiatives should deliver significant efficiencies, savings and additional income while the one-off staff exit, and implementation costs will be funded from reserves and capital receipts.

As a result of the outbreak of the Covid pandemic, there were a wide range of actions and initiatives that have been undertaken by the Council in response to address the issues and pressures created by the Covid. Some of these measures have created GRA additional spending pressures which have been outside the budget and policy framework, impacting 2020/21 and into 2021/22.

GRA income performance was also significantly below the original budget targets in a range of areas as a result of the Covid. This was a result of charging having been suspended in certain areas, reductions in demand for services, and increases in non-payment and bad debts, as well as a range of other factors, impacting 2020/21 and into 2021/22.

The main feature of the capital programme over the 3-years 2021/22 to 2023/24 will be planned investment in existing HRA housing stock of £25.978m, which will be funded primarily by HRA revenue contributions. This is part of a 5-year programme of investment in existing Council dwellings which will see a similar level of investment in subsequent years.

During 2020/21 Council approved amendments to the HRA capital investment programme of around £13.601m in new housing stock to be delivered through the Council development company Tawd Valley Developments Limited.

### Risks and Opportunities

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, and due to the financial pressures created by the coronavirus. It is expected that there will continue to be a budget gap between the spending required to maintain existing service levels and the resources that will be available. This challenging financial position is recognised as a significant risk on the Council's key risk register.

Whilst the budget that has been set for 2021-22 contains a number of new improvement measures while maintaining service levels for the vast majority of services provided by the Council. The budget gap facing the Council in future years means that delivering the Sustainable Organisation Review (SORP) will be vital to ensuring the Council's continuing healthy financial position.

While the total value of government financial Covid support remains unclear, any net financial impact of the Covid will have to be funded from GRA reserves.

Covid and the financial impact it has caused will undoubtedly have a negative impact for a considerable period of time. Consequently, detailed consideration will be given to this issue throughout 2021-22, but it is likely that the original SORP GRA savings targets will need to be increased.

### Financial Statements

The Accounts and Audit Regulations 2015 set out the statutory deadlines for an authority to publish both the unaudited Statement of Accounts by 31 May and audited Statement of Accounts by 31 July. Following Government consultation, The Ministry of Housing, Communities and Local Government (MHCLG) laid before Parliament the Accounts and Audit (Amendment) Regulations 2021 to delay the statutory deadlines to the 31 July for the publication of the unaudited Statement of Accounts and 30 September for the audited Statement of Accounts for both financial years 2020/21 and 2021/22.

The Statement of Accounts provide an overview of the Council's financial position for 2020/21. The 2020/21 set of accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based on International Financial Reporting Standards (IFRSs).

### Overview

The Council spent £81.7m in providing day-to-day services for the local community in 2020-21. The Council also invested £17.4m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves increased by £8.9m over the course of the year to £33.3m.

## 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)

	2020/2021 £'000	2019/2020 £'000
Benefits Payments and Administration grants	20,177	21,060
Housing rents and service charges	25,848	25,272
Service specific fees, charges and grants	20,139	12,213
<b>Total</b>	<b>66,164</b>	<b>58,545</b>

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

	2020/2021 £'000	2019/2020 £'000
Corporate & Customer Services	25,404	27,242
Environmental Services	9,231	8,488
Finance, Procurement and Commercial Services	927	3,360
Housing and Regulatory	5,749	5,616
Housing Revenue Account	25,956	21,668
Growth and Development	4,752	5,123
Wellbeing and Leisure	3,154	3,641
Other Services	6,490	851
<b>Total</b>	<b>81,663</b>	<b>75,989</b>

A more detailed breakdown of expenditure by nature is provided in note 31

## 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 £255.9m, which is an increase of £30.3m on the previous year.

The Council had a total net worth of £108.0m as at 31 March 2021, taking into account all of its assets and liabilities, which was an increase of £12.7m on the previous year. This change was the result of a wide range of different factors.

## Outlook

The value of the net pension liability in the accounts has increased by £12.7m to £65.8m. The net pension liability represents the excess of long-term accrued liabilities, assessed on a prescribed basis, compared with the market value of pension assets. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy.

## West Lancashire Borough Council Statement of Accounts 2020/21

The Cash Flow Statement shows an increase of £3.1m in cash and cash equivalents over the year, and there was also a decrease of £7.5m in short term investments. There are a number of explanatory factors for this position, but it primarily reflects the investment in more liquid investments due to the uncertain financial climate experienced in the year.

An upward revaluation of £19.8m was made on Council dwellings within the HRA, compared to a downward revaluation of £6.2m in the previous year. This revaluation review was conducted in conjunction with the Council's Estates section who followed professional guidelines in conducting this exercise.

At the start of the year the Council had £88.2m of external borrowing that was taken out with the Public Works Loans Board to finance the introduction of the HRA Self Financing system. During 2020/21 the scale of capital investment meant there was an increase in the underlying need to borrow of £1.6m, although this was funded from internal sources rather than through external borrowing. The Council Capital Financing Requirement (CFR) increased to £104.4m, with the under borrowed position being £16.2m.

The Council has a wholly owned company called Tawd Valley Developments Limited which is intended to undertake residential and commercial development. 2020/21 was the company's first full operational year, and the Council provided loan of £1m and equity of £200k funding to it, in line with its approved Business Plan, to cover its operating costs and the costs of its initial development works. The total loan funding of £1.6m has been provided at a commercial rate of interest and it is expected that dividends will also be earned on the total equity of £700k in due course as the company completes its development schemes.

Following an assessment of materiality, the Council has for the first occasion prepared Group Accounts in 2020/21 to include its interests in the subsidiary company Tawd Valley Developments Limited.

### Contents of the Accounts

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

<u>Comprehensive Income and Expenditure Statement (£'000)</u>	
Deficit on the Provision of Services	(1,933)
Other Comprehensive Income and Expenditure	<u>14,656</u>
<b>Total Comprehensive Income and Expenditure</b>	<b><u>12,723</u></b>

<u>Movement in Reserves statement (£000)</u>	
Effect on usable reserves	8,943
Effect on unusable reserves	<u>3,780</u>
<b>Change in Total Net Worth</b>	<b><u>12,723</u></b>

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

## West Lancashire Borough Council Statement of Accounts 2020/21

---

Change in net assets (excl cash)	9,648
Change in cash and cash equivalents	<u>3,075</u>
<b>Change in net worth</b>	<b>12,723</b>

### Cashflow Statement (£000)

Change in cash and cash equivalents	3,075
-------------------------------------	-------

An explanation of the main accounting statements, and their purpose, are set out below.

### ***Movement in Reserves Statement***

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

The Total Comprehensive Income and Expenditure line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and rent setting purposes, and the Adjustments between Accounting Basis and Funding Basis under Regulations Line shows the differences between them.

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

### ***Comprehensive Income and Expenditure Statement***

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and housing rents. Councils raise taxation and rents to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and note 27.

### ***Balance Sheet***

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

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

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

### ***Cash Flow Statement***

## West Lancashire Borough Council Statement of Accounts 2020/21

---

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

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

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

### ***Annual Governance Statement***

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

### ***Independent Auditor's Report***

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

### ***Statement of Responsibilities***

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

### ***Group Accounts***

Group accounts are prepared where the authority (the Parent) has a controlling interest in a subsidiary, significant influence over an associate and/or share control in a joint venture. The main authority statements are consolidated with the identified ventures and presented based on materiality. Intra-group transactions and balances are removed on a line-by-line basis.

### ***Housing Revenue Account (HRA)***

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

### ***Collection Fund***

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



### Further information

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

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

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

- E-mailing                      [accountancy@westlancs.gov.uk](mailto:accountancy@westlancs.gov.uk)
- Telephoning    (01695) 577177
- Writing to                      West Lancashire Borough Council  
52 Derby Street  
Ormskirk  
Lancashire L39 2DF



**2020/21 ANNUAL GOVERNANCE STATEMENT**

**Introduction and Scope of Responsibility**

West Lancashire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively.

The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

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

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance, and this statement explains how the Council has complied with the code and meets the requirements of the Accounts and Audit Regulations, in relation to the production of an Annual Governance Statement.

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 for Delivering Good Governance in Local Government 2016.

This statement explains how the Council has complied with the code and also meets the requirements of Regulation (1) (b) of the Accounts and Audit Regulations (England & Wales) Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

The Council also fulfils a governance role in relation to Tawd Valley Developments Company for which it is a shareholder.

**What is Corporate Governance?**

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led, and held to account. The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive and honest manner.
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- Has effective arrangements for the management of risk.
- Secures continuous improvements in the way it operates.

### The Purpose of the Framework

The governance framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the mechanisms through which it accounts to, engages with, and leads the community. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

By adhering to this framework, it enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Both risk management and internal control are a significant part of the Council's framework and are designed to manage risk to a reasonable level. These safeguarding processes cannot eliminate all risk of failure to achieve policies, aims and strategic objectives and can therefore only provide reasonable and not absolute assurance of their effectiveness.

The system of risk management and 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 strategic objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively, and economically.

### Review of Effectiveness

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:

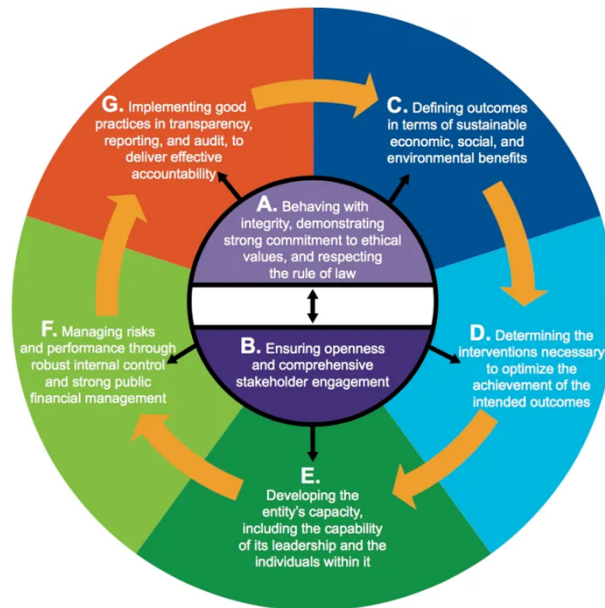
- Corporate Management Team and Senior Managers within the Council who have responsibility for the development and maintenance of the governance environment within their service areas. Their feedback and comments provided in Governance Assurance Statements are an essential part of this review.
- The Internal Audit Manager's annual report, which includes a report on the effectiveness of internal audit, and
- Feedback, recommendations and comments made by the external auditors and other review agencies and inspectorates.

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance.

The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) are as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits;
- D. Determining the interventions necessary to optimize the achievement of intended outcomes;
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and

G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.



(International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the "International Framework")

## Decision Making and Scrutiny

The Council approved the overall policy and budgetary framework for the financial year 2020/21. Cabinet subsequently made decisions at various points throughout the year that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published online for transparency.

Delegation arrangements for Cabinet Members are reviewed annually by the Legal and Democratic Services Manager as part of the Constitution review process.

The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members.

## Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's risk, governance, and assurance environment. All political parties are represented on the Audit and Governance Committee.

Apart from 26th May 2020 when the planned meeting was cancelled due to the COVID-19 lockdown restrictions, the Committee met regularly during 2020/21, considering reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Internal Audit Manager, and the External Auditor.

### **Corporate Management Team (CMT)**

CMT consists of the Chief Operating Officer, Corporate Directors, Monitoring Officer and Heads of Service. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

As part of the corporate governance review for 2020/21 members of the CMT have provided formal assurance in respect of their service area, by their responses to the Governance Assurance Statement questionnaires.

### **External Audit**

Grant Thornton is the Council's appointed External Auditor for 2020/21. The work of the Council's External Auditor includes an examination of the Council's financial statements and an assessment of the degree to which the Council has the required arrangements in place to deliver value for money in the use of its resources.

### **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Internal Audit Manager to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

Based upon the work of Internal Audit during 2020/21, the Internal Audit Manager provided the Council with an overall opinion of Moderate. Internal audit carried out follow up audit reviews for all recommendations made and reported results to CMT and the Audit and Governance Committee.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject to an external review during 2018/19 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

## How WLBC achieves the Seven Principles

From the evaluation work undertaken the following sections look at how the Council is held to account for the seven principles of Corporate Governance.

### A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Behaving with integrity.</li> <li>• Demonstrating strong commitment to ethical values.</li> <li>• Respecting the rule of law.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has an agreed constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. It also makes reference to the adherence of the Seven Principles of Public Life (the 'Nolan Principles').</li> <li>• The Council has put processes in place to minimise the risk that its councillors and employees act in an improper way (influenced by prejudice, bias or conflict of interest) when dealing with stakeholders;</li> <li>• The Council has Codes of Conducts and a suite of policies and procedures for councillors and employees which define the standards of behaviour expected. Deviation from these policies may result in the use of the embedded disciplinary processes in place, and</li> <li>• The Council's Vision and Priorities and, People's Strategy are clear and demonstrates its commitment to its stakeholders.</li> </ul>

### B: Ensuring openness and comprehensive stakeholder engagement

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Openness.</li> <li>• Engaging comprehensively with institutional stakeholders.</li> <li>• Engaging with individual citizens and service users effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council publishes all relevant information (as required by the Local Government Transparency Code 2015) on its website.</li> <li>• The Council's website contains comprehensive information pertaining to the services provided by West Lancashire Borough Council and its partners.</li> <li>• The Council's decision-making information, including committee agendas and minutes (not restricted) is available via the council's website and intranet.</li> <li>• The Council undertakes consultation exercises regularly including budget proposals.</li> </ul>

**C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Defining outcomes.</li> <li>• Sustainable economic, social and environmental benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council is committed to community engagement and involvement.</li> <li>• The Council has a clear vision for the future as set out in its Vision and Council Priorities which considers all relevant economic, social and environmental factors.</li> <li>• The recommendations from the Sustainable Organisational Review Project have been implemented to achieve financial sustainability.</li> <li>• The Council has structured budget and treasury management processes in place.</li> <li>• Each Council service area has its own service action plan that contributes to delivering an effective service.</li> </ul>

**D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Determining interventions.</li> <li>• Planning interventions.</li> <li>• Optimising achievement of intended outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council operates a Scrutiny and Review Committee system, and the decision-making process allows for challenge where necessary.</li> <li>• The Council has a robust financial strategy with financial planning protocols in place (Medium Term Financial Strategy, annual budget monitoring and Forward Plans).</li> <li>• Cabinet receives regular reports on the General Revenue, Housing Revenue and Capital Budgets.</li> <li>• The Council engages and undertakes consultation exercises with its stakeholders in relation to service provision changes and new initiatives.</li> </ul>

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Developing the entity's capacity.</li> <li>• Developing the capability of the entity's leadership and other individuals.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has an agreed constitution which details roles and responsibilities of councillors and key officers of the Council.</li> <li>• The Council requires all new employees and councillors to undertake an induction process.</li> <li>• The Council has a number of human resource policies in place.</li> </ul>

## West Lancashire Borough Council Statement of Accounts 2020/21

	<ul style="list-style-type: none"><li>• Employee training needs are identified through the annual appraisal process.</li><li>• Financial Regulations are contained within the Council's Constitution and all employees are required to operate within them.</li><li>• A number of new projects are being progressed as part of the SORP and People Strategy.</li><li>• The Council works with a number of partners in order to deliver services throughout the borough,</li><li>• As part of the SORP, areas of the Council have been or are under review to ensure that they are operating efficiently and effectively within resources available.</li></ul>
--	---

### **F. Managing risks and performance through robust internal control and strong public financial management.**

Sub Principle

How West Lancashire Borough Council Achieves the Principle

## West Lancashire Borough Council Statement of Accounts 2020/21

<ul style="list-style-type: none"> <li>• Managing risk.</li> <li>• Managing performance.</li> <li>• Robust internal control.</li> <li>• Managing data.</li> <li>• Strong public financial management.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has a Risk Management Framework in place.</li> <li>• The Council's Performance Management is managed using the Pentana Risk System.</li> <li>• A system of scrutiny and review is in place as part of the Council's decision-making process.</li> <li>• The Council has an Audit and Governance Committee who meet quarterly and provide independent assurance of the adequacy of the Council's Risk Management Framework and the associated control environment.</li> <li>• The Council has a Risk Management Policy and Toolkit, which All Members and Council staff have received training in.</li> <li>• An internal audit service is maintained and reports quarterly to the Audit and Governance Committee.</li> <li>• A data management framework and procedures are in place and are readily available to all members of staff. The Council has appointed a Senior Information Risk Owner and Interim Data Protection Officer.</li> <li>• The Council has a robust financial strategy with Financial Planning protocols in place (Annual Budget Monitoring, Medium Term Financial Strategy and Forward Plans), and</li> <li>• The Council's Financial Statements are available to the Public on the Council's website.</li> </ul>
--	--

### **G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.**

Sub Principle

How West Lancashire Borough Council Achieves the Principle



## West Lancashire Borough Council Statement of Accounts 2020/21

<ul style="list-style-type: none"><li>• Implementing good practice in transparency.</li><li>• Implementing good practices in reporting.</li><li>• Assurance and effective accountability</li></ul>	<ul style="list-style-type: none"><li>• The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the Council's website.</li><li>• The Council's Financial Statements are available on the Council's website.</li><li>• Following the external audit of the Council's Financial Statements, the external auditor's letter is made available on the Council's website.</li><li>• The Council produces Financial Statements in accordance with CIPFA's Practice on Local Authority Accounting in the UK following International Financial Reporting Standards (IFRS). The Financial Statements are scrutinised by the External Auditor with a separate report produced, and</li><li>• An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements.</li></ul>
--	--

### Significant Governance Issues (SGI)

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial year. These are termed as 'Significant Governance Issues' and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target.
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The external auditor regards as having a material impact on the accounts/value for money conclusion.
- Audit and Governance Committee advises that it should be considered significant.
- The Internal Audit Manager identifies and reports on it as significant.
- It has been reported as significant by external bodies – for example Ombudsman, Information Commissioner, independent consultants.
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the Council.
- May make it harder to prevent fraud or other misuse of resources.
- May put financial stability, security or data integrity at risk.

## Significant Governance Issues Identified During 2020/21 Review:

The 2020/21 annual governance review undertaken by the Council's Internal Audit Service has identified the following issues:

Significant Governance Issue	Action to Address the issue
<p>The Local Code of Corporate Governance requires an update.</p>	<p>The Internal Audit Manager will liaise with the Legal and Democratic Services Manager who will draft the new document in accordance with CIPFA's requirements.</p> <p>A review of the document will be undertaken annually and presented to Audit and Governance Committee at their May meeting.</p>
<p>The Council is not fully GDPR compliant. Whilst it is acknowledged that extensive work has been undertaken to ensure WLBC becomes compliant there are still a number of steps required to achieve full compliance.</p>	<p>The Effective Data Management Project will address a number of Internal Audit Recommendations relating to GDPR and move the Council to achieve full compliance.</p>
<p>The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms and, consequently, has utilised its reserves in order to achieve a balanced budget over this period. The impact of the pandemic has further added to this pressure and the Council's Medium Term Financial Strategy shows a budget gap of £1.2m in 21/22. This will require urgent action and targeted decision making to achieve a balanced budget for 2022/23 and beyond.</p>	<p>A number of actions have been taken to address the budget issues identified in the Medium-Term Financial Strategy.</p>
<p>The Council undertook office upgrade work following the Sustainable Organisation Review Project and to address some Health and Safety requirements. Following an Internal Audit Review the way in which the work was procured was found not to be in accordance with the Councils Contract Procedure Rules or Public Contracts Regulations 2015.</p>	<p>Details of the findings of the Internal Audit Review have been reported to the Council's external auditor and the Audit and Governance committee.</p> <p>Additional controls have been introduced within the service area. These will be subject to periodic internal audit review.</p> <p>The service area responsible for the office upgrade works ensures that procurement of services and contractors is now carried out in</p>

## West Lancashire Borough Council Statement of Accounts 2020/21

Significant Governance Issue	Action to Address the issue
	<p>line with guidance from the Procurement Service.</p> <p>The Council's Procurement Service delivery model is currently being reviewed by the Corporate Compliance and Governance Manager.</p>
<p>There has been a delay in the completion of the external audit of the Council's Financial Statements for 2020/21 due to issues out of the Council's control, including, Covid-19, staffing resources and the need to meet new requirements such as the completion and incorporation of Group Accounts in the Financial Statements.</p>	<p>The 20/21 Accounts have now been finalised and are published on the Council's website.</p> <p>The external audit of the Council's 2020/21 Financial Statements is due to resume in Autumn 2022 by the Council's external auditors, Grant Thornton.</p> <p>A restructure of the Finance Team has been undertaken.</p> <p>The draft financial statements for 2021/22 have been produced on time and are available for external audit. They have also been published on the council website in accordance with statutory requirements.</p>

### Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming months to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed:

Signed:

Jacqui Sinnott-Lacey  
Chief Operating Officer

Councillor Yvonne Gagen  
Leader of the Council

Date:

Date:

## **INDEPENDENT AUDIT REPORT**

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

**Report on the Audit of the Financial Statements**

**TO BE INSERTED ONCE THE ACCOUNTS ARE FINALISED**

## 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 Head of Finance, Procurement and Commercial Services
- 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 31 March 2021 and its income and expenditure for the year then ended.

James Pierce  
Head of Finance, Procurement and Commercial Services (Section 151 Officer)

**MOVEMENT IN RESERVES STATEMENT 2020/21**

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Community Infrastructure Levy	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>(960)</b>	<b>(8,941)</b>	<b>(620)</b>	<b>(2,600)</b>	<b>(3,644)</b>	<b>(1,018)</b>	<b>(6,602)</b>	<b>(24,385)</b>	<b>(70,923)</b>	<b>(95,308)</b>
<i>Movement in Reserves during 2020-21</i>										
Total Comprehensive Income and Expenditure	(720)	-	2,652	-	-	-	-	1,932	(14,655)	(12,723)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(7,132)	-	(2,562)	-	1,408	117	(2,707)	(10,875)	10,875	-
Transfers to / from Earmarked Reserves (Note 10)	7,851	(7,851)	(90)	90	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>(0)</b>	<b>(7,851)</b>	<b>(0)</b>	<b>90</b>	<b>1,408</b>	<b>117</b>	<b>(2,707)</b>	<b>(8,942)</b>	<b>(3,780)</b>	<b>(12,723)</b>
<b>Balance at 31 March 2021</b>	<b>(960)</b>	<b>(16,792)</b>	<b>(620)</b>	<b>(2,510)</b>	<b>(2,236)</b>	<b>(901)</b>	<b>(9,309)</b>	<b>(33,327)</b>	<b>(74,703)</b>	<b>(108,031)</b>

**MOVEMENT IN RESERVES STATEMENT 2019/20**

	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Community Infrastructure Levy	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated Balance at 31 March 2019</b>	<b>(960)</b>	<b>(9,275)</b>	<b>(620)</b>	<b>(3,590)</b>	<b>(5,790)</b>	<b>(1,258)</b>	<b>(4,234)</b>	<b>(25,727)</b>	<b>(66,465)</b>	<b>(92,192)</b>
<i>Movement in Reserves during 2019-20</i>										
Total Comprehensive Income and Expenditure	3,841	-	(1,242)	-	-	-	-	2,599	(5,715)	(3,116)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(3,507)	-	2,232	-	2,146	240	(2,368)	(1,257)	1,257	-
Transfers to / from Earmarked Reserves (Note 10)	(334)	334	(990)	990	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>990</b>	<b>2,146</b>	<b>240</b>	<b>(2,368)</b>	<b>1,342</b>	<b>(4,458)</b>	<b>(3,116)</b>
<b>Restated Balance at 31 March 2020</b>	<b>(960)</b>	<b>(8,941)</b>	<b>(620)</b>	<b>(2,600)</b>	<b>(3,644)</b>	<b>(1,018)</b>	<b>(6,602)</b>	<b>(24,385)</b>	<b>(70,923)</b>	<b>(95,308)</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

Restated 2019/2020				2020/2021		
Gross Cost £'000	Gross Income £'000	Net Cost £'000	Service	Gross Cost £'000	Gross Income £'000	Net Cost £'000
27,242	(24,261)	2,982	Corporate and Customer Svs	25,404	(22,555)	2,849
8,488	(1,656)	6,833	Environmental Services	9,231	(1,629)	7,602
3,360	(555)	2,806	Finance, Procure & Commercial	927	(495)	432
5,616	(3,604)	2,012	Housing and Regulatory	5,749	(2,991)	2,758
21,667	(25,368)	(3,700)	Housing Revenue Account	25,956	(26,333)	(377)
5,123	(2,321)	2,802	Growth and Development	4,752	(2,438)	2,314
3,641	(343)	3,298	Wellbeing and Leisure	3,154	(196)	2,958
851	(439)	413	Other Services	6,490	(9,528)	(3,037)
<b>75,989</b>	<b>(58,545)</b>	<b>17,444</b>	<b>Cost of Services</b>	<b>81,663</b>	<b>(66,164)</b>	<b>15,499</b>
308	-	308	Other operating expenditure (Note 11)	1,124	-	1,124
5,449	(2,674)	2,775	Financing & investment income & expenditure (Note 12)	6,598	(2,440)	4,158
-	(17,927)	(17,927)	Taxation & non-specific grant income & expenditure (Note 13)	-	(18,848)	(18,848)
<b>81,745</b>	<b>(79,146)</b>	<b>2,599</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>89,385</b>	<b>(87,452)</b>	<b>1,933</b>
		2,464	Surplus (-) or deficit on revaluation of non-current assets (Note 27i)			(29,132)
		(8,179)	Re-measurement of the net defined pension liability (Note 41)			14,477
		<b>(5,715)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(14,656)</b>
		<b>(3,116)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(12,723)</b>

Note: the 2019/20 services figures have been restated to reflect the remapping of details codes and a £107k error of the Financing & Investment Income & Expenditure figure that has been corrected



## West Lancashire Borough Council Statement of Accounts 2020/21

### BALANCE SHEET

Restated 31/03/2020 £'000		Notes	31/03/2021 £'000
205,003	Property, Plant & Equipment	14	234,586
509	Heritage Assets	16	509
18,726	Investment Property	17	17,722
852	Intangible Assets	18	774
500	Long Term Investments	20	2,275
58	Long Term Debtors	20	58
<b>225,647</b>	<b>Long term assets</b>		<b>255,924</b>
19,118	Short Term Investments	20	10,038
156	Assets held for sale	15	38
12	Inventories	21	13
7,179	Short Term Debtors	22	19,479
6,115	Cash and Cash Equivalents	23	9,190
<b>32,581</b>	<b>Current assets</b>		<b>38,758</b>
(13,429)	Short Term Creditors	24	(21,999)
<b>(13,429)</b>	<b>Current Liabilities</b>		<b>(21,999)</b>
(1,060)	Provisions	25	(1,209)
(53,148)	Pension Liabilities	41	(65,836)
-	Other Long-Term Liabilities	40	-
(7,038)	Grants & Contributions in Advance	36	(9,361)
(88,246)	Long Term Borrowing	20	(88,246)
<b>(149,491)</b>	<b>Long Term Liabilities</b>		<b>(164,652)</b>
<b>95,308</b>	<b>Net Assets</b>		<b>108,031</b>
(24,386)	Usable Reserves	26	(33,328)
(70,923)	Unusable Reserves	27	(74,703)
<b>(95,308)</b>	<b>Total Reserves</b>		<b>(108,031)</b>

**CASH FLOW STATEMENT**

Restated		
2019-2020		
£'000		£'000
(2,599)	<b>Surplus (Deficit) on the Provision of Services</b>	(1,932)
17,845	Adjustments for non-cash movements (Note 28)	20,421
(10,322)	Adjustments for items that are investing or financing activities (Note 28)	(8,654)
<b>4,924</b>	<b>Net Cash Flows from Operating Activities</b>	<b>9,835</b>
(3,409)	Investing Activities (Note 29)	4,164
(587)	Financing Activities (Note 30)	(10,924)
<b>928</b>	<b>Change in Cash and Cash Equivalents</b>	<b>3,075</b>
<b>5,187</b>	<b>Cash &amp; Cash Equivalents at start of period</b>	<b>6,115</b>
<b>6,115</b>	<b>Cash &amp; Cash Equivalents at end of period (Note 20)</b>	<b>9,190</b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. It has been prepared in accordance with relevant statutory regulations and proper accounting practice, and in particular the Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards.

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

#### ii. Accruals of Income and Expenditure

Activity is accounted for in the financial year in which it takes place, not when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- 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 fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash with an insignificant risk of change in value.

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

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

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

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

### **v. Charges to Revenue for Non-Current Assets**

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

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

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

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

### **vi. Council Tax and Non-Domestic Rates**

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

The council tax and the NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure

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

### **vii. Employee Benefits**

#### ***Benefits Payable During Employment***

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

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

#### ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These amounts are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of these benefits or when the Council recognises the costs of the restructuring.

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

#### ***Post Employment Benefits***

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

The attributable assets of the scheme are measured at fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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.

The change in net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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 earned by employees.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any members of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

### **viii. Events after the Reporting Period**

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

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

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

### **ix. Financial Instruments**

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

#### ***Financial Liabilities***

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to 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 that particular financial instrument.

For the Council this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on balances to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### ***Financial Assets***

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).



The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

### ***Financial Assets Measured at Amortised Cost***

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

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

### ***Expected Credit Loss Model***

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### ***Financial Assets Measured at Fair Value through Other Comprehensive Income***

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in Other Comprehensive Income.

### ***Financial Assets Measured at Fair Value through Profit and Loss***

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

### ***Fair Value Measurements of Financial Assets***

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price



- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **x. Government Grants and Contributions**

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

Amounts due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that require the grant or contribution to be used in a specified manner or else to be returned.

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

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

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

### **xi. 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.

### **xii. 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 arm's length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. The same treatment is applied for gains and losses on disposal.

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

### **xiii. 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.

### **xiv. Overheads and Support Services**

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

### **xv. Property Plant and Equipment**

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

#### ***Recognition***

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g., repairs and maintenance) is charged as a revenue expense as it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – current value determined using the basis of existing use value for social housing (EUV-SH)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value determined as the amount that would be paid for the asset in its existing use.

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying value is not materially different to their current value at the year end, but as a minimum every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- Where there is no balance in the Revaluation Reserve or an insufficient balance – the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

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

### **Impairment**

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- Where there is no balance in the Revaluation Reserve or an insufficient balance – the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

### ***Depreciation***

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

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

Where an item of Property, Plant and Equipment has major components with significantly different useful lives and whose costs are significant in relation to the total cost of the item, then the components are depreciated separately.

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

### ***Disposals and Assets Held for Sale***

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

## West Lancashire Borough Council Statement of Accounts 2020/21

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

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

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

### **xvi. 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.

### **xvii. Reserves**

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

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

### **xviii. Revenue Expenditure Funded from Capital under Statute**

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

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

### **xix. 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.

### **xx. 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

### **xxi. Interests in Companies and Other Entities**



## West Lancashire Borough Council Statement of Accounts 2020/21

The Council has a material interest in an external entity that is classified as a subsidiary and therefore group accounts have been prepared. In the Council's single entity accounts the Council's interest is recorded as a financial asset at cost less any provision for losses.

### 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED.

The Code of Practice on local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the 2020/21 Code.

The standards that may be relevant for additional disclosures that will be required in the 2020-21 financial statements in respect of accounting changes that are introduced in the 2021/22 Code (i.e., that are relevant to the requirements of paragraph 3.3.4.3) are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations. The impact of these amendments are not expected to be material.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7. None of these are expected to have a material impact.
- Interest Rate Benchmark Reform – Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS4. None of these are expected to have a material impact.
- IFRS 16 (Leases) will require the Authority to recognise assets on balance sheet where a contract gives them the right to use the asset. The implementation of IFRS 16 has been delayed by 2 years and work is ongoing to assess the impact.

### 3. 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:

- The Council has entered into a 15-year agreement with a Leisure Trust and Serco Group 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.
- The Council has a wholly owned development company called Tawd Valley Developments Limited, the Council has provided a mixture of equity and loan financing, having considered the materiality of all intercompany transactions, the Council continue to produce group accounts, the Group Accounts and Notes section to the accounts provide further information.

**4. 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 31 March 2021 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
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 19.
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.	A change in an assumption will affect the projected value of both the scheme's assets and its liabilities. The key assumptions are shown in Note 40, in the table on page 93, while the impact on assets and liabilities of a 1% change in each is set out in the table on page 94.
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 35.



## West Lancashire Borough Council Statement of Accounts 2020/21

Item	Uncertainties	Effect if actual results differ from assumptions
Provision for NNDR Appeals	At the year-end an estimate has been made of the cost of outstanding NNDR appeals that organisations have submitted against their business rate bills. This estimate is based on the rateable value of the organisations that have made appeals and the average settlement rate based on experience.	An increase in the estimated settlement rate of 10% would have the effect of adding £0.13m 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 23.
Valuations of Council Dwellings, Other Land & Buildings, and Investment Property	<p>The valuations of council dwellings, other land &amp; buildings, and investment property are compiled by an expert using recognised measurement techniques and based on professional guidance the underlying data is considered to be sound and reliable and the scope to use judgement and change assumptions is limited.</p> <p>However due to the pandemic the Royal Institute of Chartered Surveyors has advised its members that the following statement should be included to accompany any valuation of the assets referred to that are to be relied upon for this financial year.</p> <p>'As at the valuation date, it is considered that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.'</p>	The effect of any changes of assumptions could be significant due to the high value council dwellings, other land & buildings, and investment property on the balance sheet.
Council's share of the pension fund's property investments	Similar material valuation uncertainty exists for the Council's share of the pension fund's property investments and similar caution should be attached to their valuation than would normally be the case.	

**5. MATERIAL ITEMS OF INCOME AND EXPENSE**

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

**6. EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts were authorised for issue by the Head of Finance, Procurement and Commercial Services and S151 designate. 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 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. PRIOR PERIOD ADJUSTMENTS

### COMMUNITY INFRASTRUCTURE LEVY

The Code of Practice requires Community Infrastructure Levy (CIL) to be recognised as income in the Comprehensive Income and Expenditure Statement, but has yet to be applied to fund infrastructure, must be transferred to usable reserves (capital grants unapplied account) representing capital resources not yet utilised.

The 2019/20 figures have been restated as follows:

- The opening balance on the CIL reserve of £4,234k transferring from Earmarked General Fund Reserve to Capital Grants Unapplied
- The in-year receipts of £2,566k being moved from the Growth and Development line of Net Cost of Services to Taxation & Non-Specific Grant Income & Expenditure in the CIES and reversed to Capital Grants Unapplied through the MiRS
- The use of £198k of unapplied CIL being utilised to fund capital expenditure transferred in the MiRS and Adjustments between Accounting and Funding Basis Under Regulations, from the General Fund Balance column to the Capital Grants Unapplied Column.

Whilst not all of the adjustments are material, they are included here for clarify for the user of the financial statements.

The required prior period adjustments made to the accounts are detailed below:

#### Movement in Reserves Statement

	General Fund Balances £'000	Earmarked Reserves £'000	Unapplied Capital Grants £'000	Adjustment £'000	General Fund Balances £'000	Earmarked Reserves £'000	Unapplied Capital Grants £'000
<b>Balance at 31 March 2019</b>	<b>961</b>	<b>13,509</b>	<b>1,258</b>	<b>4,234</b>	<b>960</b>	<b>9,275</b>	<b>5,492</b>
<i>Movement in Reserves during 2019-20</i>							
Adjustments between accounting basis and funding basis under regulations	5,876	-	(240)	2,368	3,507	-	2,128
Transfers to / from Earmarked Reserves	(2,033)	2,033	-		334	(334)	-
<b>Increase / Decrease in Year</b>	<b>-</b>	<b>2,033</b>	<b>(240)</b>	<b>2,368</b>	<b>-</b>	<b>(334)</b>	<b>2,128</b>
<b>Balance at 31 March 2020</b>	<b>962</b>	<b>15,543</b>	<b>1,018</b>	<b>6,602</b>	<b>960</b>	<b>(334)</b>	<b>7,620</b>

## West Lancashire Borough Council Statement of Accounts 2020/21

### Comprehensive Income and Expenditure Statement

Service	2019/20		Net Cost £'000
	Net Cost £'000	Adjustment £'000	
Growth and Development	236	2,566	2,802
Wellbeing and Leisure	3,191	107	3,298
<b>Cost of Services</b>	<b>14,771</b>	<b>2,673</b>	<b>17,444</b>
Financing & investment income & expenditure	2,882	(107)	2,775
Taxation & non-specific grant income & expenditure	(15,361)	(2,566)	(17,927)
<b>Surplus or (Deficit) on Provision of Services</b>	<b>2,599</b>	<b>-</b>	<b>2,599</b>

£107k relates to an error within the Financing & Investment Income & Expenditure which has been corrected.

### Cash Flow Statement

	2019-2020 £'000	Adjustments £'000	2019-2020 £'000
Adjustments for items that are investing or financing activities	(6,381)	(3,941)	(10,322)
Investing Activities	(7,063)	3,654	(3,409)

### Note 28 Cash Flow Statement – Operating Activities

	2019/2020 £'000	Adjustments £'000	2019/2020 £'000
Capital grants for non-current assets charged through revenue	(121)	(3,941)	(4,062)
<b>Non-cash movements</b>	<b>(6,381)</b>	<b>(3,941)</b>	<b>(10,322)</b>

1,375k relates to REFCUS grants recognised in Cost of Services omitted from the note.

### Note 29 Cash Flow Statement – Investing Activities

	2019/2020 £'000	Adjustments £'000	2019/2020 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(12,483)	(314)	(12,797)
Other receipts from investing activities	1,235	3,968	5,203
<b>Net cash flows from investing activities</b>	<b>(7,063)</b>	<b>3,654</b>	<b>(3,409)</b>

314k and £27k relate to adjustments in the increase/decrease of capital creditors & debtors figures.

**REMAPPING OF CASH RECEIVED IN ADVANCE FROM DEBTORS TO CREDITORS and WLBC SHARE OF HE LAND SALES SITES INCREASE DEBTORS AND GRANTS AND CONTRIBUTIONS IN ADVANCE**

- £355k (£686k 2018/19) cash received in advanced
- £496k HE Lands sales debtor and Capital Grant Receipt in Advance

The required prior period adjustments made to the accounts are detailed below:

Balance Sheet

	31-Mar 2020 £'000	Adjustments £'000	31-Mar 2020 £'000
Short Term Debtors	6,329	850	7,179
<b>Current assets</b>	<b>31,731</b>	<b>850</b>	<b>32,581</b>
Short Term Creditors	(13,074)	(355)	(13,429)
<b>Current Liabilities</b>	<b>(13,074)</b>	<b>(355)</b>	<b>(13,429)</b>
Grants & Contributions in Advance	(6,543)	(496)	(7,039)
<b>Long Term Liabilities</b>	<b>(148,996)</b>	<b>(496)</b>	<b>(149,492)</b>

Cash Flow Statement

	2019-2020 £'000	Adjustments £'000	2019-2020 £'000
Adjustments for non-cash movements	17,568	277	17,845
Financing Activities	(597)	10	(587)

Note 28 Cash Flow Statement – Operating Activities

	2019/2020 £'000	Adjustments £'000	2019/2020 £'000
Change in Creditors	1,047	385	1,432
Change in Debtors	(1,413)	(125)	(1,538)
Other non-cash items charged to the deficit on the provision of services	(269)	18	(251)
<b>Non-cash movements</b>	<b>17,568</b>	<b>277</b>	<b>17,845</b>

**Creditors:** £314k relates to movements of capital creditors, £402k relates to movement of Collection Fund Billing Authority cash and £331k relates to the movement of Cash Received in Advance.

**Debtors:** £29k relates to movements of capital debtors, £402k relates to movement of Collection Fund Billing Authority cash, £25k relates to movement of investment interest debtors and £331k relates to the movement of Cash Received in Advance.

**Other:** relates to the removal of rounding adjustments now corrected.

## West Lancashire Borough Council Statement of Accounts 2020/21

### Note 29 Cash Flow Statement – Financing Activities

	2019/2020	Adjustments	2019/2020
	£'000	£'000	£'000
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	(228)	10	(218)
<b>Net cash flows from financing activities</b>	<b>(597)</b>	<b>10</b>	<b>(587)</b>

£10k relates to the removal of rounding adjustments now corrected.

### Note 19 Financial Instruments

Financial Assets 2019-20	Current Debtors		Total		Adjustments	Current Restated Debtors		Restated Total	
	Carrying value	Fair Value	Carrying	Fair Value		Carrying value	Fair Value	Carrying	Fair Value
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Amortised cost	6,824	6,824	32,616	32,116	355	7,179	7,179	32,971	32,471
<b>Total financial assets</b>	<b>6,824</b>	<b>6,824</b>	<b>32,616</b>	<b>32,116</b>	<b>355</b>	<b>7,179</b>	<b>7,179</b>	<b>32,971</b>	<b>32,471</b>
Non-Financial instruments	3,555	3,555	3,555	3,555	(190)	3,365	3,365	3,365	3,365
Financial instruments	3,269	3,269	29,061	28,561	545	3,814	3,814	29,606	29,106

Financial Liabilities 2019-20	Current Creditors		Total		Adjustments	Current Restated Creditors		Restated Total	
	Carrying value	Fair Value	Carrying	Fair Value		Carrying value	Fair Value	Carrying	Fair Value
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Amortised cost	13,074	13,074	101,320	118,148	355	13,429	13,429	101,675	118,503
<b>Total financial liabilities</b>	<b>13,074</b>	<b>13,074</b>	<b>101,320</b>	<b>118,148</b>	<b>355</b>	<b>13,429</b>	<b>13,429</b>	<b>101,675</b>	<b>118,503</b>
Non-Financial instruments	6,985	6,985	6,985	6,985	(433)	6,552	6,552	6,552	6,552
Financial instruments	6,089	6,089	94,335	111,163	788	6,877	6,877	95,123	111,951

£190k relates to the reclassification of financial and non-financial assets.

£433k relates to the reclassification of financial and non-financial assets.

## West Lancashire Borough Council Statement of Accounts 2020/21

### Note 22 Debtors

	2019/2020	Adjustments	Restated 2019/20
	£'000	£'000	£'000
General Government Bodies	2,338	495	2,833
Other Debtors	8,009	354	8,363
Sub total	11,850	849	12,699
<b>Total</b>	<b>6,329</b>	<b>850</b>	<b>7,179</b>

### Note 24 Creditors

	2019/2020	Adjustments	Restated 2019/20
	£'000	£'000	£'000
Other Creditors	4,730	355	5,085
<b>Total</b>	<b>13,074</b>	<b>355</b>	<b>13,429</b>

### Note 36 Grant Income

	2019/2020	Adjustments	Restated 2019/2020
	£'000	£'000	£'000
Homes England	3,849	496	4,345
<b>Total</b>	<b>6,543</b>	<b>496</b>	<b>7,039</b>

## West Lancashire Borough Council Statement of Accounts 2020/21

### 8. EXPENDITURE AND FUNDING ANALYSIS

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

Service Area	Revised Outturn £'000	Adjustment between Outturn report and chargeable to General Fund	Net Expenditure Chargeable to the General Fund & HRA £'000	Adjustments Between the Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income and Expenditure £'000
<b>2020-21</b>					
Corporate & Customer Svs.	2,640	(1,042)	1,598	1,251	2,849
Environmental Services	7,253	(517)	6,736	866	7,602
Finance, Procure & Commercial	17	232	249	183	432
Housing and Regulatory	1,765	(198)	1,567	1,191	2,758
Housing Revenue Account	-	(3,266)	(3,266)	2,890	(376)
Growth and Development	1,315	537	1,852	462	2,314
Wellbeing and Leisure	2,981	(719)	2,262	696	2,958
Other Services	(2,801)	(352)	(3,153)	115	(3,038)
<b>Net Cost of Services</b>	<b>13,170</b>	<b>(5,325)</b>	<b>7,845</b>	<b>7,654</b>	<b>15,499</b>
Other Income & Expenditure	-		(15,605)	2,039	(13,566)
<b>Surplus or Deficit</b>	<b>13,170</b>	<b>(5,325)</b>	<b>(7,760)</b>	<b>9,693</b>	<b>1,933</b>
			<b>Opening General Fund &amp; HRA balances &amp; reserves</b>		
			<b>(13,121)</b>		
			<b>Less (Surplus) or Deficit</b>		
			<b>(7,760)</b>		
			<b>Closing General Fund &amp; HRA balances &amp; reserves</b>		
			<b>(20,881)</b>		



## West Lancashire Borough Council Statement of Accounts 2020/21

Service Area	Revised Outturn	Adjustment between Outturn report and chargeable to General Fund	Net Expenditure Chargeable to the General Fund & HRA	Adjustments Between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure
	£'000		£'000	£'000	£'000
<b>Restated 2019-20</b>					
Corporate & Customer Svs.	2,990	(1,080)	1,910	1,072	2,982
Environmental Services	6,512	(752)	5,760	1,073	6,832
Finance, Procure & Commercial	606	722	1,328	1,478	2,806
Housing and Regulatory	1,594	(401)	1,193	819	2,012
Housing Revenue Account	-	(1,991)	(1,991)	(1,709)	(3,700)
Growth and Development	1,686	563	2,248	554	2,802
Wellbeing and Leisure	3,233	(602)	2,631	667	3,298
Other Services	(3,817)	3,993	177	237	414
<b>Net Cost of Services</b>			<b>13,255</b>	<b>4,190</b>	<b>17,445</b>
Other Income & Expenditure	(4)	(11,926)	(11,930)	(2,915)	(14,845)
<b>Surplus or Deficit</b>			<b>1,325</b>	<b>1,275</b>	<b>2,600</b>
		<b>Opening General Fund &amp; HRA balances &amp; reserves</b>	<b>(14,446)</b>		
		<b>Less (Surplus) or Deficit</b>	<b>1,325</b>		
		<b>Closing General Fund &amp; HRA balances &amp; reserves</b>	<b>(13,121)</b>		

*Note: the 2019/20 services figures have been restated to reflect the remapping of details codes and a £107k error within the Financing & Investment Income & Expenditure figure that has been corrected*

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

## West Lancashire Borough Council Statement of Accounts 2020/21

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

2020-21	Pensions	Capital	Other	Total
	£'000	£'000	£'000	£'000
Corporate & Customer Svs.	703	389	159	<b>1,251</b>
Environmental Services	439	349	78	<b>866</b>
Finance, Procure & Commercial	(10)	193	-	<b>183</b>
Housing and Regulatory	73	1,101	17	<b>1,191</b>
Housing Revenue Account	353	2,503	34	<b>2,890</b>
Growth and Development	152	276	34	<b>462</b>
Wellbeing and Leisure	9	690	(3)	<b>696</b>
Other Services	82	3	30	<b>115</b>
Other Income & Expenditure	1,173	(4,293)	5,159	<b>2,039</b>
<b>Surplus or Deficit</b>	<b>2,974</b>	<b>1,211</b>	<b>5,508</b>	<b>9,693</b>

Restated 2019-20	Pensions	Capital	Other	Total
	£'000	£'000	£'000	£'000
Corporate & Customer Svs.	570	478	24	<b>1,072</b>
Environmental Services	608	431	34	<b>1,073</b>
Finance, Procure & Commercial	125	1,353	-	<b>1,478</b>
Housing and Regulatory	107	715	(3)	<b>819</b>
Housing Revenue Account	456	(2,179)	14	<b>(1,709)</b>
Growth and Development	249	299	6	<b>554</b>
Wellbeing and Leisure	32	634	1	<b>667</b>
Other Services	121	115	1	<b>237</b>
Other Income & Expenditure	1,345	(3,537)	(723)	<b>(2,915)</b>
<b>Surplus or Deficit</b>	<b>3,612</b>	<b>(1,692)</b>	<b>(645)</b>	<b>1,275</b>

*Note: the 2019/20 services figures have been restated to reflect the remapping of details codes and a £107k error within the Financing & Investment Income & Expenditure figure that has been corrected*

### **Adjustments for Capital Purposes**

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

### ***Pensions Adjustment***

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

### ***Other Adjustments***

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

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

## **9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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 2020/21

Adjustments between Accounting and Funding Basis Under Regulations 2020/21	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 to Revenue Resources</i>						
Pensions costs (transferred to or from the Pensions Reserve)	2,425	549	-	-	-	(2,974)
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	5,159	-	-	-	-	(5,159)
Holiday pay (transferred to the Accumulated Absences Account)	316	33	-	-	-	(349)
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(898)	12,143	-	-	2,986	(14,232)
<b>Total Adjustments to Revenue Resources</b>	<b>7,003</b>	<b>12,726</b>	<b>-</b>	<b>-</b>	<b>2,986</b>	<b>(22,715)</b>
<i>Adjustments between revenue and capital resources</i>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(322)	(1,449)	1,771	-	-	-
Administrative costs of non-current asset disposals funded from the Capital Receipts Reserve	-	36	(36)	-	-	-
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	729	-	(729)	-	-	-
Posting of HRA resources from revenue to the Major Receipts Reserve	-	(3,386)	-	3,386	-	-
Statutory provision for the repayment of debt	(279)	(338)	-	-	-	617
Capital expenditure financed from revenue balances	-	(5,028)	-	-	-	5,028
<b>Total Adjustments between revenue and capital resources</b>	<b>129</b>	<b>(10,164)</b>	<b>1,005</b>	<b>3,386</b>	<b>-</b>	<b>5,645</b>
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(2,414)	-	-	2,414
Use of the Major Receipts Reserve to finance capital expenditure	-	-	-	(3,386)	-	3,386
Application of capital grants to finance capital expenditure	-	-	-	-	(117)	117
Cash payments in relation to deferred capital receipts	-	-	-	-	(279)	279
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(2,414)</b>	<b>(3,386)</b>	<b>(396)</b>	<b>6,195</b>
<b>Total Adjustments</b>	<b>7,132</b>	<b>2,562</b>	<b>(1,408)</b>	<b>-</b>	<b>2,590</b>	<b>(10,875)</b>

## West Lancashire Borough Council Statement of Accounts 2020/21

Adjustments between Accounting and Funding Basis Under Regulations 2019/20	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 to Revenue Resources</i>						
Pensions costs (transferred to or from the Pensions Reserve)	2,867	745	-	-	-	(3,612)
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	(723)	-	-	-	-	723
Holiday pay (transferred to the Accumulated Absences Account)	64	14	-	-	-	(78)
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,233	9,200	-	-	2,566	(15,999)
<b>Total Adjustments to Revenue Resources</b>	<b>6,441</b>	<b>9,959</b>	<b>-</b>	<b>-</b>	<b>2,566</b>	<b>(18,966)</b>
<i>Adjustments between revenue and capital resources</i>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,496)	(2,850)	6,346	-	-	-
Administrative costs of non-current asset disposals funded from the Capital Receipts Reserve	-	86	(86)	-	-	-
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	833	-	(833)	-	-	-
Posting of HRA resources from revenue to the Major Receipts Reserve	-	(3,271)	-	3,271	-	-
Statutory provision for the repayment of debt	(270)	-	(2,366)	-	-	2,636
Capital expenditure financed from revenue balances	(1)	(6,155)	-	-	-	6,156
<b>Total Adjustments between revenue and capital resources</b>	<b>(2,934)</b>	<b>(12,191)</b>	<b>3,061</b>	<b>3,271</b>	<b>-</b>	<b>8,792</b>
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(5,207)	-	-	5,207
Use of the Major Receipts Reserve to finance capital expenditure	-	-	-	(3,271)	-	3,271
Application of capital grants to finance capital expenditure	-	-	-	-	(240)	240
Cash payments in relation to deferred capital receipts	-	-	-	-	(198)	198
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(5,207)</b>	<b>(3,271)</b>	<b>(438)</b>	<b>8,916</b>
<b>Restated Total Adjustments</b>	<b>3,507</b>	<b>(2,232)</b>	<b>(2,146)</b>	<b>-</b>	<b>2,128</b>	<b>(1,258)</b>

## 10. TRANSFERS TO AND FROM EARMARKED RESERVES

Restated	Balance 31/03/2019 £'000	Movement in year £'000	Balance 31/03/2020 £'000	Movement in year £'000	Balance 31/03/2021 £'000
Insurance Fund	(2,092)	16	(2,076)	21	(2,055)
Renewal and Repairs Funds	(298)	(89)	(387)	(80)	(467)
Corporate Reserves	(6,185)	587	(5,598)	(7,552)	(13,150)
Ring Fenced Reserves	(700)	(180)	(880)	(240)	(1,120)
Specific Grant Reserves	-	-	-	-	-
<b>General Fund subtotal</b>	<b>(9,275)</b>	<b>334</b>	<b>(8,941)</b>	<b>(7,851)</b>	<b>(16,792)</b>
HRA Reserves	(3,590)	990	(2,600)	90	(2,510)
<b>Restated Total</b>	<b>(12,865)</b>	<b>1,324</b>	<b>(11,541)</b>	<b>(7,761)</b>	<b>(19,302)</b>

Insurance fund	A sum of money to meet potential insurance liabilities.
Renewal and Repairs	Resources to meet future repairs liabilities
Corporate reserves	A range of reserves to meet income fluctuations and budget sustainability.
Ring fenced	These are sums that are restricted in their application due to agreements and regulation

## 11. OTHER OPERATING EXPENDITURE

2019/2020 £'000		2020/2021 £'000
611	Parish Council Precepts	624
833	Payments to the Government Housing Capital Receipts Pool	729
(1,215)	Gains (-) / Losses on the disposal of non-current assets	(310)
78	Pension Fund administration expenses	80
<b>308</b>	<b>Total</b>	<b>1,124</b>

## 12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Restated 2019/2020 £'000		2020/2021 £'000
3,057	Interest payable and similar charges	3,024
1,267	Pensions interest cost and expected return on pension assets	1,093
(259)	Interest income	(130)
(1,290)	Income, expenditure and changes in the fair value of investment properties	171
<b>2,775</b>	<b>Total</b>	<b>4,158</b>

*Note: the 2019/20 services figures have been restated to reflect a £107k error of the Financing & Investment Income & Expenditure figure that has been corrected*

## 13. TAXATION AND NON-SPECIFIC GRANT INCOME

Restated 2019/2020 £'000		2020/2021 £'000
(7,834)	Council tax income	(8,050)
(4,205)	Non-domestic rates income and expenditure	1,198
(3,201)	Non-ring-fenced government grants	(6,795)
(2,687)	Capital grants and contributions	(5,200)
<b>(17,927)</b>	<b>Total</b>	<b>(18,848)</b>



## West Lancashire Borough Council Statement of Accounts 2020/21

### 14. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2020-21	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
<b>Cost or Valuation</b>							
Balance at 1 April 2020	170,918	27,725	5,797	2,432	131	582	207,585
Additions	5,068	965	489	151	-	7,984	14,657
Revaluations recognised in the Revaluation Reserve	26,223	1,015	-	-	-	-	27,238
Revaluations recognised in the Surplus / Deficit on the Provision of Services	(9,740)	(784)	-	-	-	-	(10,524)
De-recognition - disposals and decommissioning	(1,226)	-	(1,027)	-	(37)	-	(2,290)
Transfers	(38)	-	-	-	(74)	74	(38)
Other movements	-	-	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>191,205</b>	<b>28,921</b>	<b>5,259</b>	<b>2,583</b>	<b>20</b>	<b>8,640</b>	<b>236,628</b>
<b>Accumulated Depreciation and Impairment</b>							
Balance at 1 April 2020	-	(1,631)	(2,181)	-	-	-	(3,812)
Depreciation charge	(3,304)	(684)	(697)	-	-	-	(4,685)
- Depreciation written out to the Revaluation Reserve	1,001	893	-	-	-	-	1,894
- Depreciation written out to the Surplus / Deficit on the Provision of Services	2,303	-	-	-	-	-	2,303
Impairments recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairments recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-
De-recognition - disposals and decommissioning	-	-	1,027	-	-	-	1,027
Other movements	-	-	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>-</b>	<b>(1,422)</b>	<b>(1,851)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,273)</b>
<b>Net Book Value Balance at 1 April 2020</b>	<b>170,918</b>	<b>26,094</b>	<b>3,616</b>	<b>2,432</b>	<b>131</b>	<b>582</b>	<b>203,773</b>
<b>Net Book Value Balance at 31 March 2021</b>	<b>191,205</b>	<b>27,499</b>	<b>3,408</b>	<b>2,583</b>	<b>20</b>	<b>8,640</b>	<b>233,355</b>

## West Lancashire Borough Council Statement of Accounts 2020/21

Movement on Balances 2019-20	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation							
Balance at 1 April 2019	167,365	27,311	5,799	2,171	131	8,205	210,982
Additions	9,147	713	427	260	-	2,091	12,638
Revaluations recognised in the Revaluation Reserve	(2,768)	(207)	-	-	-	-	(2,975)
Revaluations recognised in the Surplus / Deficit on the Provision of Services	(6,588)	(92)	-	-	-	-	(6,680)
De-recognition - disposals and decommissioning	(1,952)	-	(429)	-	-	-	(2,381)
Transfers	5,713	-	-	-	-	(9,714)	(4,001)
Other movements	1	-	-	1	-	-	2
<b>Balance at 31 March 2020</b>	<b>170,918</b>	<b>27,725</b>	<b>5,797</b>	<b>2,432</b>	<b>131</b>	<b>582</b>	<b>207,585</b>
<b><i>Accumulated Depreciation and Impairment</i></b>							
Balance at 1 April 2019	-	(940)	(2,024)	-	-	-	(2,964)
Depreciation charge	(3,195)	(691)	(586)	-	-	-	(4,472)
- Depreciation written out to the Revaluation Reserve	479	-	-	-	-	-	479
- Depreciation written out to the Surplus / Deficit on the Provision of Services	2,716	-	-	-	-	-	2,716
Impairments recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairments recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-
De-recognition - disposals and decommissioning	-	-	429	-	-	-	429
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>(1,631)</b>	<b>(2,181)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,812)</b>
<b>Net Book Value Balance at 1 April 2019</b>	<b>167,365</b>	<b>26,371</b>	<b>3,775</b>	<b>2,171</b>	<b>131</b>	<b>8,205</b>	<b>208,018</b>
<b>Net Book Value Balance at 31 March 2020</b>	<b>170,918</b>	<b>26,094</b>	<b>3,616</b>	<b>2,432</b>	<b>131</b>	<b>582</b>	<b>203,773</b>

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide a sound basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The Council has determined in accordance with the Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (amendment) Regulations 2022 that the carrying amounts be derecognised for infrastructure assets when the replacement expenditure is nil. Infrastructure Assets has a current net book value of £1,230k (2019/20 £1,230k) giving total property plant and equipment of £234,585k (2019/20 £205,003k).

### ***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 66 years, non-traditional build property 36 years and 21 years for garages
- Other Land and Buildings – these have a range of lives varying between 5 and 60 years, although the majority of assets have an estimated life of around 20 to 35 years. Chapel Gallery is an exception to this standard range. As the building has existed since the 1800's it has been deemed that a useful life of 60 would not be appropriate. This asset is therefore depreciated over 165 years.
- Vehicles, Plant, Furniture and Equipment – this covers a range of different types of assets with estimated useful lives mostly between 5 and 20 years.
- Infrastructure – these assets are inalienable in nature, in that value is derived only by continued use of the asset in its current form (there is no prospect of sale or alternative use). As such these assets are not depreciated but will either be written out when there is a change of use or a revaluation exercise.

### ***Capital Commitments***

At 31 March 2021 the Council had entered into a number of contracts for the construction or enhancement of non-current assets in future years budgeted to cost £12.182m. Similar commitments as at 31 March 2020 were £2.008m. The entirety of this commitment relates to Council Dwellings works including, window replacement, roofing and structural work amounting to £10.546m which is the majority of the £12.182m commitment above for Skelmersdale Town Centre.

### ***Revaluations***

The Council carries out a programme that ensures that all Property, Plant and Equipment is re-valued at fair value at least every 5 years, and a full revaluation of the housing stock took place in 2020/21. This exercise also encompassed a review of the asset classes for each item. A full revaluation of general fund assets took place for the 2018/19 financial year, and the valuations were undertaken internally by the requisite Royal Institution of Chartered Surveyors qualified staff. The valuation of the asset is largely impacted by the classification of each asset, which is fully considered

## West Lancashire Borough Council Statement of Accounts 2020/21

as part of the exercise. The methodologies used were those as prescribed by the appropriate regulations and the valuations were fully updated accordingly.

The significant assumptions applied in estimating fair values are:

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

	Council Dwellings	Vehicles, Furniture, Plant & Equipment	Other Assets	Total
	£'000	£'000	£'000	£'000
Historical cost at last valuation	-	3,408	12,452	<b>15,860</b>
Current Value as at:				
31 March 2021	191,205	-	604	<b>191,809</b>
31 March 2020	-	-	414	<b>414</b>
31 March 2019	-	-	26,502	<b>26,502</b>
31 March 2018	-	-	-	-
31 March 2017	-	-	-	-
<b>Total</b>	<b>191,205</b>	<b>3,408</b>	<b>39,972</b>	<b>234,585</b>

### 15. ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. For council house sales under Right-to-Buy (RTB), fair value is the discounted RTB value.

2019/2020		2020/2021
£'000		£'000
149	Balance at start of year	156
3,070	Assets newly classified as held for sale	43
31	Revaluation gains	-
(3,094)	Assets sold	(161)
156	Balance at	38

### 16. HERITAGE ASSETS

The closing value of Heritage Assets is £0.509m (£0.509m in 2019-20).

#### **Civic Regalia:**

The Council owns a range of Civic regalia items including Mayoral Chains, Pendants and various other Chains and items of Office valued at £0.120m. These items are used by the Mayor and Deputy

## West Lancashire Borough Council Statement of Accounts 2020/21

Mayor for Civic functions and are valued every 5 years by a specialist firm. The last valuation was undertaken during the 2018/19 financial year and resulted in a revaluation increase of £0.018m. There have been no other changes in asset values over the last 5 years.

### **Public Sculptures**

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

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

### **Memorials, fountains and village cross**

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

There was expenditure on war memorials of £8,168 in 2018-19. All of this expenditure was fully impaired. There have been no other changes in asset values over the last 5 years.

## **17. 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:

<b>2019/2020</b>		<b>2020/2021</b>
<b>£'000</b>		<b>£'000</b>
(2,415)	Rental income	(2,310)
1,414	Direct operating expenses	1,468
(289)	Movement in fair value of investment properties	1,013
<b>(1,290)</b>	<b>Net (gain) / loss</b>	<b>171</b>

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.

### **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.

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

## West Lancashire Borough Council Statement of Accounts 2020/21

2019/2020 £'000		2020/2021 £'000
17,479	Balance at start of year	18,725
289	Net gains/losses from fair value adjustments	(1,013)
26	Additions	10
931	Transfers	-
<b>18,725</b>	<b>Balance at end of year</b>	<b>17,722</b>

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021, are as follows:

	Other significant observable inputs  Level 2 £'000	Significant unobservable inputs  Level 3 £'000	Fair Value  £'000
Commercial Units	10,798	688	11,486
Office Units	6,236	-	6,236
<b>Total</b>	<b>17,034</b>	<b>688</b>	<b>17,722</b>

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

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

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

### Highest and best use

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

### Gains and losses

Gains or losses arising from changes in the fair value of Investment Properties are recognised in the surplus or deficit on the provision of services. There was an overall fair value loss attributed to these assets of £1.013m in 2020-21 (gain of £0.289m in 2019-20).

## 18. 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.

## West Lancashire Borough Council Statement of Accounts 2020/21

2019/2020 £'000		2020/2021 £'000
	<b>Balance at start of year:</b>	
1,295	- Gross carrying amount	1,477
(444)	- Accumulated amortisation	(624)
<b>851</b>	<b>Net carrying amount at start of year</b>	<b>853</b>
252	Additions	207
(250)	Amortisation	(286)
<b>853</b>	<b>Net carrying amount at end of year</b>	<b>774</b>
	<b>Balance at end of year:</b>	
1,547	- Gross carrying amount	1,684
(694)	- Accumulated amortisation	(910)
<b>853</b>	<b>Net carrying amount at end of year</b>	<b>774</b>

During the course of the year fully amortised assets with a gross carrying value of £215,948 were written off (£69,960 in 2019-20).

### 19. IMPAIRMENT AND REVALUATION

A downward revaluation of £7.437m (£3.872m in 2019-20) was made to the Housing Revenue Account primarily as a result of an element of the Housing capital programme not increasing the book value of Council dwellings. A downward revaluation of £0.784m (£0.092m impairment in 2019-20) was also made to other parts of the Comprehensive Income and Expenditure Statement in the year.

Net revaluation increases of £29.132m (£2.464m decrease in 2019-20) were posted to the revaluation reserve for the year. Both the downward revaluation charge and the upward revaluation were conducted in conjunction with the Council's internal Estates service who followed professional guidelines in conducting both exercises.

### 20. FINANCIAL INSTRUMENTS

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018, whose main changes include the reclassification of financial assets. Under this new approach debtors, investments and cash that were previously categorised as loans and receivables are now categorised as amortised cost. There were no significant re-measurements arising from the adoption of this new standard. Note 39 provides information about the nature and extent of risks arising from financial instruments.

The Council has £11.613 of short-term investments (£19.119m in 2019-20) that are classified at amortised cost. Details on debtors are shown in note 22 to the accounts, and these are classified at amortised cost for financial instruments. The Council has £88.212 of borrowing (£88.212m in 2019-20) that is classified at amortised cost. Details on creditors are shown in note 24, and these are classified at amortised cost for financial instruments.

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

## West Lancashire Borough Council Statement of Accounts 2020/21

---

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 £113.111m compared to the 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 financial instruments and information about the fair value hierarchy as at 31 March 2021, are as follows.



## West Lancashire Borough Council Statement of Accounts 2020/21

Financial Assets 2020/21	Non-Current				Current				Cash & Cash Equivalents		Total	
	Debtors		Investments		Debtors		Investments		Carrying value	Fair value	Carrying value	Fair Value
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Fair Value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Amortised cost	58	58	2,275	2,275	19,479	19,479	10,038	10,038	9,190	9,190	41,040	40,340
Fair Value Through OCI	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>58</b>	<b>58</b>	<b>2,275</b>	<b>2,275</b>	<b>19,479</b>	<b>19,479</b>	<b>10,038</b>	<b>10,038</b>	<b>9,190</b>	<b>9,190</b>	<b>41,040</b>	<b>40,340</b>
Non-Financial Instruments	-	-	-	-	14,229	14,229	-	-	-	-	14,229	14,229
Financial Instruments	58	58	2,275	2,275	5,250	5,250	10,038	10,038	-	-	-	26,111

Restated Financial Assets 2019/20	Non-Current				Current				Cash & Cash Equivalents		Total	
	Debtors		Investments		Debtors		Investments		Carrying value	Fair value	Carrying value	Fair Value
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Amortised cost	58	58	500	-	7,179	7,179	19,118	19,119	6,115	6,115	32,971	32,471
Fair Value Through OCI	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>58</b>	<b>58</b>	<b>500</b>	<b>-</b>	<b>7,179</b>	<b>7,179</b>	<b>19,118</b>	<b>19,119</b>	<b>6,115</b>	<b>6,115</b>	<b>32,971</b>	<b>32,471</b>
Non-Financial Instruments	-	-	-	-	3,365	3,365	-	-	-	-	3,365	3,365
Financial Instruments	58	58	500	-	3,814	3,814	19,118	19,119	-	-	-	29,106

## West Lancashire Borough Council Statement of Accounts 2020/21

Financial Liabilities 2020/21	Non-Current Borrowings		Current Creditors		Total	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-
Amortised cost	(88,246)	(113,111)	(21,999)	(21,999)	(110,245)	(135,110)
Fair Value Through OCI	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(88,246)</b>	<b>(113,111)</b>	<b>(21,999)</b>	<b>(21,999)</b>	<b>(110,245)</b>	<b>(135,110)</b>
Non-Financial Instruments	-	-	(13,008)	(13,008)	(13,008)	
Financial Instruments	(88,246)	(113,111)	(8,991)	(8,991)	(97,237)	(122,102)

Financial Liabilities 2019/20	Non-Current Borrowings		Current Creditors		Total	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-
Amortised cost	(88,246)	(105,074)	(13,429)	(13,429)	(101,675)	(118,503)
Fair Value Through OCI	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(88,246)</b>	<b>(105,074)</b>	<b>(13,429)</b>	<b>(13,429)</b>	<b>(101,675)</b>	<b>(118,503)</b>
Non-Financial Liabilities	-	-	(6,552)	(6,552)	(6,552)	(6,552)
Financial Liabilities	(88,246)	(105,074)	(6,877)	(6,877)	(95,123)	(111,951)

### Assets held for sale

Assets held for sale are classified in the hierarchy as level 2 and are valued at £0.038m (£0.156m in 2019-20). These assets consist of Council house sales. And there is adequate transactional data to classify as level 2 in the hierarchy.

### Valuation process for 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

There have been no transfers between the fair value hierarchies. General Fund assets have been revalued as at 31 March 2021 in line with regulation, and this accounts for the change in the fair value measurement. There is one specific asset classified within the level 3 category, valued at £688,000. The robustness of the level 3 categorisation has been tested by varying the yield rate by a full percentage point.

## West Lancashire Borough Council Statement of Accounts 2020/21

2019/2020 £'000		2020/2021 £'000
787	Opening Balance	688
(99)	Total gain / (loss) for the period included in Surplus / Deficit on the provision of services resulting from changes in fair value	-
<b>688</b>	<b>Total</b>	<b>688</b>

### 21. INVENTORIES

2019/2020 £'000		2020/2021 £'000
	Work in progress	
12	All other items	13
<b>12</b>	<b>Total</b>	<b>13</b>

### 22. DEBTORS

Restated 2019/2020 £'000		2020/2021 £'000
2,833	General Government Bodies	9,991
1,444	Other Local Authorities	10,201
8,363	Other Debtors	5,225
59	Payments in Advance	37
<b>12,699</b>	<b>Sub total</b>	<b>25,455</b>
(5,521)	Provision for impairments	(5,976)
<b>7,179</b>	<b>Total</b>	<b>19,479</b>

### 23. CASH AND CASH EQUIVALENTS

2019/2020 £'000		2020/2021 £'000
4,215	Cash and Bank	690
1,900	Money at call	8,500
<b>6,115</b>	<b>Sub total</b>	<b>9,190</b>
-	Bank overdraft	-
<b>6,115</b>	<b>Total</b>	<b>9,190</b>

## 24. CREDITORS

Restated 2019/2020		2020/21
(3,375)	Central Government Bodies	(10,342)
(3,411)	Other Local Authorities	(2,513)
(1,913)	Leaseholder Advance and Tenant Prepayments	(1,601)
(4,729)	Other Creditors	(7,544)
<b>(13,429)</b>	<b>Total</b>	<b>(22,000)</b>

## 25. PROVISIONS

2019/2020 £'000		2020/2021 £'000
(1,311)	Opening balance	(1,060)
(52)	Additional provisions made	(41)
303	Amounts used	(108)
-	Unused amounts reversed	-
<b>(1,060)</b>	<b>Closing balance</b>	<b>(1,209)</b>

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

## 26. USABLE RESERVES

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

2019/2020 £'000		2020/2021 £'000
(960)	General Fund	(960)
(8,941)	Earmarked General Fund	(16,792)
(621)	Housing Revenue Account	(621)
(2,600)	Earmarked Housing Revenue Account	(2,510)
<b>(13,122)</b>		<b>(20,883)</b>
(3,644)	Capital Receipts	(2,236)
(1,018)	Capital Grants Unapplied	(901)
(6,601)	Community Infrastructure Levy	(9,308)
<b>(24,385)</b>	<b>Total</b>	<b>(33,328)</b>

## 27. UNUSABLE RESERVES

2019/2020 £'000		2020/2021 £'000
(32,009)	i. Revaluation Reserve	(59,495)
(90,609)	ii. Capital Adjustment Account	(89,864)
53,148	iii. Pensions Reserve	70,599
(1,763)	iv. Collection Fund Adjustment Account	3,396
311	v. Accumulated Absences Account	660
<b>(70,923)</b>	<b>Total</b>	<b>(74,703)</b>

### 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.

2019/2020 £'000		2020/2021 £'000
<b>(36,194)</b>	<b>Balance at start of year</b>	<b>(32,009)</b>
2,464	Surplus or deficit on the revaluation of non- current assets not posted to the Surplus or Deficit on the Provision of Services	(29,132)
	Amount written off to the Capital Adjustment Account	
719	Difference between fair value depreciation and historical cost depreciation	1,239
1,002	Accumulated gains on assets sold or scrapped	408
<b>1,721</b>	<b>Sub total</b>	<b>1,647</b>
<b>(32,009)</b>	<b>Balance at end of year</b>	<b>(59,495)</b>

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 1 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.

Restated 2019/2020 £'000		2020/2021 £'000
<b>(87,179)</b>	<b>Balance at start of year</b>	<b>(90,609)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
4,472	Charges for depreciation	4,684
251	Amortisation of intangible assets	286
4,052	Revenue expenditure funded from capital under statute	2,536
5,046	Non-current assets written off as part of the gain / loss on disposal of assets	1,425
<b>13,820</b>	<b>Sub total</b>	<b>8,931</b>
	<i>Capital financing applied in the year</i>	
(5,207)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,414)
(3,271)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,386)
(1,495)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing *	(3,934)
(438)	Application of grants to capital financing from the capital grants unapplied account *	(396)
(2,636)	Provision for the financing of capital investment charged against the General Fund and HRA balances	(617)
(6,156)	Capital expenditure charged against the General Fund and HRA balances *	(5,028)
<b>(19,204)</b>	<b>Sub total</b>	<b>(15,773)</b>
(1,721)	Adjusting amounts written out of the Revaluation Reserve	(1,647)
3,675	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	9,235
<b>(90,609)</b>	<b>Balance at end of year</b>	<b>(89,864)</b>

## West Lancashire Borough Council Statement of Accounts 2020/21

*Note: the 2019/20 figures have been restated to reflect capital grants applied from the Capital Grants Unapplied Reserve and capital grants recognised in the CIES*

### iii. Pensions Reserve

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

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

2019/2020 £'000		2020/2021 £'000
57,715	<b>Balance at start of year</b>	53,148
(8,179)	Re-measurement of the net defined benefit liability / asset	14,477
7,413	Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	6,517
(3,801)	Employer's pension contributions payable in the year	(3,543)
<b>53,148</b>	<b>Balance at end of year</b>	<b>70,599</b>

### iv. Collection Fund Adjustment Account

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

2019/2020 £'000		2020/2021 £'000
(1,041)	<b>Balance at start of year</b>	(1,763)
(723)	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	5,159
<b>(1,763)</b>	<b>Balance at end of year</b>	<b>3,396</b>

**v. Accumulated Absences Account**

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

2019/2020 £'000		2020/2021 £'000
233	<b>Balance at start of year</b>	311
78	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	349
<b>311</b>	<b>Balance at end of year</b>	<b>660</b>

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

The cash flows for operating activities include the following items:

Restated 2019/2020 £'000		2020/2021 £'000
(234)	Interest received	(91)
3,057	Interest paid	3,057

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

Restated 2019/2020 £'000		2020/2021 £'000
4,472	Depreciation	4,684
3,964	Impairment and downward valuations	8,221
(289)	Movement in the market value of investment properties	1,013
251	Amortisation	286
1,432	Change in Creditors	9,383
(1,538)	Change in Debtors	(2,951)
6	Change in Inventories	-
4,754	Movement in Pension Liability	(1,789)
5,046	Carrying amount of non current assets sold or disposed	1,425
(251)	Other non cash items charged to the deficit on the provision of services	149
<b>17,845</b>	<b>Non cash movements</b>	<b>20,421</b>



## West Lancashire Borough Council Statement of Accounts 2020/21

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

Restated 2019/2020 £'000		2020/2021 £'000
(6,260)	Proceeds from the sale of non current assets	(1,734)
(4,062)	Capital grants for non current assets charged through revenue	(6,920)
<b>(10,322)</b>	<b>Non cash movements</b>	<b>(8,654)</b>

### 29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Restated 2019/2020 £'000		2020/2021 £'000
(12,797)	Purchase of property, plant and equipment, investment property and intangible assets	(13,956)
(122,025)	Purchase of short term and long term investments	(6,200)
6,260	Proceeds from the sale of non-current assets	1,734
119,950	Proceeds from short term and long term investments	13,500
5,203	Capital Grants & Contributions Received for the Financing of New Capital Expenditure	9,085
<b>(3,409)</b>	<b>Net cash flows from investing activities</b>	<b>4,164</b>

### 30. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Restated 2019/2020 £'000		2020/2021 £'000
(369)	Receipts from financing activities	(10,924)
(218)	Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	-
<b>(587)</b>	<b>Net cash flows from financing activities</b>	<b>(10,924)</b>

31. EXPENDITURE AND INCOME ANALYSED BY NATURE

Restated 2019/2020 £'000		2020/2021 £'000
	<b><i>Expenditure</i></b>	
23,997	Employee benefit expenses	22,602
43,934	Other services expenses	47,712
(2,679)	Support service recharges	(2,633)
8,397	Depreciation, amortisation, revaluations and impairment	14,205
4,053	Revenue Expenditure Funded from Capital Under Statute	2,536
4,471	Interest payments	4,492
611	Precepts	624
833	Payments to Housing Capital Receipts Pool	729
(1,215)	Disposal of assets	(310)
<b>82,403</b>	<b>Total expenditure</b>	<b>89,957</b>
	<b><i>Income</i></b>	
(35,940)	Fees, charges and other income	(32,756)
(2,674)	Interest and investment income	(2,441)
(12,039)	Income from council tax and NDR	(6,852)
(29,150)	Government grants and contributions	(45,975)
<b>(79,803)</b>	<b>Total income</b>	<b>(88,024)</b>
<b>2,599</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>1,933</b>

Note: the 2019/20 services figures have been restated to reflect the remapping of details codes and a £107k error of the Financing & Investment Income & Expenditure figure has been corrected

## 32. TRADING OPERATIONS

### Trading Services

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

### Direct Service Organisations

The council has previously reported trading services for Refuse Collection, Street Cleaning and Grounds Maintenance. As this service area has now been reviewed and combined plus the limited amount of external trading that is undertaken, it is now not appropriate to report and this will not detract from the users understanding of the accounts.

2019-20		2020-21		
(Surplus) / Deficit		Expenditure	Income	(Surplus) / Deficit
£'000		£'000	£'000	£'000
<b>Trading Services</b>				
120	Market	152	(90)	63
(298)	Car Parks	371	(168)	202
<b>(178)</b>	<b>Total</b>	<b>523</b>	<b>(258)</b>	<b>265</b>

## 33. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.341m (£0.346m in 2019-20).

## 34. 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		
	2020/21		Restated 2019/20
£50,000 - £54,999	8	*	5
£55,000 - £59,999	4	*	5
£60,000 - £64,999	2	*	3
£65,000 - £69,999	-		1
£70,000 - £74,999	-		2
£80,000 - £84,999	1	*	-
£85,000 - £89,999	-		2
£95,000 - £99,999	-		2
£110,000 - £114,999	-		1
<b>Total</b>	<b>15</b>		<b>21</b>

\*Includes 1 Redundancy payment  
\*\* Includes 2 Redundancy payments

## West Lancashire Borough Council Statement of Accounts 2020/21

The Council terminated the contracts of 10 employees in 2020-21 in different service areas incurring liabilities of £0.4m (£2.397m in 2019-20). This consisted of 7 voluntary and 3 compulsory redundancies. This compares to 31 voluntary and 25 compulsory redundancies in the previous year.

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20
			£'000	£'000
£0 - £20,000	2	33	23	240
£20,001 - £40,000	1	7	39	220
£40,001 - £60,000	5	6	233	312
£60,001 - £80,000	1	1	69	69
£80,001 - £100,000	1	1	84	85
£100,001 - £120,000	0	1	0	108
£120,001 - £140,000	0	1	0	129
Over £150,000	0	6	0	1,234
<b>Total</b>	<b>10</b>	<b>56</b>	<b>448</b>	<b>2,397</b>

In addition to the figures shown above there were also £0.018m of pension strain costs incurred in 2020-21 in relation to 1 flexible retirement (£0.018m in 2019-20)

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

## West Lancashire Borough Council Statement of Accounts 2020/21

Post Title	Salary & Election Fees	Expenses	Compensation for loss of office	Benefits in Kind	Total before pensions	Pension contribution	Total
	£	£	£	£	£	£	£
<b><u>2020-21</u></b>							
Chief Operating Officer	97,099	0	0	0	97,099	18,449	<b>115,548</b>
Director of Place & Community	83,933	0	0	0	83,933	15,947	<b>99,880</b>
Director of Transformation & Resources	83,933	0	0	212	84,145	15,947	<b>100,092</b>
Head of Finance, Procurement & Commercial Services	39,786	0	0	0	39,786	7,559	<b>47,345</b>
Head of Corporate & Customer Services	33,621	0	0	494	34,115	6,388	<b>40,503</b>
Head of Growth & Development	58,476	0	0	895	59,371	11,110	<b>70,481</b>
Head of Wellbeing & Leisure	58,509	0	0	846	59,355	11,117	<b>70,472</b>
Head of Environmental Services	57,899	0	0	895	58,794	11,001	<b>69,795</b>
Head of Housing & Regulatory Services	35,532	0	0	479	36,011	6,751	<b>42,762</b>
	<b>548,788</b>	<b>0</b>	<b>0</b>	<b>3,821</b>	<b>552,609</b>	<b>104,269</b>	<b>656,878</b>
<b><u>2019-20</u></b>							
Chief Executive (left Nov 19)	70,302	0	114,634	0	184,936	223,807	<b>408,743</b>
Director of Housing and Inclusion / Chief Operating Officer	91,202	0	0	0	91,202	14,168	<b>105,370</b>
Director of Leisure and Environment / Corporate Director of Place & Community	82,995	0	0	0	82,995	13,315	<b>96,310</b>
Director of Development and Regeneration (left Nov 19)	67,572	0	0	846	68,418	10,929	<b>79,347</b>
Deputy Director of Housing / Corporate Director of Transformation & Resources	49,176	0	92,429	0	141,605	70,174	<b>211,779</b>
Borough Treasurer	62,087	0	0	0	62,087	10,120	<b>72,207</b>
Borough Solicitor (left Nov 19)	39,820	0	65,489	0	105,309	181,593	<b>286,902</b>
	<b>463,154</b>	<b>0</b>	<b>272,552</b>	<b>846</b>	<b>736,552</b>	<b>524,106</b>	<b>1,260,658</b>

### 35. EXTERNAL AUDIT COSTS

2019/2020 £'000		2020/2021 £'000
40	Fees payable in relation to the audit of the accounts and inspection fees for the year	63
5	Fees relating to prior year	-
14	Fees payable for the certification of grant claims and returns	19
<b>59</b>	<b>Total</b>	<b>82</b>

### 36. GRANT INCOME

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

Restated 2019/2020 £'000		2020/2021 £'000
	<i>Credited to Taxation and Non Specific Grants:</i>	
967	New Homes Bonus	875
2,191	S31 Business Rates & Council Tax Grants	5,899
43	Other Revenue Grants	9
<b>3,201</b>	<b>Total credited to Taxation &amp; Non-Specific Grants</b>	<b>6,783</b>
	<i>Credited to Services:</i>	
21,060	Benefit Payments and Administration	20,177
1,374	Capital Grants	1,798
438	Covid-19 Grant	7,195
261	Contribution to Highways	261
723	Other Grants and Contributions	2,159
<b>23,856</b>	<b>Total credited to Services</b>	<b>31,590</b>
<b>27,057</b>	<b>Total government grants &amp; contributions</b>	<b>38,373</b>

*Note: the 2019/20 figures have been restated to reflect capital grants applied from the Capital Grants Unapplied Reserve and capital grants recognised in the CIES*

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:

Restated 2019/2020 £'000		2020/2021 £'000
	<i>Grants and Contributions Received in Advance</i>	
2,550	Section 106 Agreements	2,766
4,344	Homes England	6,451
144	Commuted Sums	144
<b>7,038</b>	<b>Total</b>	<b>9,361</b>

### 37. 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 of £38.4m are set out in Note 36 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 2020-21 is shown in note 29.

There are 54 Council Members, of whom 13 are also Parish Councillors, 4 are County Councillors, 1 is a Member of the Fire and Rescue Authority and 1 is a member of the Police & Crime Panel for Lancashire. 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 £0.068m (£0.074m in 2019-20) 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 Head of Finance, Procurement and Commercial Services 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 – £30,000 – 3 Members
- Women's Refuge – £11,230 – 1 Member
- Dial a Ride - £20,000 – 2 Members
- Lancashire West Citizens Advice Bureau £50,000 – 1 Member
- West Lancashire Crisis & Information Centre £50,000 – 0 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 also have to declare any significant interests in agenda items at the start of Committee meetings, and cannot then take part in any discussions or decisions in relation to those items.

## Officers

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

## Other Related Parties

The Council has entered into a long-term contractual arrangement with Lancashire County Council and BTLS for the provision of Revenues, Benefits and IT Services worth £3.4m in 2020-21 (£3.2m in 2019-20), and there were payments due to BTLS of £0.23m on this contract at the year end. The Council also received income of £0.26m in 2020-21 (£0.26m in 2019-20) from Lancashire County Council in relation to Highways Verge Maintenance activities, and there were no outstanding amounts on these arrangements at the year end.

Payment of subsidy of £0.79m in 2020-21 (£0.46m in 2019-20) was made to West Lancashire Community Leisure Ltd as part of the Council's Leisure services arrangement. The Council provides the majority of the Trust's funding and also appoints one out of the Trust's 6 Board Members.

The Council has set up a wholly owned company, Tawd Valley Developments Limited that is now trading. The Director of Transformation & Resources and the Head of Finance, Procurement and Property Services act as Board Members for this Company, while the Chief Operating Officer acts as the Shareholder on behalf of the Council. Total income to the Council was £55.5k and total expenditure to the Council was £3.9m. Total income to the Council was £55.5k and total expenditure to the Council was £3.9m. As at 31 March 2021 the Council was owed £19k by TVDL and had an outstanding creditor with TVDL of £1.4m. TVDL have outstanding loans from the Council of £1.6m

## 38. 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.

	2020/2021	Restated 2019/2020
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>102,685</b>	<b>104,922</b>
<i>Capital Investment:</i>		
Property, Plant and Equipment	6,673	10,133
Heritage Assets	-	-
Assets Under Construction	7,984	2,091
Intangible Assets	208	252
Revenue Expenditure funded from Capital under Statute	2,536	4,052
Land Held for Future Developments	-	413
Assets Held for Sale	5	-
Investment Properties	10	26
<i>Sources of Finance:</i>		
Capital Receipts	(2,414)	(5,207)
Government Grants and Other Contributions *	(4,329)	(1,933)
Major Repairs Reserve	(3,386)	(3,271)
<i>Sums set aside from Revenue:</i>		
Direct Revenue Contributions *	(5,028)	(6,157)
Minimum Revenue Provision	(617)	(2,636)
<b>Closing Capital Financing Requirement</b>	<b>104,327</b>	<b>102,685</b>
<i>Explanation of Movement in Year:</i>		
Increase / decrease in underlying need to borrow	1,642	(2,237)
<b>Change in Capital Financing Requirement</b>	<b>1,642</b>	<b>(2,237)</b>



## West Lancashire Borough Council Statement of Accounts 2020/21

Note: the 2019/20 figures have been restated to reflect capital grants applied from the Capital Grants Unapplied Reserve and capital grants recognised in the CIES

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.

### 39. LEASES

#### **Authority as Lessee: Operating Leases**

The Council has acquired a number of vehicles by entering into operating leases. The Council entered into a new arrangement with regards to vehicle supply and maintenance during 2020-21 for a period of 5 years. 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:

2019/2020 £'000		2020/2021 £'000
289	Not later than one year	1,064
-	Later than one year and not later than five years	4,162
<b>289</b>	<b>Total</b>	<b>5,227</b>

#### **Authority as Lessor: Operating Leases**

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

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

2019/2020 £'000		2020/2021 £'000
2,396	Not later than one year	2,274
3,896	Later than one year and not later than five years	3,817
6,854	Later than five years	6,588
<b>13,147</b>	<b>Total</b>	<b>12,680</b>

### 40. OTHER LONG-TERM LIABILITIES AND CONTRACTS

The Council finished a 15-year investment programme in 2019/20, in its leisure centres through a partnership arrangement with Serco Group PLC. This investment was repaid over the lifetime of the contract.

2019/2020 £'000		2020/2021 £'000
218	Balance brought forward	-
(218)	Leisure trust repayments	-
-	<b>Balance carried forward</b>	-

In October 2011 the Council agreed a 10 year contract for the provision of its IT, Revenues and Benefits Services with Lancashire County Council and BTLS, with a value of around £3.1m. This contract expired in 2020/21 and the service was brought back inhouse.

In October 2012 the Council agreed a 5 year contract for vehicle supply and maintenance, which has now been extended for a further 3 years, with an annual value of around £1.0m.

#### **41. 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:

## West Lancashire Borough Council Statement of Accounts 2020/21

	Discretionary Benefits		All Benefits	
	2020-21	2019-20	2020-21	2019-20
	£'000	£'000	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<i>Cost of Services</i>				
- Current service cost	-	-	4,322	4,539
- Settlements and curtailments	-	-	1,022	487
- Past service costs	-	-	-	1,042
<i>Other Operating Expenditure</i>				
- Administration expenses	-	-	80	78
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	99	120	5,094	5,200
- Expected return on scheme assets	-	-	(4,001)	(3,933)
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>99</b>	<b>120</b>	<b>6,517</b>	<b>7,413</b>
<i>Re-measurement of the net defined benefit liability</i>				
- Return on plan assets	-	-	(14,186)	1,344
- Actuarial gains and losses arising on changes in financial assumptions	333	(720)	28,663	(9,523)
<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>432</b>	<b>(600)</b>	<b>20,994</b>	<b>(766)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(99)	(120)	(6,517)	(7,413)
Actual amount charged against the General Fund Balance for pensions	334	343	3,543	3,801

### ***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	
	2020-21	2019-20	2020-21	2019-20
	£'000	£'000	£'000	£'000
Present value of the benefit obligation	4,366	4,268	248,193	215,380
Fair value of plan assets	-	-	(182,357)	(162,232)
<b>Net liability</b>	<b>4,366</b>	<b>4,268</b>	<b>65,836</b>	<b>53,148</b>

## West Lancashire Borough Council Statement of Accounts 2020/21

Reconciliation of the movements in the Fair Value of Scheme Assets	Discretionary Benefits		All Benefits	
	2020-21	2019-20	2020-21	2019-20
	£'000	£'000	£'000	£'000
<b>Opening fair value of scheme assets</b>	-	-	<b>162,232</b>	<b>163,223</b>
Interest on plan assets	-	-	4,001	3,933
Re-measurements	-	-	14,186	(1,344)
Administration expenses	-	-	(80)	(78)
Employer contributions	334	344	8,306	3,801
Lump sum payment of employer contributions	-	-	-	(1,142)
Contributions by scheme participants	-	-	880	850
Benefits paid	(334)	(344)	(7,168)	(7,011)
<b>Closing Balance</b>	<b>-</b>	<b>-</b>	<b>182,357</b>	<b>162,232</b>

Reconciliation of Present value of the Scheme Liabilities	Discretionary Benefits		All Benefits	
	2020-21	2019-20	2020-21	2019-20
	£'000	£'000	£'000	£'000
<b>Opening Balance</b>	<b>4,268</b>	<b>5,211</b>	<b>215,380</b>	<b>219,796</b>
Current service cost	-	-	4,322	4,539
Past service cost	-	-	-	1,042
Interest cost	99	120	5,094	5,200
Contributions by scheme participants	-	-	880	850
Re-measurement gains and losses	333	(720)	28,663	(9,523)
Settlements and curtailments	-	-	1,022	487
Benefits paid	(334)	(343)	(7,168)	(7,011)
<b>Closing Balance</b>	<b>4,366</b>	<b>4,268</b>	<b>248,193</b>	<b>215,380</b>

During 2020/21 the Council made an advance payment of employer pension contributions of £4.763m in respect of 2021/22 and 2022/23. This advance payment is included in the net liability of the pension fund of £65.836m but is not taken into account in the pension reserve, which consequently stands at £70.599m

An analysis of scheme assets by category is shown below:

### ***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.

## West Lancashire Borough Council Statement of Accounts 2020/21

An analysis of scheme assets by category is shown below:

Asset category	Sub category	Quoted (Y/N)	31-Mar-20 £'000	31-Mar-21 £'000
Bonds	UK corporate	Y	1,948	-
	Overseas corporate	N	2,109	-
Property	Offices	N	-	78
	Industrial / Warehouse	N	649	1,479
	Shops	N	-	175
	Retail Warehouse	N	162	-
	Multi Let Commercial Building	N	1,460	1,311
Alternatives	Overseas private equity	N	12,979	14,249
	Infrastructure	N	22,388	21,298
	Credit Funds	N	25,633	23,740
	Pooled Fixed Income	N	8,598	5,920
	Indirect Property Funds	N	11,518	22,249
	UK Pooled Equity Funds	N	-	1,816
	Overseas Pooled Equity Funds	N	73,004	81,357
Cash	Cash accounts	N	4,542	4,385
	Net current assets	N	(2,758)	(463)
<b>Total</b>			<b>162,232</b>	<b>177,594</b>

### ***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 31 March 2019.

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

	2020/2021 £'000	2019/2020 £'000
<i>Financial Assumptions</i>		
Rate of inflation	2.70%	2.10%
Rate of increase in salaries	4.20%	3.60%
Rate of increase in pensions	2.80%	2.20%
Rate for discounting scheme liabilities	2.10%	2.40%
<i>Longevity Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	22.4 / 25.1	22.3 / 25.0
- Future pensioner aged 65 in 20 years time	23.9 / 26.9	23.8 / 26.8

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	248,193	(177,594)	70,599
+ 0.1% discount rate	244,346	(177,594)	66,752
+0.1% inflation rate	252,101	(177,594)	74,507
+0.1% pay growth	248,670	(177,594)	71,076
1 year increase in life expectancy	255,812	(177,594)	78,218
+1% change in investment return	248,193	(179,415)	68,778
-1% change in investment return	248,193	(175,773)	72,420

### ***Impact on the Council's Cash Flows***

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial actuarial valuation is due in March 2022.

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31 March 2022 are £2.683m. Expected contributions for Discretionary Benefits in the year to 31 March 2022 are £0.334m. The weighted average duration of the defined benefit obligation for scheme members is 16 years, and the duration profile used to determine assumptions is retired.

## **42. CONTINGENT LIABILITIES AND ASSETS**

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

Correspondence has been received concerning the potential for clawback on historic funding agreements that were entered into by the Council in relation to land at the Whitemoss Business Park. These agreements were entered into with the North West Development Agency just under 20 years ago and have now been transferred to Homes England as its successor body. A review is currently taking place on compliance with the terms and conditions of these funding agreements to establish whether any clawback payments will need to be made.

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

## **43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

Note 20 of these accounts provides information about the Council's 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](http://www.westlancs.gov.uk)) set out a framework for the control of risk arising from financial instruments.

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

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

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

Investments are only made with UK based financial institutions with excellent credit ratings and other local authorities. The Council's maximum exposure to credit risk in relation to its investments and money at call of £20.8m cannot be assessed generally as the risk of any institution failing to make payments of interest or repaying the principal sum will be specific to each individual institution. However the Council prioritises minimising risk above maximising its investment returns. Consequently the Council does not expect any losses from defaults on its investments, and this position has been validated by historical experience.

The Council is also exposed to credit risk that it may not recover all of its debtor balances in full from its customers and other parties. Details on debtor balances and the associated bad debt provisions, which are typically based on the age of the debt and experience of default and non-collection, are shown in note 18. The single largest bad debt provision is £2.5m in relation to housing benefit overpayments debt which has been fully provided for given the difficulties involved in collecting this type of liability.

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

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. However if unexpected commitments did arise, the Council has ready access to an overdraft with its bank, or borrowing through the Public Works Loan Board. There is also typically a significant amount of money held at call that would be available.

Consequently, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

There is a risk that the Council could be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. However no borrowing is due to mature in the near future, and the debt portfolio has been spread out over a period of up to 45 years. The maturity analysis of loans is set out below:

2019/2020 £'000	Maturity analysis of loans	2020/2021 £'000
4,411	Between 5 and 10 years	4,411
4,411	Between 10 and 15 years	4,411
8,821	Between 15 and 20 years	8,821
8,821	Between 20 and 25 years	8,821
17,642	Between 25 and 30 years	17,642
17,642	Between 30 and 35 years	17,642
17,642	Between 35 and 40 years	17,642
8,822	Between 40 and 45 years	8,822
<b>88,212</b>	<b>Total</b>	<b>88,212</b>



### **(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 £113.111m to £94.291m.

Investment income in 2020-21 was £0.130m based on an average rate of interest earned of 0.34%.

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.

## **44. 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 Charity of Richard Berry was established in 1906 to provide help for the aged poor in Skelmersdale. The assets of the trust are £4,391 and there are no liabilities.

The Jervis Charity was established in 1898 to provide help for the poor or ill associated with coal mining in Skelmersdale. The assets of the trust are £1,868 and there are no liabilities.

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

#### 45. AGENCY ARRANGEMENTS

During this financial year the Council acted as agent for Central Government in relation to various Covid-19 grants totalling £28.7m. The income and expenditure transactions relating to ` grants were processed through the financial ledger but do not form part of the Council's income and expenditure and are therefore excluded.

Agency Arrangements - Covid-19 Grants	
	£'000
Small Business Grant Fund & Retail Hospitality & Leisure Grant Fund	(20,255)
Local Revenue Support Grant - Lockdown	(8,381)
Christmas Support Payment	(61)
Total	(28,697)

**GROUP ACCOUNTS**

---

The CIPFA Code of Practice sets out a requirement for authorities to prepare group accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality.

The Council has a wholly owned development company, Tawd Valley Developments Limited, 2020/21 represents their first full year of trading.

The Council has consolidated its subsidiary Tawd Valley Developments Limited on a line-by-line basis with all intra-group transactions and balances removed.

**GROUP MOVEMENT IN RESERVES STATEMENT 2020/21**

Movement in Reserves Statement	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council Share of Subsidiary Reserves	Group Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020</b>	<b>(960)</b>	<b>(8,941)</b>	<b>(620)</b>	<b>(2,600)</b>	<b>(3,644)</b>	<b>(7,620)</b>	<b>(24,385)</b>	<b>(70,923)</b>	<b>(95,308)</b>	<b>447</b>	<b>(94,861)</b>
<i>Movement in Reserves during 2020-21</i>											
Total Comprehensive Income and Expenditure	(672)	-	2,652	-	-	-	1,980	(14,656)	(12,676)	276	(12,400)
Adjustments between accounting basis and funding basis under regulations	(7,132)	-	(2,562)	-	1,408	(2,590)	(10,876)	10,876	-	-	-
Adjustments between Group Accounts and Council Accounts	(47)	-	-	-	-	-	(47)	-	(47)	47	-
Transfers to / from Earmarked Reserves	7,851	(7,851)	(90)	90	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>-</b>	<b>(7,851)</b>	<b>-</b>	<b>90</b>	<b>1,408</b>	<b>(2,590)</b>	<b>(8,943)</b>	<b>(3,780)</b>	<b>(12,723)</b>	<b>323</b>	<b>(12,400)</b>
<b>Balance at 31 March 2021</b>	<b>(960)</b>	<b>(16,792)</b>	<b>(620)</b>	<b>(2,510)</b>	<b>(2,236)</b>	<b>(10,210)</b>	<b>(33,328)</b>	<b>(74,703)</b>	<b>(108,031)</b>	<b>770</b>	<b>(107,261)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT 2019/20

Movement in Reserves Statement	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council Share of Subsidiary Reserves	Group Total reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019</b>	<b>(960)</b>	<b>(9,275)</b>	<b>(620)</b>	<b>(3,590)</b>	<b>(5,790)</b>	<b>(5,492)</b>	<b>(25,727)</b>	<b>(66,465)</b>	<b>(92,192)</b>	<b>-</b>	<b>(92,192)</b>
<i>Movement in Reserves during 2019-20</i>											
Total Comprehensive Income and Expenditure	3,848	-	(1,242)	-	-	-	2,606	(5,715)	(3,109)	440	(2,669)
Adjustments between accounting basis and funding basis under regulations	(3,507)	-	2,232	-	2,146	(2,128)	(1,257)	1,257	-	-	-
Adjustments between Group Accounts and Council Accounts	(7)	-	-	-	-	-	(7)	-	(7)	7	-
Transfers to / from Earmarked Reserves	(334)	334	(990)	990	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>990</b>	<b>2,146</b>	<b>(2,128)</b>	<b>1,342</b>	<b>(4,458)</b>	<b>(3,116)</b>	<b>447</b>	<b>(2,669)</b>
<b>Balance at 31 March 2020</b>	<b>(960)</b>	<b>(8,941)</b>	<b>(620)</b>	<b>(2,600)</b>	<b>(3,644)</b>	<b>(7,620)</b>	<b>(24,385)</b>	<b>(70,923)</b>	<b>(95,308)</b>	<b>447</b>	<b>(94,861)</b>

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2019/2020				2020/2021		
Gross Cost	Gross Income	Net Cost	Service	Gross Cost	Gross Income	Net Cost
£'000	£'000	£'000		£'000	£'000	£'000
27,242	(24,260)	2,982	Corporate and Customer Svcs	25,404	(22,553)	2,851
8,488	(1,656)	6,832	Environmental Services	9,231	(1,629)	7,602
3,360	(547)	2,813	Finance, Procure & Commercial	927	(487)	440
6,056	(3,604)	2,452	Housing and Regulatory	6,025	(2,991)	3,034
21,668	(25,368)	(3,700)	Housing Revenue Account	25,956	(26,333)	(377)
5,123	(2,321)	2,802	Growth and Development	4,752	(2,432)	2,320
3,641	(343)	3,298	Wellbeing and Leisure	3,154	(196)	2,958
851	(439)	412	Other Services	6,490	(9,527)	(3,037)
<b>76,429</b>	<b>(58,538)</b>	<b>17,891</b>	<b>Cost of Services</b>	<b>81,939</b>	<b>(66,148)</b>	<b>15,791</b>
307	-	307	Other operating expenditure	1,124	-	1,124
5,449	(2,674)	2,775	Financing & investment income & expenditure	6,598	(2,409)	4,189
-	(17,927)	(17,927)	Taxation & non specific grant income & expenditure	-	(18,848)	(18,848)
<b>82,185</b>	<b>(79,139)</b>	<b>3,046</b>	<b>Surplus or (Deficit) on Provision of Services</b>	<b>89,661</b>	<b>(87,405)</b>	<b>2,256</b>
		2,464	Surplus (-) or deficit on revaluation of non current assets			(29,133)
		(8,179)	Re-measurement of the net defined pension liability			14,477
		<b>(5,715)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(14,656)</b>
		<b>(2,669)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(12,400)</b>

**GROUP BALANCE SHEET**

31/03/2020		Notes	31/03/2021
£'000			£'000
205,005	Property, Plant & Equipment		234,240
509	Heritage Assets		509
18,725	Investment Property		17,722
853	Intangible Assets		774
58	Long Term Debtors	G1	58
<b>225,150</b>	<b>Long term assets</b>		<b>253,303</b>
18,544	Short Term Investments		10,038
156	Assets held for sale		38
118	Inventories	G2	543
7,276	Short Term Debtors	G3	19,532
6,564	Cash and Cash Equivalents	G4	10,227
<b>32,658</b>	<b>Current assets</b>		<b>40,378</b>
-	Bank Overdraft		-
(13,455)	Short Term Creditors	G5	(21,769)
<b>(13,455)</b>	<b>Current Liabilities</b>		<b>(21,769)</b>
(1,059)	Provisions		(1,209)
(53,148)	Pension Liabilities		(65,836)
(7,039)	Grants & Contributions in Advance		(9,360)
(88,246)	Long Term Borrowing		(88,246)
<b>(149,492)</b>	<b>Long Term Liabilities</b>		<b>(164,651)</b>
<b>94,861</b>	<b>Net Assets</b>		<b>107,261</b>
(23,938)	Usable Reserves		(32,558)
(70,923)	Unusable Reserves		(74,703)
<b>(94,861)</b>	<b>Total Reserves</b>		<b>(107,261)</b>

**GROUP CASH FLOW STATEMENT**

2019-2020		£'000
(3,046)	Net Position on the Provision of Services	(2,256)
17,668	Adjustments for non-cash movements (Note G6)	19,786
(10,322)	Adjustments for items that are investing or financing activities	(8,654)
<b>4,300</b>	<b>Net Cash Flows from Operating Activities</b>	<b>8,876</b>
(2,336)	Investing Activities (Note G7)	5,710
(587)	Financing Activities	(10,923)
<b>1,377</b>	<b>Change in Cash and Cash Equivalents</b>	<b>3,663</b>
<b>5,187</b>	<b>Cash &amp; Cash Equivalents at start of period</b>	<b>6,564</b>
<b>6,564</b>	<b>Cash &amp; Cash Equivalents at end of period (Note G4)</b>	<b>10,227</b>



## GROUP NOTES TO THE ACCOUNTS

Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

### G1. FINANCIAL INSTRUMENTS

Financial Assets 2020-21	Non Current				Current				Total	
	Debtors		Debtors		Investments		Cash & Cash Equivalents		Total	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair value	Carrying value	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-	-	-	-	-
Amortised cost	58	58	19,532	19,532	10,038	10,038	10,227	10,227	39,855	39,855
Fair Value Through OCI	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>58</b>	<b>58</b>	<b>19,532</b>	<b>20</b>	<b>10,038</b>	<b>10,038</b>	<b>10,227</b>	<b>10,227</b>	<b>39,855</b>	<b>39,855</b>
Non-Financial assets	-	-	14,229	14,229	-	-	-	-	14,229	14,229
Financial assets	58	58	5,303	(14,209)	10,038	10,038	10,227	10,227	25,626	25,626

## West Lancashire Borough Council Statement of Accounts 2020/21

Financial Assets 2019-20	Non Current		Current						Total	
	Debtors		Debtors		Investments		Cash & Cash Equivalents		Total	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair value	Carrying value	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-	-	-	-	-
Amortised cost	58	58	7,276	7,276	18,544	18,544	6,564	6,564	32,442	32,442
Fair Value Through OCI	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>58</b>	<b>58</b>	<b>7,276</b>	<b>7,276</b>	<b>18,544</b>	<b>18,544</b>	<b>6,564</b>	<b>6,564</b>	<b>32,442</b>	<b>32,442</b>
Non-Financial assets	-	-	3,365	3,365	-	-	-	-	3,365	3,365
Financial assets	58	58	3,911	3,911	18,544	18,544	6,564	6,564	29,077	29,077

## West Lancashire Borough Council Statement of Accounts 2020/21

Financial Liabilities 2020-21	Non Current				Total	
	Borrowings		Creditors		Total	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-
Amortised cost	(88,246)	(113,111)	(21,769)	(21,769)	(110,015)	(134,880)
Fair Value Through OCI	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(88,246)</b>	<b>(113,111)</b>	<b>(21,769)</b>	<b>(21,769)</b>	<b>(110,015)</b>	<b>(134,880)</b>
Non-Financial instruments	-	-	(13,023)	(13,023)	(13,023)	(13,023)
Financial instruments	(88,246)	(113,111)	(8,746)	(8,746)	(96,992)	(121,857)

Financial Liabilities 2019-20	Non Current				Total	
	Borrowings		Creditors		Total	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss	-	-	-	-	-	-
Amortised cost	(88,246)	(105,074)	(13,455)	(13,455)	(101,701)	(118,529)
Fair Value Through OCI	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(88,246)</b>	<b>(105,074)</b>	<b>(13,455)</b>	<b>(13,455)</b>	<b>(101,701)</b>	<b>(118,529)</b>
Non-Financial instruments	-	-	(6,561)	(6,561)	(6,561)	(6,561)
Financial instruments	(88,246)	(105,074)	(6,894)	(6,894)	(95,140)	(111,968)

**G2. INVENTORIES**

2019/2020		2020/2021
£'000		£'000
106	Work in progress	530
12	All other items	13
<b>118</b>	<b>Total</b>	<b>543</b>

**G3. DEBTORS**

2019/2020		2020/2021
£'000		£'000
2,833	General Government Bodies	9,991
1,444	Other Local Authorities	5,189
8,460	Other Debtors	10,291
59	Payments in Advance	37
<b>12,796</b>	<b>Sub total</b>	<b>25,508</b>
<b>(5,520)</b>	<b>Provision for impairments</b>	<b>(5,976)</b>
<b>7,276</b>	<b>Total</b>	<b>19,532</b>

**G4. CASH AND CASH EQUIVALENTS**

2019/2020		2020/2021
£'000		£'000
4,664	Cash and Bank	1,727
1,900	Money at call	8,500
<b>6,564</b>	<b>Total</b>	<b>10,227</b>

**G5. CREDITORS**

2019/2020		2020/2021
£'000		£'000
(3,375)	Central Government Bodies	(10,342)
(3,056)	Other Local Authorities	(2,208)
(1,913)	Leaseholder Advance and Tenant Prepayments	(1,601)
(5,111)	Other Creditors	(7,618)
<b>(13,455)</b>	<b>Total</b>	<b>(21,769)</b>

## G6. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

2019/2020 £'000		2020/2021 £'000
4,472	Depreciation	4,685
3,964	Impairment and downward valuations	8,221
(289)	Movement in the market value of investment properties	1,013
251	Amortisation	286
1,458	Change in Creditors	9,127
(1,635)	Change in Debtors	(2,907)
(101)	Change in Inventories	(424)
4,753	Movement in Pension Liability	(1,789)
5,046	Carrying amount of non current assets sold or disposed	1,425
(251)	Other non cash items charged to the deficit on the provision of services	149
<b>17,668</b>	<b>Non cash movements</b>	<b>19,786</b>

## G7. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2019/2020 £'000		2020/2021 £'000
(12,799)	Purchase of property, plant and equipment, investment property and intangible assets	(13,610)
(39,500)	Purchase of short term and long term investments	(5,000)
6,260	Proceeds from the sale of non-current assets	1,734
38,500	Proceeds from short term and long term investments	13,500
5,203	Other receipts from investing activities	9,086
<b>(2,336)</b>	<b>Net cash flows from investing activities</b>	<b>5,710</b>

## HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT		
Restated 2019/2020 £'000		2020/2021 £'000
	<b>Expenditure</b>	
4,083	Repairs and maintenance (note 2)	5,508
9,232	Supervision and management	8,460
346	Rents, rates, taxes and other charges	372
3,271	Depreciation (note 3)	3,386
3,872	Revaluation (note 3)	7,437
116	Movement in bad debt provision	136
<b>20,920</b>	<b>Total expenditure</b>	<b>25,299</b>
	<b>Income (note 5)</b>	
(22,415)	Dwelling rents	(22,993)
(409)	Non-dwelling rents	(403)
(2,448)	Charges for services and facilities	(2,452)
(96)	Contributions towards expenditure	(485)
<b>(25,368)</b>	<b>Total income</b>	<b>(26,333)</b>
<b>(4,448)</b>	<b>Net Income of HRA Services</b>	<b>(1,034)</b>
419	HRA share of Corporate & Democratic Core	486
329	HRA share of Pension Past Service Gain/Cost (-)	171
<b>(3,700)</b>	<b>Net Cost of HRA Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(377)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>	
(812)	Gain or Loss on Disposal of Non-Current Assets	(186)
3,057	Interest payable	3,024
(76)	Interest and Investment Income	(5)
272	Pensions interest cost and expected return on pensions assets	183
17	Pension administration expenses	13
<b>(1,242)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>2,652</b>

Note: the 2019/20 have been restated to reflect the remapping of details codes, £96k contributions towards expenditure has been transferred from the supervision and management line.

## West Lancashire Borough Council Statement of Accounts 2020/21

MOVEMENT ON THE HRA STATEMENT		
2019/2020		2020/2021
£'000		£'000
(620)	HRA Balances brought forward	(620)
(1,242)	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	2,652
2,232	Adjustments between accounting basis and funding basis under statute	(2,562)
990	Net change before transfers to or from reserves	90
(990)	Transfers to (-) or from reserves	(90)
-	Increase or Decrease in balances in year	-
(620)	HRA Balances carried forward	(620)

Adjustments between accounting basis and funding basis under statute		
2019/2020		2020/21
£'000		£'000
(14)	Transfers to / from (-) the Accumulated Absences Account	(34)
812	Gain (-) or loss on sale of non-current assets	186
(745)	HRA share of contributions to or from the Pensions Reserve	(549)
6,156	Capital expenditure funded by the HRA	5,028
3,271	Transfer to Major Repairs Reserve	3,386
	Transfers to and from the Capital Adjustment Account	
(3,872)	Revaluation (Note H3)	(7,437)
(105)	Revenue expenditure funded from capital under statute	(94)
(3,271)	Depreciation (Note H3)	(3,386)
-	Provision for repayment of debt	338
2,232	<b>Total adjustments</b>	<b>(2,562)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### H1. The Housing Revenue Account

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

### H2. Repairs and Maintenance

Details of repairs and maintenance expenditure are as follows:

2019/2020 £'000		2020/2021 £'000
882	Programmed Work (including painting)	1,077
3,201	Repairs	4,431
<b>4,083</b>	<b>Total</b>	<b>5,508</b>

### H3. Capital charges

A downward revaluation charge of £7.437m (£3.872m in 2019-20) has been made to the HRA in the year. This reflects revaluation decreases that could not be charged against the Revaluation Reserve. These charges do not affect the bottom line position of the HRA as they are reversed in the Adjustments section of the Movement on the HRA Statement.

Depreciation charges of £3.386m have been made to the HRA to reflect its use of assets (£3.272m in 2019-20). An amount equal to depreciation has then been transferred to the Major Repairs Reserve, which has been used to finance capital expenditure.

### H4. Pensions

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



## H5. 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 2020/21 was £75.33 (on a 52 week basis). This is an increase of £2.04 over the like for like figure at the end of 2019/20.

The overall 2.8% increase in average rent is driven by a 2.7% increase in 2020/21 compared to 2019/20.

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.

## H6. Rent Arrears and Provision for Bad Debts

	2020/2021 £'000	2019/2020 £'000
Arrears carried forward	1,001	985
Provision for bad debts carried forward	500	483

## H7. Movement in the Major Repairs Reserve

	2020/2021 £'000	2019/2020 £'000
Balance brought forward	-	-
Depreciation Charge	3,386	3,271
Funding for Capital Expenditure	(3,386)	(3,271)
<b>Balance carried forward</b>	<b>-</b>	<b>-</b>

## West Lancashire Borough Council Statement of Accounts 2020/21

### H8. Housing Stock

The Council owned an average of 5,879 dwellings (including flats and maisonettes, houses and bungalows) during 2020/2021. The following table shows the changes in stock over the last two years.

2019/2020	2020/2021
<b>5,869 Opening Stock</b>	<b>5,895</b>
75 Additions	2
(56) Sales	(28)
6 Transfers to / from Assets Held for Sale	(7)
- Demolitions and disposals	-
1 Other movements	-
<b>5,895 Closing Stock</b>	<b>5,862</b>

An analysis of the housing stock at 31 March 2021 is shown below.

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
<b>Low-Rise Flats</b>					
1 Bedroom	-	-	48	1,033	1,081
2 Bedroom	-	-	96	84	180
3 (or more) Bedroom	-	-	-	9	9
<b>Sub Total</b>	-	-	144	1,126	1,270
<b>Medium-Rise Flats</b>					
1 Bedroom	-	1	1	292	294
2 Bedroom	-	-	-	526	526
3 (or more) Bedroom	-	-	-	107	107
<b>Sub Total</b>	-	1	1	925	927
<b>Houses</b>					
1 Bedroom	2	32	287	261	582
2 Bedroom	32	53	202	278	565
3 Bedroom	9	130	433	1,622	2,194
4 (or more) Bedroom	-	5	5	314	324
<b>Sub Total</b>	43	220	927	2,475	3,665
<b>Totals</b>	<b>43</b>	<b>221</b>	<b>1,072</b>	<b>4,526</b>	<b>5,862</b>

### H9. 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
<b>Opening value</b>	<b>127</b>	-	<b>170,919</b>	<b>1,513</b>	<b>109</b>	<b>204</b>	<b>172,872</b>
Additions and Enhancements	-	-	5,068	-	3,901	9	<b>8,978</b>
Disposals	-	-	(1,227)	-	-	-	<b>(1,227)</b>
Depreciation	(48)	-	(3,304)	(13)	-	(21)	<b>(3,386)</b>
Revaluation and Impairment	-	-	19,787	-	-	-	<b>19,787</b>
Other	-	-	-	(41)	-	-	<b>(41)</b>
Transfers	-	38	(38)	-	74	-	<b>74</b>
<b>Closing value</b>	<b>79</b>	<b>38</b>	<b>191,205</b>	<b>1,459</b>	<b>4,084</b>	<b>192</b>	<b>197,057</b>

### H10. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1 April 2020 was £455.3m (£407.8m at 1 April 2019). 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.

### H11. Sources of Funding for HRA Capital Expenditure

2019/2020		2020/2021
£'000		£'000
3,271	Major Repairs Reserve	3,386
6,156	HRA Revenue Contribution	5,028
153	Internal Borrowing	183
1,162	Capital Receipts	516
<b>10,742</b>	<b>Total</b>	<b>9,113</b>

### H12. Capital Receipts

The value of receipts on disposals of HRA assets were £2.850m in the year (£2.763m in 2019-20).

## COLLECTION FUND

COLLECTION FUND STATEMENT				
2019-20			2020-21	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
<b>INCOME</b>				
(30,767)	(67,034)	Income due in year (notes 2 & 3)	(20,930)	(70,591)
-	-	Contributions to previous year deficits (note 4)	-	-
-	-	Transitional protection payments	(2)	-
<b>(30,767)</b>	<b>(67,034)</b>	<b>Total income</b>	<b>(20,932)</b>	<b>(70,591)</b>
<b>EXPENDITURE</b>				
<b>Precepts, Demands and Shares</b>				
7,339	-	- Central Government	15,236	-
56	-	- Transitional Protection Payments	-	-
16,439	7,782	- West Lancashire Borough Council	12,189	8,122
5,137	47,476	- Lancashire County Council	2,742	50,382
440	2,450	- Lancashire Combined Fire Authority	305	2,549
-	7,102	- Lancs Police & Crime Commissioner	-	7,608
764	609	Contributions from previous year surpluses (note 4)	901	1,026
<b>Charges to Collection Fund</b>				
657	1,793	- Impairment of debts – write offs and provisions	1,255	2,502
(1,287)	-	- Change in provision for appeals	799	-
127	-	- Cost of Collection Allowance	126	-
<b>29,672</b>	<b>67,212</b>	<b>Total expenditure</b>	<b>33,553</b>	<b>72,189</b>
<b>(1,095)</b>	<b>178</b>	<b>Movement on Fund Balances</b>	<b>12,621</b>	<b>1,598</b>
<b>2,257</b>	<b>1,134</b>	<b>Opening Fund Balances</b>	<b>3,352</b>	<b>956</b>
<b>1,095</b>	<b>(178)</b>	<b>Increase / (decrease) for the year (as above)</b>	<b>(12,621)</b>	<b>(1,598)</b>
<b>3,352</b>	<b>956</b>	<b>Closing Fund Balances</b>	<b>(9,269)</b>	<b>(642)</b>

## NOTES TO THE COLLECTION FUND

### C1. The Collection Fund Account

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

### C2. 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 2020/2021 was 35,978.93 (35,256.32 in 2019/20) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
Z	36.46	5/9	20.26
A	9,313.64	6/9	6,209.10
B	6,944.80	7/9	5,401.50
C	8,158.30	8/9	7,251.81
D	6,316.66	1	6,316.66
E	4,501.60	11/9	5,501.97
F	2,320.87	13/9	3,352.38
G	1,489.00	15/9	2,481.68
H	88.93	2	177.86
<b>Total Relevant Amount</b>			<b>36,713.22</b>
<b>Estimated Collection Rate</b>			<b>98%</b>
<b>Council Tax Base</b>			<b>35,978.93</b>

### C3. National Non-Domestic Rates (Business Rates)

NNDR is the business rate and is organised on a national basis. The Government specifies an amount (51.2p in 2020/21 and 50.4p in 2019/20 ) 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 £20.930m for 2020/2021 (£30.767m for 2019/2020). The rateable value for the Council's area at the end of the financial year 2020/21 was £80.378m (£79.933m for 2019/20).

#### **C4. Surplus and Deficit on Collection**

The final outturn on Council Tax operations shows a deficit of £0.642m, which compares with the estimated deficit of £0.995m declared in January 2021 and which will be distributed in 2021-22.

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.

2019/2020		2020/21
Surplus		Surplus
£		£
449,270	Lancashire County Council	751,953
61,566	Lancashire Police Authority	112,492
23,405	Lancashire Fire Authority	38,799
74,481	West Lancashire Borough Council	123,256
<b>608,722</b>	<b>Total</b>	<b>1,025,500</b>

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.

2019/2020		2020/21
Surplus		Surplus
£		£
381,892	Central Government	582,695
305,514	West Lancashire Borough Council	275,761
68,741	Lancashire County Council	36,131
7,638	Lancashire Fire Authority	6,365
<b>763,785</b>	<b>Total</b>	<b>900,952</b>

#### **C5. Lancashire Business Rates Pool**

In 2016/17, 2017/18 and 2018/19 this Council was part of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

## West Lancashire Borough Council Statement of Accounts 2020/21

In 2019/20 we successfully submitted a bid along with 15 other authorities in Lancashire to become a 75% Business Rate Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. As a result, an application for a 50% Lancashire Pool for 2020/21, consisting of 10 district council's and the county council, was submitted and was successful. This has operated on the same basis as in 2016/17, 2017/18 and 2018/19.

A comparison of the business rates income allocations in 2019/20 and 2020/21 are shown in the table below:

	Lancashire Business Rates Pilot Pool 2019/20	Lancashire Business Rates Pool 2020/21
District Authorities	56%	40%
Lancashire County Council	17.5%	9%
Lancashire Combined Fire Authority	1.5%	1%
	<b>75%</b>	<b>50%</b>
Central Government	25%	50%
<b>Total</b>	<b>100%</b>	<b>100%</b>
Unitary Authorities	73.5%	49%

*The value for Unitary Authorities in 2020/21 is for comparison purposes only. There were no Unitary Authorities in the 2020/21 Lancashire Business Rates Pool.*

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

The retained levy in the Lancashire Business Rates Pool has been distributed as follows:

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

## West Lancashire Borough Council Statement of Accounts 2020/21

Lancashire Business Rates Pool Members 2020/21	Authority Type	Tariffs and Top-Ups in Respect of 2020/21 £	Retained Levy on Growth 2020/21 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2020/21 £
Burnley Borough Council	Tariff	6,043,499	-1,402,433	140,243	-1,262,190
Chorley Borough Council	Tariff	6,503,220	-931,716	93,172	-838,544
Fylde Borough Council	Tariff	8,101,273	-483,263	48,326	-434,937
Hyndburn Borough Council	Tariff	3,969,106	-600,284	60,028	-540,256
Pendle Borough Council	Tariff	3,388,618	-272,822	27,282	-245,540
Ribble Valley Borough Council	Tariff	4,311,424	-575,916	57,592	-518,324
Rossendale Borough Council	Tariff	2,713,519	-102,546	10,255	-92,291
South Ribble Borough Council	Tariff	10,327,203	-1,281,013	128,101	-1,152,912
West Lancashire Borough Council	Tariff	8,698,358	-653,963	65,396	-588,567
Wyre Borough Council	Tariff	6,837,509	-893,050	89,305	-803,745
Lancashire County Council	Top-Up	-158,098,681		-719,700	-719,700
Central Government	-	97,204,952		0	0
<b>Total</b>		<b>0</b>	<b>-7,197,006</b>	<b>0</b>	<b>-7,197,006</b>

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



## GLOSSARY OF TERMS

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

### Accounting Policies

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

### Accruals

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

### Actuary

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

### Actuarial Gains and Losses

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

### Amortisation

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

### Appropriation

A contribution to or from a financial reserve.

### Balances (Or Reserves)

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

### Budget

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

### Capital Expenditure

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

### Capital Receipts

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

### CIPFA (Chartered Institute of Public Finance and Accounting)

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

### Collection Fund

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

### Community Assets

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

### Consistency

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

### Contingency

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

### Corporate and Democratic Core

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

### Council Tax

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

### Creditors

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

### Current Assets

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

### Current Liabilities

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

### Current Service Cost (Pensions)

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

### Debtors

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

### Deferred Credits

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

### Defined Benefit Scheme

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

### Depreciation

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

### Direct Revenue Financing

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

### Emoluments

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

### Estimation Techniques

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

### Events after the Balance Sheet Date

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

### Exceptional Items

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

### Expected Rate of Return on Pensions Assets

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

### Fair Value

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

### Financial Instruments

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

### Finance Lease

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

### Financial Reporting Standards (FRSs)

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

### Financial Year

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

### General Fund

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

### Going Concern

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

### Government Grants

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

### Heritage Assets

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

### Historic Cost

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

### Housing Revenue Account (HRA)

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

### Impairment

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

### Infrastructure Assets

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

### Intangible Assets

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

### Inventories

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

### Investments

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

### Investment Properties

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

### Leasing

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

### Liquid Resources

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

### Materiality

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

### Minimum Revenue Provision (MRP)

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

### Non Domestic Rates (NDR)

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

### Net Book Value

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

### Net Current Replacement Cost

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

### Net Realisable Value

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

### Non-Current Assets

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

### Non-distributable Costs

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

### Non-Operational Assets

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

### Operating Leases

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

### Operational Assets

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

### Past Service Cost

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

### Post Balance Sheet Events

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

### Precept

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

### Principal

The amount of money borrowed, not including interest charges.

### Prior Year Adjustments

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

### Projected Unit Method

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

### Provision

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

### Prudence

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

### Prudential Code for Capital Finance

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

### Public Works Loan Board (PWLB)

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

### Related Parties

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

### Related Party Transactions

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

### Reserves

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

### Residual Amount

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

### Retirement Benefits

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

### Revenue Expenditure

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

### Revenue Expenditure Funded from Capital Under Statute

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

### Revenue Support Grant (RSG)

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

### Scheme Liabilities

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

### Specific Grants

Government grants for a particular service.

### Statement of Recommended Practice – (SORP)

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

### Tangible Non-Current Assets

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

### Total Cost

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

### Total Net Worth

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

### Useful Life

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