

***WEST LANCASHIRE BOROUGH COUNCIL***

# **STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2023**

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## INTRODUCTION

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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 2022-23. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money for this year.

Mark Anderson

James Pierce

Chair of the Audit and Governance Committee

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

Date

# NARRATIVE REPORT

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## Introduction

This publication presents the Council's Statement of Accounts for the year ended 31 March 2023. 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 501 people and uses assets of around £275 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 wellbeing 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.

The visions of the Council are to produce engaged, empowered and inclusive communities within the Borough. To support local businesses to adapt and prosper and make West Lancashire a place of choice for business. To become a greener Council by becoming carbon neutral by 2030, improving the energy efficiency of the Council's housing stock and encouraging businesses and the residents to embrace the green agenda. The Council seeks to provide a clean, safe environment with affordable homes to buy or rent for everyone in the Borough. The Council will seek to design services to ensure a healthy, happy, safe and resilient environment.

And finally, to ensure the Council is financially sustainable by 2023 by maximising funding opportunities and income generation, improve efficiency and effectiveness of services and provide value for money.

The operating environment of the Council during 2022-23, in which it has continued to deliver its array of service obligations, has remained highly uncertain. The financial challenges faced in year should be viewed in the context of inflationary rises of more than 5%, the continued impact of increasing demand for services, the continued significant challenge of setting budgets with one-year local government finance settlements and Government uncertainty about future government funding reforms and plans.

## 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 Limited, a Company for which it is a shareholder.

In respect of 2022-23, 24 assurance audits were completed, 20 of which recorded an audit opinion (1 substantial assurance, 8 moderate assurance, 11 limited assurance and 0 no assurance).

Based upon the work undertaken by Internal Audit in respect of 2021-22, and the continued implications of the Covid-19 epidemic on the Councils internal control framework, the opinion of the Corporate Compliance and Governance Manager on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is **moderate assurance**.

The 2022/23 annual governance review undertaken by the Council's Internal Audit Service has identified the following issues:

- The Council's Medium Term Financial Strategy shows a budget gap of £1.5m in 24/25 and £1.2m in 2025-26.
- The current delivery model for Council Procurement is a historical decentralised advisory service. During 2022-23 the service underwent significant change and moved to a centralised service managed by the Corporate Compliance and Governance Manager's independence. However, due to a perceived conflict of interest, as recommended by the external auditors, management of the service was transferred to the Head of Finance, Procurement and Commercial Services.

- The Council 2020-21 audit is now complete however the 2021-22 Statement of Accounts remain unaudited.

## Operation Model

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

The Council Plan was agreed by Members in October 2020. No revisions were made to the Plan for 2022-23. The Plan provides clarity of purpose for the Council allowing efficient communication of its strategic direction with the public, stakeholders and staff. This in turn allows effective planning and prioritisation of work and supports transparency and accountability.

#### Vision

*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 44 items within the suite of KPIs, 10 of which are 'data only' (no target). Of the 34 PIs with targets reported:

	2022-23
Indicators meeting or exceeding target ('Green')	20
Indicators narrowly missing target ('Amber')	7
Indicators 5% or more off target ('Red')	6
Data not yet available	0
Data that will not be provided (reason in notes)	1

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 2022-23:

### **General Revenue Account (GRA)**

- 6.4% rent loss through empty commercial units (target 10%)
- Successful bin collections 99.9% (target 97%)
- 93.79% Council Tax collected (target 97.1%)
- 95.78% NNDR collected (target 97.2%)
- Invoices paid on time 94.57% (target 98.75%)
- Percentage of kerbside household waste sent for reuse, recycling and composting 41.15% (target 47.8%)
- No of visits to Leisure facilities 564k (target 550k)
- Number of new participants engaged in health & wellbeing programmes/interventions 1,389 (target 250)
- Contact Centre calls answered 93.4% (target 88%)
- Number of new participants engaged to enhance employability, confidence, skills and qualifications 116 (target 140)

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

- Rent collected from current and former tenants as a % of rent 100.47% (target 100%)
- Rent loss through vacant dwellings 0.97% (target 1.1%)
- Properties with a valid Landlord Gas Safety Record 99.9% (target 100%)
- Properties with a valid Electrical Installation Condition Report (homes and buildings) 94.5% (target 100%)
- Affordable Housing units via Tawd Valley Developments Limited 37 (target 37)

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:

- % locations inspected falling into C/D - Detritis  
It was identified that 10 of the 24 locations that scored C or above were in Skelmersdale. Previously, Skelmersdale was cleaned by one road sweeper. After reviewing cleansing schedules, the area of Skelmersdale has now been split into 3 areas, each assigned to a different road sweeper. Additional training has taken place to ensure cover in sweepers is in place during annual leave periods.
- % of properties with a valid electrical installation condition report.  
Outstanding electrical safety certificates are principally as a result of access issues. A number of actions have been identified to help gain access to the properties such as pursuing access more rigorously, as per the gas procedure and starting the re-surveys earlier to ensure adequate time to resolve the access issues.
- % of non-domestic properties that require an asbestos management survey/re-inspection.  
Outstanding re-inspections are the result of the requirement to procure a new supplier combine with the recommended re-inspection dates being due in March and April for most of the programme. We anticipate that the performance will steadily improve towards the end of the first quarter of the year with the new supplier in place.

## **2022-23 Budget Setting**

On the 23 February, Council approved and set a net General Revenue Account budget of £12.394m.



The budget setting process for 22/23 included a budget headroom of £89k excluding policy options, the inclusion of policy options decreased the budget headroom to £69k.

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 are adequate funds in reserves to support this approach and consequently, enabled the Council to achieve a balanced budget position for 2022-23.

## 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 £14.954m was set for the year.

A favourable variance was delivered against the net service budgets of £257k or 1.6%. This position was principally due some minor movements against service specific reserves and other minor variances

	Revised Budget	Outturn reported to Council	Variance
	£'000	£'000	£'000
Corporate & Customer Services	2,725	3,812	(1,087)
Environmental Services	6,595	6,962	(367)
Finance, Procurement and Commercial Services	(1,206)	(1,164)	(42)
Housing Services	839	495	344
Legal and Democratic Services	1,178	1,177	1
Planning and Regulatory	1,810	2,101	(291)
Wellbeing and Place	1,735	1,976	(241)
Chief Officers	440	379	61
Other Budget Items	(700)	421	(1,121)
<b>Total Net Budget</b>	<b>13,416</b>	<b>16,159</b>	<b>(2,743)</b>
Treasury Management	(435)	(405)	(30)
Capital Charges	314	314	-
Contribution to / (from) reserves	(1,341)	(1,107)	(234)
<b>Total Net Budget</b>	<b>11,954</b>	<b>14,961</b>	<b>(3,007)</b>
Council Tax	8,226	8,226	-
Business Rates (NNDR)	5,643	5,643	-
Government Grants and Contributions	1,085	1,092	(7)
<b>Total Funding</b>	<b>14,954</b>	<b>14,961</b>	<b>(7)</b>

The level of GRA earmarked reserves decreased by £3.3m, from £15.9m to £12.6m. This was a reduction of £731k in the estimated use of these reserves. This was principally due to a £234k reduction in the use of the Budget and Efficiency Savings Reserve and a reduction of £462k in the use of the Business Rates Equalisation Reserve due to additional S31 Grants for Business Rates Reliefs received from Central Government.

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

This account shows income and expenditure relating to the Council's housing stock. An adverse budget variance was delivered in the year of around £188k, which represents around 0.7% of the overall budget requirement. The main reasons for this position were the pay settlement being larger than budgeted by around £100k, the use of agency staff to fill key vacancies, rising energy costs and higher contract inflation, particularly on the key repairs contract.

There was capital investment of £7.04m in existing housing stock in the year against a budget of £10.72m. This means that 66% of the revised programme was spent. 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 £6.1m in new housing stock, through the Council development company Tawd Valley Developments Limited.

HRA earmarked reserves decreased by £511k, from £2.603m to £2.092m.

## **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>2021-22</b>		<b>2022-23</b>
<b>£'000</b>		<b>£'000</b>
(1,197)	Capital Receipts	(1,204)
(8,119)	Government Grants and Other Contributions	(7,051)
(8,008)	Revenue Contributions	(7,434)
(8,079)	Borrowing	(5,117)
<b>(25,402)</b>	<b>Total</b>	<b>(20,806)</b>

### ***What the money is spent on***

<b>2021-22</b>		<b>2022-23</b>
<b>£'000</b>		<b>£'000</b>
23,275	Property, Plant and Equipment	18,421
370	Other long-term assets	367
1,757	Revenue Expenditure Funded from Capital	2,010
<b>25,402</b>	<b>Total</b>	<b>20,798</b>

## Strategy and Resource Allocation

### Future revenue spending and capital investment plans

A Medium-Term Financial Forecast (MTFF) document was presented to members in September 2022.

The purpose of the MTFF is to provide the strategic framework and a forward-looking approach to achieving long term financial sustainability. It is central to the delivery of priority outcomes in the Council's strategy and plans in an affordable way over the next three years to 2025/26. It aids robust and methodical planning as it forecasts the Council's financial position, considering known pressures, major issues affecting the Council's finances, including national and regional influences as well as local priorities and factors.

Planning over the medium term helps the Council to respond in a considered manner, to pressures and changes because of many internal and external influences. This is particularly important during a period where the Council is facing unprecedented changes and challenges. The impact of the Ukraine conflict and in particular the consequences for energy costs together with the changes in National funding are examples of this. The MTFF recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute towards the delivery of the Council's Strategic Plan.

Included within the forecast are assumptions on the Business Rates baseline reset and reform that is assumed to be implemented for 2024/25. The current modelling received suggests a reduction to the retained business rates of circa £2m due to the removal of section 31 business rates compensation grant that is being rolled into the baseline reset. To mitigate the full impact of the reduction in funding in 2024/25, it has been assumed that the council will receive government transitional relief and also the utilisation of the Business Rates Equalisation Reserve to smooth the impact.

The MTFF forecast a budget gap for the 3 years 2023/24 to 2025/26 of:

2023/24	£0.539m
2024/25	£1.474m
2025/26	£1.001m

The key features of the capital programme over the 3-years 2023/24 to 2025/26 will be the continued planned investment in existing HRA housing stock of £32.596m, 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. In addition, during 2021/22 the Council approved investment of £11.450m in Skelmersdale Town Centre regeneration project.

During 2020/21 Council approved an additional scheme for £8.4m to the HRA capital investment programme to increase the investment to £22m in new housing stock to be delivered through the Council development company Tawd Valley Developments Limited.

The Council produced an updated Medium-Term Financial Forecast document which it presented to members in Feb 2023. This presented an increased budget gap for 2024/25 of £1.470m and 2025/26 of £1.238m, an overall deterioration in the financial outlook.

Given the current macro-economic cost pressures, in particular inflation, it is necessary to revise this document in order to determine their future financial impact. It is planned for the revision of the MTFF be completed and represented to members by October 2023.

## **Risks and Opportunities**

The Government has introduced a one-year funding settlement for 2021/22. This settlement did not involve any significant changes in funding. The Government continued with a one-year funding settlement for 2023/24 and set out thorough an LGFS policy statement in December 2022, the planning assumptions, rather than detailed allocations for 2024/25. There remains significant uncertainty as we await confirmation of the details of the long-awaited Government reforms to the settlement formula (Fairer Funding), together with a new business rates retention system and baseline reset. In December the Government announced that this will not now be implemented in the next two years.

Although the full utilisation of the £1.3m contribution from reserves was not required in 2022/23, this remains in the 2023/24 budget and beyond, the usage of reserves represents an un-sustainable position moving forward if reserves diminish further. It is clear, that further savings, will therefore, need to be identified during 2023/24 for 2024/25 in order to stabilise the Council's finances over the medium term.

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 inflationary pressures effecting the UK economy. 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.

Key risks and sensitivities in the MTFF include:

- Government funding decisions
- Pay awards
- Levels of economic activity
- Changes in the business rate base
- Numbers of council tax support claimants
- General inflation rates
- Interest rates
- Numbers of new homes built in the Borough

## **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.

The Statement of Accounts provide an overview of the Council's financial position for 2022/23. The 2022/23 set of accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based on International Financial Reporting Standards (IFRSs).

## **Overview**

The Council spent £74.6m in providing day-to-day services for the local community in 2021-22. The Council also invested £20.8m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves decreased by £1.6m over the course of the year to £33.9m.

## 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)*

2021-22		2022-23
£'000		£'000
18,179	Benefits Payments and Administration grants	18,392
26,354	Housing rents and service charges	27,871
11,961	Service specific fees, charges and grants	8,512
<b>56,494</b>	<b>Total</b>	<b>54,775</b>

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

2021-22		2022-23
£'000		£'000
21,275	Corporate & Customer Services	22,444
9,457	Environmental Services	10,021
437	Finance, Procurement and Commercial Services	610
3,156	Housing Services	2,759
20,383	Housing Revenue Account	24,069
1,357	Legal and Democratic	1,721
4,209	Planning and Regulatory	5,566
6,098	Wellbeing and Leisure	6,156
68	Corporate Directors	69
3,827	Other Services	1,188
<b>70,265</b>	<b>Total</b>	<b>74,603</b>

*A more detailed breakdown of expenditure by nature is provided in Note 30*

## 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 £295.7m, which is an increase of £20.2m on the previous year.

The Council had a total net worth of £237.4m as at 31<sup>st</sup> March 2023, taking into account all of its assets and liabilities, which was an increase of £94.3m 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 decreased by £22.9m to £26.7m. The net pension liability represents the excess of long term accrued liabilities, assessed on a prescribed

basis, compared with the market value of pension assets. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy.

The Cash Flow Statement shows a decrease of £3.3m in cash and cash equivalents over the year, and there was also a decrease of £15.8m in short term investments. The main reason for the reduction in the levels of cash and cash equivalents and the level of short-term investments is the termination of many of the Covid related grants and reliefs.

An upward revaluation of £8.4m was made on Council dwellings within the HRA, compared to an upward revaluation of £3.3m 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 2022/23 the scale of capital investment meant there was an increase in the underlying need to borrow of £4.2m, although this was funded from internal sources rather than through external borrowing. The Council Capital Financing Requirement (CFR) increased to £116.1m, with the under borrowed position being £27.9m.

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, during the year the Council provided 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 £900k in due course as the company completes its development schemes.

Following an assessment of materiality, the Council has prepared Group Accounts in 2022-23 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.

<b>Movement in Reserves Statement</b>	<b>2022/2023</b>
	<b>£'000</b>
Effect on Usable Reserves	(1,517)
Effect on Unusable Reserves	95,845
<b>Change in Total Net Worth</b>	<b>94,328</b>

<b>Movement in Reserves Statement</b>	<b>2022/2023</b>
	<b>£'000</b>
Effect on Usable Reserves	(1,517)

Effect on Unusable Reserves	95,845
<b>Change in Total Net Worth</b>	<b>94,328</b>

<b>Balance Sheet (Change in Assets less Liabilities)</b>	<b>2022/2023</b>
	<b>£'000</b>
Change in Net Assets (Excluding Cash)	97,632
Change in Cash and Cash Equivalents	(3,304)
<b>Change in Total Net Worth</b>	<b>94,328</b>

<b>Cash Flow Statement</b>	<b>2022/2023</b>
	<b>£'000</b>
Change in Cash and Cash Equivalents	(3,304)

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 29.

### ***Balance Sheet***

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

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

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the



Revaluation Reserve), where amounts would only become available to provide services if the assets are sold. This category also includes reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustment between accounting basis and funding basis under regulations”.

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

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

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

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

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

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

### ***Independent Auditor’s Report***

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

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

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

### ***Group Accounts***

Group accounts have been prepared where the authority (the Parent) controls an entity (Subsidiary) by the ownership of the majority of shares in a company and where the authority is exposed to (or has rights to) variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The main authority statements have been consolidated by adding like items of assets, liabilities, reserves, income and expenses together line by line to those of other group members in the financial statements and Intra-group balances and transactions are eliminated in full.

### ***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
- Telephoning                (01695) 577177
- Writing to                    West Lancashire Borough Council  
                                     52 Derby Street  
                                     Ormskirk  
                                     Lancashire L39 2DF

## WEST LANCASHIRE BOROUGH COUNCIL

### 2022-23 ANNUAL GOVERNANCE STATEMENT

#### Introduction and Scope of Responsibility

This statement provides an overview of how West Lancashire Borough Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. Its purpose is to give an objective and honest appraisal of the Council's governance framework.

Governance comprises the systems and processes, culture, and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community.

A summary of significant governance challenges which the Council faces is given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is remaining to be done. This provides transparency and gives assurance that the Council is committed to continually improve the way in which it functions.

The 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 the [Accounts and Audit Regulations \(England & Wales\) Regulations 2015 regulation 6 \(1\)](#) which requires all relevant bodies to:

- Conduct a review of the effectiveness of the system of internal controls.
- Prepare an Annual Governance Statement.

It should be noted that the Council also fulfils a governance role in relation to Tawd Valley Development 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 and enables the Council to monitor the achievement of its Vision and priorities:



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.

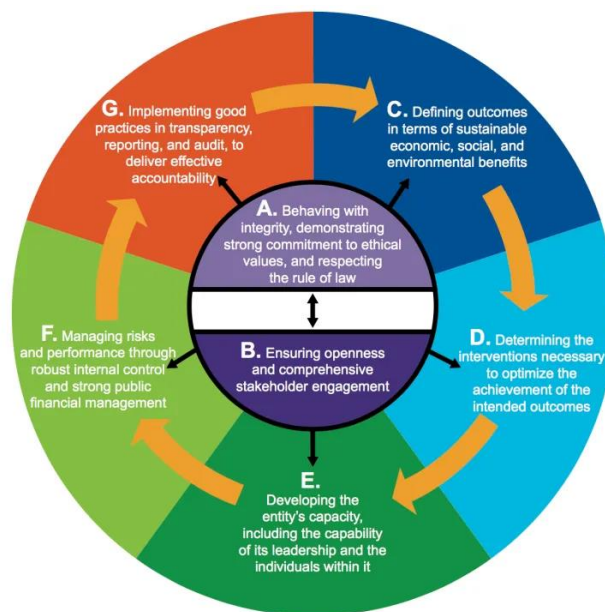
## **Annual Review of Effectiveness of the Governance Framework**

The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. The annual review is undertaken by the Internal Audit Service. After conducting the review, the council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance.

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")

The review of effectiveness is informed by:

- Corporate Management Team and Senior Managers - Responsibility for the development and maintenance of the governance environment and internal control lies with the Chief Operating Officer and Corporate Management Team within their service areas. Their feedback and comments are provided in annual Governance Assurance Statements and are an essential part of this review.
- The Internal Audit Manager's Annual Report and Opinion 2022/23 – In terms of the year to March 2023 the Internal Audit Manager can provide "moderate assurance" that the Council's governance, risk and control framework was generally sound and operated consistently in the year.
- Feedback, recommendations, and comments made by the external auditors and other review agencies and inspectorates, including the LGA Peer Review undertaken.

## Decision Making and Scrutiny

The Council approved the overall policy and budgetary framework for the financial year 2022/23. 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.

The Committee met regularly during 2022/23, considering reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Internal Audit Manager (now known as the Corporate Compliance & Governance Manager), and the External Auditor.

## **Standards Committee**

The Standards Committee role is to promote and maintain high standards of conduct throughout the authority and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct. The Annual Report of the Standards Committee is one of the Council's sources of governance assurance. The annual report for 2022/23 was presented to members of the Standards Committee in September 2023.

## **Tawd Valley Development Shareholders Committee**

The Tawd Valley Development Shareholders Committee are a cross party committee who have discussions about the future direction of Tawd Valley Developments (TVD), evaluate the company's effectiveness against agreed objectives and business plan; and assess any risks to the Council due to TVD activities. The committee was set up during 2021/22 with the first meeting taking place in March 2022.

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

CMT consists of the Chief Operating Officer, Corporate Directors, Monitoring Officer, Section 151 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 2022/23 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 2022/23. 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 2022/23, 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 2022/23 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

## Financial Sustainability

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 to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23, but the Council's Medium Term Financial Strategy shows a budget gap of £1.5m in 24/25 and a further £1.2m in 2025/26. Action is underway to identify the necessary savings and efficiencies to address this gap.

## Financial Management Code

Strong financial management is an essential part of ensuring public sector finances are sustainable, and CIPFA launched a Financial Management Code to support this. Councils are required to be compliant with the Code.

A key goal of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The code incorporates existing requirements on local government, to give a comprehensive picture of financial management in the Council.

Our evaluation has demonstrated that the requirements of the code are being satisfied.

## 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 refers 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 Conduct for councillors and employees. Additionally, there is a suite of policies and</li></ul>



	<p>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.</p> <ul style="list-style-type: none"> <li>• The Council has approved Management and Employee Core Expected Behavioural Standards in place. All employees of the Council are expected to display the Employee Core Expected Behavioural Standards whilst they are undertaking their duties. Employees who are appointed as supervisors and managers are expected to display certain Manager Expected Behavioural Standards as well as the Employee Core Expected Behavioural Standards.</li> <li>• The Council's Vision and Priorities and, People's Strategy are clear and demonstrates its commitment to its stakeholders.</li> <li>• The Standards Committee ensure that there are high standards of ethical governance from elected members of the Council. The committee provides a summary of its work in its annual report.</li> <li>• The Chief Operating Officer is designated Head of Paid Services and is responsible for reporting to Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.</li> <li>• The Head of Finance, Procurement and Commercial Services is the designated Chief Finance Officer and is responsible for ensuring lawfulness and financial prudence of decision making, administering the financial affairs of the Council, contribute to the corporate management of the Council through the provision of professional financial advice, provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and the elected mayor and will support and advise councillors and officers in their respective roles; and provide financial information to the media, members of the public and the community when required.</li> <li>• The Head of Legal &amp; Democratic Services undertakes the role of the Monitoring Officer. Details of the role of the Monitoring Officer is documented in the Monitoring Officer Protocol and Council Constitution. The role includes maintaining the Council Constitution, ensuring that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.</li> </ul>
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## **B: Ensuring openness and comprehensive stakeholder engagement**

<b>Sub Principle</b>	<b>How West Lancashire Borough Council Achieves the Principle</b>
<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, these can be found on the council website.</li></ul>

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

<b>Sub Principle</b>	<b>How West Lancashire Borough Council Achieves the Principle</b>
<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. Outcomes are reported in the Annual Council Report which available on the Council website.</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><li>• The Council's wholly owned company, Tawd Valley Developments has its own website where information regarding current and future developments and the Annual Review Report are documented. A TVD Shareholders committee is also in place and is made up of cross-party membership.</li><li>• The Council declared a Climate Emergency in 2019 and has a Climate Change Strategy and Action Plan 2023 in place which can be found on the Council Website.</li><li>• Climate Action news is available on the Council Website and details actions to deliver carbon reduction projects across West Lancashire.</li><li>•</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> <li>• The Council Plan is underpinned by individual Service Action Plans which set out the core priorities and activities for each service.</li> <li>•</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 an Our People Strategy 2020-23 in place.</li> <li>• The Council has a number of human resource policies in place to support employees and managers.</li> <li>• Employee training needs are identified through the annual appraisal process.</li> <li>• The Council has a training system in place which includes mandatory modules for employees to complete and a selection of other useful training modules.</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 Council's Our Futures Strategy.</li> <li>• The Council works with a number of partners to deliver services throughout the borough.</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
<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 which includes a Policy and Toolkit and is updated annually. All Members and Council staff have received training in.</li> <li>• The Council's has a suite of Key Performance Indicators which are managed and monitored using the Pentana Risk System. Reports on performance are presented to executive Overview and Scrutiny Committee on a regular basis.</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 Standards Committee in place and are required to promote and maintain high standards of conduct throughout the Council and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct.</li> <li>• An internal audit service is maintained and reports quarterly to the Audit and Governance Committee.</li> <li>• The role of the Head of Internal Audit is undertaken by the Corporate Compliance and Governance Manager (CCGM). The CCGM conforms with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).</li> <li>• The Council maintains policies and arrangements in respect of Anti-fraud, Bribery &amp; Corruption, Anti-Money Laundering and Whistleblowing.</li> <li>• A data management framework and procedures are in place and are readily available to all members of staff.</li> <li>• The Council has appointed a Senior Information Risk Owner and Data Protection Officer (DPO). The DPO provides the Council with independent assurance regarding compliance with the data protection law.</li> <li>• The Council has an Information Governance Committee (IGC) and has appointed Information Asset Owners who are required to attend and contribute to IGC meetings.</li> </ul>

	<ul style="list-style-type: none"> <li>• Effective arrangements are in place and operating effectively for the collection, storage and sharing of information.</li> <li>• The Council complies with the NHS Data Security and Protection Toolkit.</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)</li> <li>• The Council's Financial Statements are available to the Public on the Council's website.</li> </ul>
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## **G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.**

<b>Sub Principle</b>	<b>How West Lancashire Borough Council Achieves the Principle</b>
<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 and External Auditor's Letter is available on the Council's website for 2012/13 to 2019/20. For 2020/21 and 2021/22 draft financial statements are available on the Council website and the External Auditor is in the process of reviewing these statements.</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.</li> <li>• An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements.</li> <li>• The Council has undergone an LGA Peer review and published the findings on its website. Additionally, the outcome of the follow up review has also been published.</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.

### **Action taken to address Significant Governance Issues Identified During 2021/22 Review:**

This section provides a summary of the strategic actions taken to address the Council's significant governance issues reported in the Annual Governance Statement 2021/22.

Action to be addressed	Action Taken	Responsible Officer(s)	Status
The Local Code of Corporate Governance requires an update.	The draft Local Code of Corporate Governance has been devised and has been presented to Audit & Governance Committee in October 2023 and full Council for review and adoption.	Monitoring Officer, Corporate Compliance & Governance Manager	Complete
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 to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23, but the Council's Medium Term Financial Strategy shows a budget gap of £1.5m in 24/25 and a further £1.2m in 2025/26. These will require urgent action and targeted decision making to achieve a balanced budget for 2024/25 and beyond.	The Council's approved budget for 2022/23 continued with the medium-term use of reserves. The Medium-Term Financial Strategy for 2023/24 onwards was presented to Council in February 2023. This identified a budget gap totaling £2.7m across the years to 2025/26. An action plan is in place to address the necessary savings and efficiencies to address this gap.	Head of Finance, Procurement & Commercial Services (s151 Officer)  Corporate Finance Manager (Deputy s151)	Ongoing

Action to be addressed	Action Taken	Responsible Officer(s)	Status
There has been a delay in the completion of the external audit of the Council's Financial Statements for 2020/21 and 2021/22 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>The Audit of the 20/21 Accounts is now substantially complete, but the finalisation of the document itself, ready for publication, including all identified amendments, has yet to be completed.</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 external audit of the Council's 2021/22 Financial Statements is due to commence.</p> <p>The draft Statement for 2022/23 remains in progress.</p>	<p>Head of Finance, Procurement &amp; Commercial Services (s151 Officer).</p> <p>Corporate Finance Manager (Deputy s151)</p>	Ongoing

## Significant Governance Issues Identified During 2022/23 Review

The 2022/23 annual governance review undertaken by the Council's Internal Audit Service has identified the following issues:

Significant Governance Issue	Action to Address the issue
The Local Code of Corporate Governance has been updated, however, it must be reviewed and agreed by members of CMT and the Audit and Governance Committee.	<p>The Corporate Compliance &amp; Governance Manager and Legal &amp; Democratic Services Manager (Monitoring Officer) will present the document to CMT for review and agreement.</p> <p>A review of the document will be undertaken annually and presented to Audit &amp; Governance Committee at their July 2023 meeting.</p>
The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms. Whilst urgent action and targeted decision making to achieve a balanced budget for 2022/23 has been undertaken, there remains budgetary pressures going forward further exacerbated by the continued absence of a long-term financial settlement.	There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired because of a need to close facilities and reduce levels of service provision.

Significant Governance Issue	Action to Address the issue
<p>The financial statements for 2020/21 and 2021/22 have been finalised. The external audit review for 2020/21 is now substantially complete and detailed work on that for 2021/22 is due to commence shortly.</p> <p>The 2022/23 financial statements are in progress.</p>	<p>The external audit review for 2020/21 is substantially complete and all relevant amendments arising from the Auditor's work will be incorporated into the final version of the documents. The Council will likewise respond to any findings in respect of 2021/22 and 2022/23 when received.</p>

## Conclusion

This Annual Governance Statement demonstrates that the systems and processes employed provide a comprehensive framework upon which to give assurance appropriate governance arrangements were in place during 2022/23.

The governance arrangements outlined in this Annual Governance Statement have been applied throughout the year and will continue to be applied throughout 2023/24. The annual review has provided an effective process to identify any governance issues and to put in place the necessary improvement actions. Additionally, the challenging approach we take to Corporate Governance has identified areas that the Council would like to improve further, and these actions are recorded in an action plan that is monitored by the Corporate Management Team.

The annual review process and action plan demonstrates the culture of the Council to robustly challenge itself and constantly seek out opportunities to improve. The annual review has identified, overall, that the Council continues to have an effective framework of governance.

## 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:



Jacqui Sinnott-Lacey  
Chief Operating Officer

Date: 28 November 2023

Signed:



Councillor Yvonne Gagen  
Leader of the Council

Date: 28 November 2023

## **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 2023 and its income and expenditure for the year then ended.

James Pierce

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

19 January 2024

## MOVEMENT IN RESERVES STATEMENT 2022/23

	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 2022</b>	<b>(960)</b>	<b>(15,888)</b>	<b>(620)</b>	<b>(2,602)</b>	<b>(2,978)</b>	<b>(778)</b>	<b>(11,623)</b>	<b>(35,450)</b>	<b>(106,940)</b>	<b>(142,389)</b>
<i>Movement in Reserves during 2022-23</i>										
Total Comprehensive Income and Expenditure	10,514	-	(4,059)	-	-	-	-	6,455	(100,784)	(94,329)
Adjustments between accounting basis and funding basis under regulations (Note 8)	(7,225)	-	4,569	-	(2,095)	-	(189)	(4,939)	4,939	-
Transfers to / from Earmarked Reserves (Note 9)	(3,290)	3,258	(511)	511	-	-	32	-	-	-
<b>Increase / Decrease in Year</b>	<b>(0)</b>	<b>3,258</b>	<b>(0)</b>	<b>511</b>	<b>(2,095)</b>	<b>-</b>	<b>(157)</b>	<b>1,517</b>	<b>(95,845)</b>	<b>(94,329)</b>
<b>Balance at 31 March 2023</b>	<b>(960)</b>	<b>(12,630)</b>	<b>(620)</b>	<b>(2,093)</b>	<b>(5,073)</b>	<b>(778)</b>	<b>(11,780)</b>	<b>(33,933)</b>	<b>(202,785)</b>	<b>(236,719)</b>

## MOVEMENT IN RESERVES STATEMENT 2021/22

	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 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>(74,019)</b>	<b>(107,346)</b>
<i>Movement in Reserves during 2021-22</i>										
Total Comprehensive Income and Expenditure	(656)	-	(4,068)	-	-	-	-	(4,724)	(30,319)	(35,043)
Adjustments between accounting basis and funding basis under regulations (Note 8)	1,591	-	3,976	-	(742)	123	(2,345)	2,602	(2,602)	-
Transfers to / from Earmarked Reserves (Note 9)	(935)	904	93	(93)	-	-	32	-	-	-
<b>Increase / Decrease in Year</b>	<b>(0)</b>	<b>904</b>	<b>(0)</b>	<b>(93)</b>	<b>(742)</b>	<b>123</b>	<b>(2,314)</b>	<b>(2,122)</b>	<b>(32,921)</b>	<b>(35,043)</b>
<b>Balance at 31 March 2022</b>	<b>(960)</b>	<b>(15,888)</b>	<b>(620)</b>	<b>(2,602)</b>	<b>(2,978)</b>	<b>(778)</b>	<b>(11,623)</b>	<b>(35,450)</b>	<b>(106,940)</b>	<b>(142,389)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Cost £'000	2021-22		Service	Gross Cost £'000	2022-23	
	Gross Income £'000	Net Cost £'000			Gross Income £'000	Net Cost £'000
21,275	(18,891)	2,384	Corporate and Customer Svs	22,444	(19,517)	2,927
9,457	(1,846)	7,611	Environmental Services	10,021	(1,816)	8,206
437	(533)	(96)	Finance, Procure & Commercial	610	(456)	154
3,156	(2,329)	827	Housing Services	2,759	(2,582)	178
20,383	(26,361)	(5,979)	Housing Revenue Account	24,069	(28,040)	(3,972)
1,357	(270)	1,087	Legal and Democratic	1,721	(242)	1,479
4,209	(1,694)	2,516	Planning and Regulatory	5,566	(1,637)	3,928
6,098	(2,504)	3,594	Wellbeing and Place	6,156	(1,286)	4,870
68	-	68	Corporate Directors	69	(6)	63
3,827	(2,068)	1,760	Other Services	1,188	(207)	981
<b>70,265</b>	<b>(56,494)</b>	<b>13,771</b>	<b>Cost of Services</b>	<b>74,603</b>	<b>(55,789)</b>	<b>18,815</b>
2,287	-	2,287	Other operating expenditure (Note 10)	1,102	-	1,102
5,612	(2,541)	3,071	Financing & investment income & expenditure (Note 11)	10,536	(3,583)	6,953
-	(23,853)	(23,853)	Taxation & non-specific grant income & expenditure (Note 12)		(20,414)	(20,414)
<b>78,164</b>	<b>(82,888)</b>	<b>(4,724)</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>86,240</b>	<b>(79,785)</b>	<b>6,455</b>
		(7,381)	Surplus (-) or deficit on revaluation of non-current assets (Note 26)			(18,050)
		(22,938)	Re-measurement of the net defined pension liability (Note 40)			(82,734)
		<b>(30,319)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(100,784)</b>
		<b>(35,043)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(94,329)</b>

The comparative figures for 2021-2022 have been restated to reflect the new Management Structure that was implemented 1 April 22

## BALANCE SHEET

31 March 2022		Note	31 March 2023
£'000			£'000
254,045	Property, Plant & Equipment	13	266,128
509	Heritage Assets	15	516
18,496	Investment Property	16	26,494
832	Intangible Assets	17	926
900	Long Term Investments	19	900
58	Long Term Debtors	19	58
<b>274,839</b>	<b>Long term assets</b>		<b>295,022</b>
23,165	Short Term Investments	19	7,396
81	Assets held for sale	14	54
14	Inventories	20	8
14,673	Short Term Debtors	21	15,133
6,738	Cash and Cash Equivalents	22	3,434
<b>44,672</b>	<b>Current assets</b>		<b>26,025</b>
(33,455)	Short Term Creditors	23	(16,458)
<b>(33,455)</b>	<b>Current Liabilities</b>		<b>(16,458)</b>
(1,628)	Provisions	24	(2,084)
(49,570)	Pension Liabilities	40	26,678
-	Other Long-Term Liabilities	39	-
(4,222)	Grants & Contributions in Advance	35	(4,219)
(88,246)	Long Term Borrowing	19	(88,246)
<b>(143,666)</b>	<b>Long Term Liabilities</b>		<b>(67,871)</b>
<b>142,390</b>	<b>Net Assets</b>		<b>236,718</b>
(35,450)	Usable Reserves	25	(33,933)
(106,940)	Unusable Reserves	26	(202,785)
<b>(142,390)</b>	<b>Total Reserves</b>		<b>(236,718)</b>

## CASH FLOW STATEMENT

2021-22 £'000		2022-23 £'000
4,724	<b>Surplus (Deficit) on the Provision of Services</b>	(6,455)
32,790	Adjustments for non-cash movements (Note 27)	7,091
(13,174)	Adjustments for items that are investing or financing activities (Note 27)	(10,538)
24,340	<b>Net Cash Flows from Operating Activities</b>	(9,903)
(27,616)	Investing Activities (Note 28)	5,661
824	Financing Activities (Note 29)	938
<b>(2,452)</b>	<b>Change in Cash and Cash Equivalents</b>	<b>(3,304)</b>
9,190	<b>Cash &amp; Cash Equivalents at start of period</b>	<b>6,738</b>
<b>6,738</b>	<b>Cash &amp; Cash Equivalents at end of period (Note 22)</b>	<b>3,434</b>

## NOTES TO THE ACCOUNTS

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### 1. ACCOUNTING POLICIES

#### i. General Principles

This Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023. 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 and financial instruments.

#### 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 highly liquid investments that mature in three months or less from the date of acquisition and 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 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.

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.

#### **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 equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England).

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a Minimum Revenue Provision contribution in the General Fund balance by way of an adjusting transaction within 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account, 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 in exchange for those benefits. 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 replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

Employees of the Council participate as members of the Local Government Pension Scheme, administered by the Lancashire County Pension Fund.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees,

based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds.

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the 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
- net interest on the net defined benefit liability (asset), ie 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 of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements 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.
- contributions paid to the Lancashire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners 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 debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

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

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the statement of 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 statement of accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the statement of 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 authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges 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 liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

##### ***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 cash flow characteristics. The Council holds financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) and/or financial assets designated at FVOCI, where relevant.

The Council 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 (ie where the cash flows do not take the form of a basic debt instrument).

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

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

Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable 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 authority, 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 in the loan agreement.

Any gains and losses that arise on the derecognition of a financial 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 [or where relevant FVOCI], 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 authority.

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 recognised as 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 specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either current or long-term liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) 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 is 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.

The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

## **xi. Heritage Assets**

Heritage assets include civic regalia, public sculptures, memorials, fountains and village cross, with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture and this purpose is central to the objectives of the Council holding them.

Heritage assets (other than operational heritage assets) will be measured at valuation in accordance with FRS 102. Where this is not practicable, they will be valued at historical cost (less any impairment losses).

There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at valuation the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current and valuations will be made by any method that is appropriate and relevant.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

All the Council's heritage assets are considered to have an indefinite useful life and are not depreciated.

## **xii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.



Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

### **xiii. Interests in companies and other entities**

The Council has material interests in a company that has the nature of a subsidiary and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in the company are recorded as financial assets at cost, less any provision for losses.

### **xiv. 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 consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **xv. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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.

### **xvi. 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. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

### ***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. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **xvii. 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.

## **xviii. 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,
- 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, and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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. Until conditions are satisfied, the gain is held in the donated assets account. 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. (EUV = Existing Use Value).

Where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

Where non property assets have short useful lives or low values (or both), 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. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

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(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, 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(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### ***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 freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset
- infrastructure - straight-line allocation over the useful life of the asset

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.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale; and their recoverable amount at the date of the decision not to sell.

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 (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e.,

netted off against the carrying value of the asset at the time of disposal). The net value of these transactions then reflects the gain or loss on the disposal of the asset. Any revaluation gains accumulated on the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

A proportion of capital receipts relating to housing disposals is payable to Central 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 underlying need to borrow i.e., the Capital Financing Requirement (CFR). Receipts are appropriated to the Capital Receipts Reserve from the General Fund 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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **xix. Provisions, Contingent Liabilities and Contingent Assets**

### ***Provisions***

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, 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 when the Council has an 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### ***Contingent Liability***

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 probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

### ***Contingent Asset***

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 assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **xx. 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, collection fund adjustment account, pensions reserve and accumulated absences account.

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **xxii. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenues and Customs.

VAT receivable is excluded from income.

### **xxiii. Fair value measurement**

The Council's accounting policy for fair value measurement of financial assets is set out in Note 18.

The Council also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value 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 measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset 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 of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits 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 in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy are as follows:

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

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

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 2022/23 (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.

Accounting Standards that have been issued but not yet adopted, include:

- IFRS 16 Leases: This will require the Council as lessee to recognise most leases on the balance sheet as right of use assets with corresponding lease liabilities (there is recognition for low value and short-term leases). The implementation of this standard is encouraged for 2022/23. However, the adoption is not required until the 2024/25 code.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.



- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is not expected that these changes will have a material effect on the Council's Statement of Accounts in 2022/23.

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council entered into a one 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.
- The Council has agreed with Lancashire County Pension Fund to make prepayments towards the cost of post-employment benefits for the three-year period 2020/21 – 2022/23. In line with the Council's accounting policies, in 2021/22 the amounts relating to 2022/23 have been offset against the pension liability on the balance sheet. For further details see Note 39 Defined Benefit Pension Schemes.



#### 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 2023 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
Council Dwellings, Other Land & Buildings, and Investment Property: Valuations	The valuations of council dwellings, other land & 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. The carrying value for these categories of assets are contained in notes 13 and 16.	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.  For every 1% increase in valuation, the carrying value of property, plant and equipment would increase by £2.499m
Property, Plant and Equipment: Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The carrying value for these categories of assets are contained in notes 13 and 16.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase for every year that useful lives had to be reduced as follows: Dwellings £0.127m Buildings £0.033m Vehicles, Plant & Equipment £0.097m Intangible Assets £0.126m
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £12.527m.  Sensitivity to the actuarial assumptions are set out in Note 39.

## **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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. 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	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
2022-23	£'000		£'000	£'000	£'000
Corporate & Customer Svs.	3,812	(1,782)	2,030	898	2,927
Environmental Services	6,961	(25)	6,936	1,269	8,206
Finance, Procure & Commercial	(1,164)	860	(304)	458	154
Housing and Regulatory	495	(596)	(101)	278	178
Housing Revenue Account	-	(2,840)	(2,840)	(1,131)	(3,971)
Legal and Democratic Services	1,177	170	1,347	132	1,479
Planning and Regulatory Services	2,101	1,460	3,561	367	3,928
Wellbeing and Place Services	1,976	1,499	3,475	1,396	4,870
Chief Officers	379	(379)	-	63	63
Other Services	421	1,921	2,342	(1,361)	981
<b>Net Cost of Services</b>	<b>16,159</b>	<b>288</b>	<b>16,446</b>	<b>2,368</b>	<b>18,814</b>
Other Income & Expenditure	(16,160)	3,513	(12,646)	287	(12,359)
<b>Surplus or Deficit</b>	<b>(1)</b>	<b>3,801</b>	<b>3,800</b>	<b>2,655</b>	<b>6,455</b>
<b>Opening General Fund &amp; HRA balances &amp; reserves</b>			<b>(20,071)</b>		
<b>Less (Surplus) or Deficit</b>			<b>3,800</b>		
<b>Reserve Transfer</b>			<b>(32)</b>		
<b>Closing General Fund &amp; HRA balances &amp; reserves</b>			<b>(16,303)</b>		

Restated 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
2021-22	£'000		£'000	£'000	£'000
Corporate & Customer Svs.	1,480	(37)	1,442	941	2,384
Environmental Services	7,178	(689)	6,489	1,122	7,611
Finance, Procure & Commercial	(1,156)	871	(285)	190	(96)
Housing and Regulatory	469	39	508	320	827
Housing Revenue Account	-	(3,495)	(3,495)	(2,484)	(5,979)
Legal and Democratic Services	946	6	952	135	1,087
Planning and Regulatory Services	1,846	261	2,107	409	2,516
Wellbeing and Place Services	2,299	544	2,843	751	3,594
Chief Officers	(29)	29	-	68	68
Other Services	778	1,029	1,807	(48)	1,759
<b>Net Cost of Services</b>			<b>12,368</b>	<b>1,403</b>	<b>13,771</b>
Other Income & Expenditure	(13,810)	2,285	(11,525)	(6,970)	(18,495)
<b>Surplus or Deficit</b>			<b>843</b>	<b>(5,567)</b>	<b>(4,724)</b>
<b>Opening General Fund &amp; HRA balances &amp; reserves</b>			(20,882)		
<b>Less (Surplus) or Deficit</b>			<b>843</b>		
<b>Reserve Transfer</b>			(32)		
<b>Closing General Fund &amp; HRA balances &amp; reserves</b>			<b>(20,071)</b>		

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, in addition to the neutralisation of contributions to/from reserves. The adjustments to reflect the full accounting costs of services relate mainly to adjustments for capital purposes and pensions.

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

2022-23	Pensions	Capital	Other	Total
	£'000	£'000	£'000	£'000
Corporate & Customer Svs.	661	274	(37)	898
Environmental Services	810	488	(28)	1,269
Finance, Procure & Commercial	217	248	(7)	458
Housing and Regulatory	86	181	12	278
Housing Revenue Account	503	(1,606)	(28)	(1,131)
Legal and Democratic Services	136	-	(5)	132
Planning and Regulatory Services	282	114	(29)	367
Wellbeing and Place Services	153	1,248	(5)	1,396
Chief Officers	64	-	(1)	63
Other Services	(270)	20	(1,111)	(1,361)
Other Income & Expenditure	1,463	(914)	(261)	287
<b>Surplus or Deficit</b>	<b>4,104</b>	<b>52</b>	<b>(1,501)</b>	<b>2,655</b>

Restated 2021-22	Pensions	Capital	Other	Total
	£'000	£'000	£'000	£'000
Corporate & Customer Svs.	663	295	(17)	941
Environmental Services	755	396	(29)	1,122
Finance, Procure & Commercial	196	6	(12)	190
Housing and Regulatory	112	225	(17)	320
Housing Revenue Account	467	(2,941)	(10)	(2,484)
Growth and Development	136	-	(1)	135
	315	124	(30)	409
	179	591	(19)	751
Wellbeing and Leisure	68	-	(0)	68
Other Services	(110)	61	1	(48)
Other Income & Expenditure	1,510	(7,936)	(543)	(6,970)
<b>Surplus or Deficit</b>	<b>4,291</b>	<b>(9,180)</b>	<b>(678)</b>	<b>(5,567)</b>

### ***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.

## **8. 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.

Adjustments between Accounting and Funding Basis Under Regulations 2022-23	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Community Infrastructure Levy £'000	Mov't in Unusable Reserves £'000
<i>Adjustments to Revenue Resources</i>							
Pensions costs (transferred to or from the Pensions Reserve)	(3,601)	(503)	-	-	-	-	4,104
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	1,368	-	-	-	-	-	(1,368)
Holiday pay (transferred to the Accumulated Absences Account)	104	28	-	-	-	-	(132)
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,456)	(6,004)	-	-	-	(1,677)	13,136
<b>Total Adjustments to Revenue Resources</b>	<b>(7,584)</b>	<b>(6,478)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,677)</b>	<b>15,739</b>
<i>Adjustments between revenue and capital resources</i>							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	46	3,340	(3,386)	-	-	-	-
Administrative costs of non-current asset disposals funded from the Capital Receipts Reserve	-	(88)	88	-	-	-	-
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	-	-	-	-	-	-	-
Posting of HRA resources from revenue to the Major Receipts Reserve	-	4,546	-	(4,546)	-	-	-
Statutory provision for the repayment of debt	314	362	-	-	-	-	(676)
Capital expenditure financed from revenue balances	-	2,888	-	-	-	-	(2,888)
<b>Total Adjustments between revenue and capital resources</b>	<b>360</b>	<b>11,048</b>	<b>(3,298)</b>	<b>(4,546)</b>	<b>-</b>	<b>-</b>	<b>(3,564)</b>
<i>Adjustments to Capital Resources</i>							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,203	-	-	-	(1,203)
Use of the Major Receipts Reserve to finance capital expenditure	-	-	-	4,546	-	-	(4,546)
Application of Unapplied Community Infrastructure Levy (CIL) receipts to finance capital expenditure	-	-	-	-	-	1,488	(1,488)
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,203</b>	<b>4,546</b>	<b>-</b>	<b>1,488</b>	<b>(7,237)</b>
<b>Total Adjustments</b>	<b>(7,225)</b>	<b>4,569</b>	<b>(2,095)</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>4,939</b>

<b>Adjustments between Accounting and Funding Basis Under Regulations 2021-22</b>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Community Infrastructure Levy £'000</b>	<b>Mov't in Unusable Reserves £'000</b>
<i>Adjustments to Revenue Resources</i>							
Pensions costs (transferred to or from the Pensions Reserve)	(3,570)	(721)	-	-	-	-	4,291
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	543	-	-	-	-	-	(543)
Holiday pay (transferred to the Accumulated Absences Account)	121	13	-	-	-	-	(134)
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,599	(6,022)	-	-	(397)	(2,444)	4,265
<b>Total Adjustments to Revenue Resources</b>	<b>1,694</b>	<b>(6,731)</b>	<b>-</b>	<b>-</b>	<b>(397)</b>	<b>(2,444)</b>	<b>7,878</b>
<i>Adjustments between revenue and capital resources</i>							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	446	2,448	(2,895)	-	-	-	-
Administrative costs of non-current asset disposals funded from the Capital Receipts Reserve	(1)	(61)	62	-	-	-	-
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	(894)	-	894	-	-	-	-
Posting of HRA resources from revenue to the Major Receipts Reserve	-	3,834	-	(3,834)	-	-	-
Statutory provision for the repayment of debt	307	350	-	-	-	-	(657)
Capital expenditure financed from revenue balances	39	4,136	-	-	-	-	(4,174)
<b>Total Adjustments between revenue and capital resources</b>	<b>(103)</b>	<b>10,706</b>	<b>(1,939)</b>	<b>(3,834)</b>	<b>-</b>	<b>-</b>	<b>(4,831)</b>
<i>Adjustments to Capital Resources</i>							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,197	-	-	-	(1,197)
Use of the Major Receipts Reserve to finance capital expenditure	-	-	-	3,834	-	-	(3,834)
Application of capital grants to finance capital expenditure	-	-	-	-	520	-	(520)
Cash payments in relation to deferred capital receipts	-	-	-	-	-	99	(99)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,197</b>	<b>3,834</b>	<b>520</b>	<b>99</b>	<b>(5,649)</b>
<b>Restated Total Adjustments</b>	<b>1,591</b>	<b>3,976</b>	<b>(742)</b>	<b>-</b>	<b>123</b>	<b>(2,345)</b>	<b>(2,602)</b>



## 9. TRANSFERS TO AND FROM EARMARKED RESERVES

	Balance 31 March 2021 £'000	Movement in year £'000	Balance 31 March 2022 £'000	Movement in year £'000	Balance 31 March 2023 £'000
Insurance Fund	(2,055)	48	(2,007)	1,068	(939)
Renewal and Repairs Funds	(467)	(44)	(511)	(39)	(550)
Corporate Reserves	(13,150)	1,164	(11,986)	2,230	(9,756)
Ring Fenced Reserves	(1,120)	(264)	(1,384)	-	(1,384)
Specific Grant Reserves			-		-
<b>General Fund subtotal</b>	<b>(16,792)</b>	<b>904</b>	<b>(15,888)</b>	<b>3,259</b>	<b>(12,629)</b>
HRA Reserves	(2,510)	(93)	(2,603)	511	(2,092)
<b>Total</b>	<b>(19,302)</b>	<b>811</b>	<b>(18,491)</b>	<b>3,770</b>	<b>(14,721)</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

## 10. OTHER OPERATING EXPENDITURE

2021-22 £'000	2022-23 £'000
638 Parish Council Precepts	679
894 Payments to the Government Housing Capital Receipts Pool	-
673 (Gains) / Losses on the disposal of non-current assets	336
82 Pension Fund administration expenses	87
<b>2,287</b>	<b>1,102</b>
<b>Total</b>	<b>1,102</b>

## 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021-22 £'000	2022-23 £'000
3,057 Interest payable and similar charges	3,060
1,428 Pensions interest cost and expected return on pension assets	1,376
(134) Interest income	(476)
(1,280) Income, expenditure and changes in the fair value of investment properties	2,993
<b>3,071</b>	<b>6,953</b>
<b>Total</b>	<b>6,953</b>

## 12. TAXATION AND NON-SPECIFIC GRANT INCOME

2021-22		2022-23
£'000		£'000
(8,405)	Council tax income	(8,737)
(1,427)	Non-domestic rates income and expenditure	(1,695)
(5,168)	Non-ring-fenced government grants	(4,582)
(8,853)	Capital grants and contributions	(5,400)
<b>(23,853)</b>	<b>Total</b>	<b>(20,414)</b>

### 13. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances 2022-23	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Constructi on £'000	Total £'000
<b>Cost or Valuation</b>							
Balance at 1 April 2022	203,533	27,898	4,885	2,683	20	16,255	255,274
Additions	7,045	154	562	416	-	10,244	18,421
Revaluations recognised in the Revaluation Reserve	12,857	3,140	-	-	-	-	15,997
Revaluations recognised in the Surplus / Deficit on the Provision of Services	(4,423)	(961)	-	-	-	-	(5,384)
De-recognition - disposals and decommissioning	(2,879)	(648)	(139)	-	-	-	(3,666)
Transfers	6,688	(41)	-	-	-	(19,519)	(12,872)
Other movements	(1)	-	-	-	-	-	(1)
Balance at 31 March 2023	222,820	29,542	5,308	3,099	20	6,980	267,769
<b>Accumulated Depreciation and Impairment</b>							
Balance at 1 April 2022	-	-	(1,775)	-	-	-	(1,775)
Depreciation charge	(4,446)	(742)	(503)	-	-	-	(5,691)
- Depreciation written out to the Revaluation Reserve	1,305	714	-	-	-	-	2,019
- Depreciation written out to the Surplus / Deficit on the Provision of Services	3,141	20	-	-	-	-	3,161
Impairments recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairments recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-
De-recognition - disposals and decommissioning	-	9	139	-	-	-	148
Other movements	-	(1)	-	-	-	-	-
Balance at 31 March 2023	-	-	(2,139)	-	-	-	(2,138)
Net Book Value Balance at 1 April 2022	203,533	27,898	3,110	2,683	20	16,255	253,499
Net Book Value Balance at 31 March 2023	222,820	29,542	3,169	3,099	20	6,980	265,630

<b>Movement on Balances 2021-22</b>	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
<b><i>Cost or Valuation</i></b>							
<b>Balance at 1 April 2021</b>	<b>191,205</b>	<b>28,432</b>	<b>5,260</b>	<b>2,582</b>	<b>20</b>	<b>8,641</b>	<b>236,139</b>
Additions	7,589	231	269	101	-	15,085	<b>23,275</b>
Revaluations recognised in the Revaluation Reserve	3,367	1,915	-	-	-	-	<b>5,281</b>
Revaluations recognised in the Surplus / Deficit on the Provision of Services	(3,845)	(141)	-	-	-	-	<b>(3,986)</b>
De-recognition - disposals and decommissioning	(2,004)	(1,114)	(643)	-	-	-	<b>(3,761)</b>
Transfers	7,221	(493)	-	-	-	(7,470)	<b>(741)</b>
Other movements	-	(932)	-	-	-	-	<b>(932)</b>
<b>Balance at 31 March 2022</b>	<b>203,533</b>	<b>27,898</b>	<b>4,886</b>	<b>2,683</b>	<b>20</b>	<b>16,255</b>	<b>255,275</b>
<b><i>Accumulated Depreciation and Impairment</i></b>							
<b>Balance at 1 April 2021</b>	<b>-</b>	<b>(932)</b>	<b>(1,850)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,783)</b>
Depreciation charge	(3,745)	(656)	(567)	-	-	-	<b>(4,968)</b>
- Depreciation written out to the Revaluation Reserve	1,094	238	-	-	-	-	<b>1,332</b>
- Depreciation written out to the Surplus / Deficit on the Provision of Services	2,651	418	-	-	-	-	<b>3,069</b>
Impairments recognised in the Revaluation Reserve	-	-	-	-	-	-	<b>-</b>
Impairments recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	<b>-</b>
De-recognition - disposals and decommissioning	-	-	643	-	-	-	<b>643</b>
Other movements	-	932	-	-	-	-	<b>932</b>
<b>Balance at 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>(1,775)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,775)</b>
<b>Net Book Value Balance at 1 April 2021</b>	<b>191,205</b>	<b>27,499</b>	<b>3,409</b>	<b>2,582</b>	<b>20</b>	<b>8,641</b>	<b>233,356</b>
<b>Net Book Value Balance at 31 March 2022</b>	<b>203,533</b>	<b>27,898</b>	<b>3,111</b>	<b>2,683</b>	<b>20</b>	<b>16,255</b>	<b>253,500</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.

Infrastructure Assets has a current net book value of £498k (2021/22 £546k). Total property plant and equipment including infrastructure is therefore £266,128k (2021/22 £254,046k).

2021-22 £'000	2022-23 £'000
546 Net Book Value Balance at 1 April 2021	546
- Additions	
- Depreciation	(48)
<b>546 Net Book Value at 31 March 2022</b>	<b>498</b>

### ***Depreciation***

All of the following assets 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. The assets are depreciated over a range of 5 to 40 years with the majority having an estimated life of 40 years.

### ***Capital Commitments***

At 31 March 2023 the Council had entered into a number of contracts for the construction or enhancement of non-current assets in future years budgeted to cost £2.889m. Similar commitments as at 31<sup>st</sup> March 2022 were £6.593m. This commitment relates to works on Council Dwelling stock and new Leisure Facilities.

### ***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 desktop

revaluation of general fund assets took place during 2022-23, and the valuations were undertaken internally by the requisite Royal Institution of Chartered Surveyors qualified staff. The valuation of the asset is largely impacted by the classification of each asset, which is fully considered as part of the exercise. The methodologies used were those as prescribed by the appropriate regulations and the valuations were fully updated accordingly.

A downward revaluation of £4.423m (£1.194m in 2021-22) 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.

Net revaluation increases of £15.966m (£7.381m increase in 2021-22) 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.

The significant assumptions applied in estimating current 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

	<b>Council Dwellings</b>	<b>Vehicles, Furniture, Plant &amp; Equipment</b>	<b>Other Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Historical cost at last valuation	-	5,308	13,601	<b>18,909</b>
Current Value as at:	-	-	-	
31 March 2023	222,820	-	1,644	<b>224,464</b>
31 March 2022	-	-	(533)	<b>(533)</b>
31 March 2021	-	-	1,007	<b>1,007</b>
31 March 2020	-	-	114	<b>114</b>
31 March 2019	-	-	24,306	<b>24,306</b>
<b>Total</b>	<b>222,820</b>	<b>5,308</b>	<b>40,139</b>	<b>268,267</b>

## 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.

2021-22 £'000		2022-23 £'000
38	Balance at start of year	81
81	Assets newly classified as held for sale	54
350	Revaluation gains	35
(388)	Assets sold	(116)
81	Balance at end of year	54

## 14. HERITAGE ASSETS

The closing value of Heritage Assets is £0.516m (£0.509m in 2021-22).

### ***Civic Regalia:***

The Council owns a range of Civic regalia items including Mayoral Chains, Pendants and various other Chains and items of Office valued at £0.120m. These items are used by the Mayor and Deputy Mayor for Civic functions and are valued every 5 years by a specialist firm. The last valuation was undertaken during the 2018/19 financial year and resulted in a revaluation increase of £0.018m. There have been no other changes in asset values over the last 5 years.

### ***Public Sculptures***

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

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

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

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

There was expenditure on war memorials of £7,844 in 2022-23. There have been no other changes in asset values over the last 5 years.

## 15. 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:

2021-22 £'000		2022-23 £'000
(2,408)	Rental income	(3,107)
1,212	Direct operating expenses	1,257
(84)	Movement in fair value of investment properties	4,825
<b>(1,280)</b>	<b>Net (gain) / loss</b>	<b>2,975</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:

2021-22 £'000		2022-23 £'000
17,722	Balance at start of year	18,496
84	Net gains/losses from fair value adjustments	(4,825)
197	Additions	5
493	Transfers	12,818
<b>18,496</b>	<b>Balance at end of year</b>	<b>26,494</b>

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023, are as follows:

	Other significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	Fair Value £'000
Commercial Units	19,950	695	20,645
Office Units	5,361	-	5,361
Other	488	-	488
<b>Total</b>	<b>25,799</b>	<b>695</b>	<b>26,494</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/gain attributed to these assets of £4.825m in 2022-23 (loss of £0.084m in 2021-22).

## Assets held for sale

Assets held for sale are classified in the hierarchy as level 2 and are valued at £0.054m (£0.081m in 2021-22). These assets consist of Council house sales. And there is adequate transactional data to classify as level 2 in the hierarchy.

## Valuation process for Investment properties and assets held for sale

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

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

2021-22 £'000		2022-23 £'000
688	Opening Balance	783
95	Total gain / (loss) for the period included in Surplus / Deficit on the provision of services resulting from changes in fair value	(88)
783	Total	695

There have been no transfers between the fair value hierarchies. General Fund assets, including investment properties have been revalued as at 1st April 2018 in line with regulation, and this accounts for the change in the fair value measurement. There is one specific asset classified within the level 3 category, valued at £695,076. The robustness of the level 3 categorisation has been tested by varying the yield rate plus or minus a full percentage point. This produces a value range between £702,026 and £688,125.

## 16. 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.

2021-22 £'000		2022-23 £'000
<b>Balance at start of year:</b>		
1,469	- Gross carrying amount	1,400
(695)	- Accumulated amortisation	(568)
<b>774</b>	<b>Net carrying amount at start of year</b>	<b>831</b>
174	Additions	362
(410)	Disposals	(226)
(284)	Amortisation	(267)
578	Other movements	226
<b>832</b>	<b>Net carrying amount at end of year</b>	<b>926</b>
<b>Balance at end of year:</b>		
1,232	- Gross carrying amount	1,535
(400)	- Accumulated amortisation	(609)
<b>832</b>	<b>Net carrying amount at end of year</b>	<b>926</b>

In 2022-23 fully amortised assets with a gross carrying value of £226,300 were written off (£410,248 in 2021-22).

## 17. IMPAIRMENT AND REVALUATION

There were no impairments made during 2021-22 (nil in 2020-21).

## 18. 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 40 provides information about the nature and extent of risks arising from financial instruments.

The Council has £7.396m of short-term investments (£23.165m in 2021-22) that are classified at amortised cost. Details on debtors are shown in note 20 to the accounts, and these are classified at amortised cost for financial instruments. The Council has £88.246m of borrowing (£88,246m in 2021-22) that is classified at amortised cost. Details on creditors are shown in note 22, and these are classified at amortised cost for financial instruments.

Details on interest expenses and interest income are shown in note 11. Interest payments primarily relate to the £88.246m of loans taken out from the Public Works Loans Board to fund the HRA self-financing payment to Central Government. Investment income is generated mainly from investments of short-term funds with Banks, Building Societies and Local Authorities.

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

- The fair value of debtors and creditors (as shown in notes 20 and 22) 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 the carrying value, as these instruments will mature within the next 12 months
- The fair value of PWLB borrowing is £74.041m 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.

Categorisation of the Council's Financial Instruments and information about the fair value hierarchy as at 31st March 2023, are as follows.

Financial Assets 2022-23	Non-Current				Current							
	Debtors		Investments		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	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	900	-	3,596	3,596	7,396	7,396	3,434	3,434	15,384	14,484
Fair Value Through OCI	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	58	58	900	-	3,596	3,596	7,396	7,396	3,434	3,434	15,384	14,484
Non-Financial Instruments	-	-	-	-	11,537	11,537	-	-	-	-	11,537	11,537
Total Assets	58	58	900	-	15,133	15,133	7,396	7,396	3,434	3,434	26,921	26,021

Financial Assets 2021-22	Non-Current				Current							
	Debtors		Investments		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	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	900	-	2,291	2,291	23,165	23,165	6,738	6,738	33,152	32,252
Fair Value Through OCI	-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets	58	58	900	-	2,291	2,291	23,165	23,165	6,738	6,738	33,152	32,252
Non-Financial Instruments	-	-	-	-	12,382	12,382	-	-	-	-	12,382	12,382
Total Assets	58	58	900	-	14,673	14,673	23,165	23,165	6,738	6,738	45,534	44,634

Financial Liabilities 2022-23	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)	(74,041)	(11,224)	(11,224)	(99,469)	(85,265)
Fair Value Through OCI	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(88,246)</b>	<b>(74,041)</b>	<b>(11,224)</b>	<b>(11,224)</b>	<b>(99,469)</b>	<b>(85,265)</b>
Non-Financial liabilities	-	-	(5,235)	(5,235)	(5,235)	(5,235)
<b>Total Liabilities</b>	<b>(88,246)</b>	<b>(74,041)</b>	<b>(16,458)</b>	<b>(16,458)</b>	<b>(104,704)</b>	<b>(90,499)</b>

Financial Liabilities 2021-22	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)	(103,736)	(16,278)	(16,278)	(104,523)	(120,013)
Fair Value Through OCI	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>(88,246)</b>	<b>(103,736)</b>	<b>(16,278)</b>	<b>(16,278)</b>	<b>(104,523)</b>	<b>(120,013)</b>
Non-Financial liabilities	-	-	(17,178)	(17,178)	(17,178)	(17,178)
<b>Total Liabilities</b>	<b>(88,246)</b>	<b>(103,736)</b>	<b>(33,455)</b>	<b>(33,455)</b>	<b>(121,701)</b>	<b>(137,191)</b>

### Carrying Value

Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

### Fair Value

Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique

## Financial Instruments Designated at Fair Value through Other Comprehensive Income

	Nominal	Fair Value	Change in fair value during 2022-23	Dividends
Fair Value through Other Comprehensive Income and Expenditure	£'000	£'000	£'000	£'000
Tawd Valley Developments Ltd shares	900	900	0	0

The Authority has a shareholding in Tawd Valley Developments Ltd (representing 100% of the company's Capital). The shares are carried at cost of £900k and have not been valued as a fair value cannot be measured reliably. There are no established companies with similar aims in the Authority's area whose shares are traded, and which might provide comparable market data. The Authority has no current intention to dispose of the shareholding.

## Income, Expense, Gains and Losses

	2022-23		2021-22	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
Income, Expenses, Gains and Losses	£'000	£'000	£'000	£'000
<i>Net gains / losses on:</i>				
Financial Liabilities measure at amortised cost	-	-	-	-
<b>Total net gains / losses</b>	-	-	-	-
<i>Interest Revenue:</i>				
Financial Assets measured as amortised cost	(398)	-	(129)	-
<b>Total Interest Revenue</b>	(398)	-	(129)	-
<b>Total Interest Expense</b>	3,060	-	3,057	-

## Fair Values of Financial Assets and Liabilities

Basis for recurring fair value measurements:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
  - Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
  - Level 3 Inputs – unobservable inputs for the asset or liability.
- Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

## Financial Assets measured at Fair Value

			2021-22	2022-23
	Input Level in	Valuation	Fair Value	Fair Value
Recurring Fair Value Measurements	Fair Value Hierarchy	technique used to measure		
	£'000	£'000	£'000	£'000
<i>Fair Value through Other Comprehensive Income</i>				
Equity Shareholding in Tawd Valley Developments	Level 3	Acquisition amount	900	900
<b>Total</b>	-	-	<b>900</b>	<b>900</b>

### Equity shareholding in Tawd Valley Developments Ltd

The Council's shareholding in Tawd Valley Developments Ltd - the shares in this company are not traded in the active market and fair value of £900k is the acquisition amount at the current time as no assessment of its future trading prospects can be made with reasonable certainty.

### The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.



The fair values calculated are as follows:

Financial Liabilities	2022-23		2021-22	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(88,246)	(74,041)	(88,246)	(103,736)
Non-PWLB debt	-	-	-	-
Short-term borrowing	-	-	-	-
<b>Total borrowing</b>	<b>(88,246)</b>	<b>(74,041)</b>	<b>(88,246)</b>	<b>(103,736)</b>
<i>PFI, Service Concessions</i>	-	-	-	-
trade Creditors	(11,224)	(11,224)	(16,227)	(16,227)
<b>Total Interest Revenue</b>	<b>(11,224)</b>	<b>(11,224)</b>	<b>(16,227)</b>	<b>(16,227)</b>
<b>Financial Liabilities</b>	<b>(99,470)</b>	<b>(85,265)</b>	<b>(104,473)</b>	<b>(119,963)</b>

The fair value of Public Works Loan Board (PWLB) loans of £74.041m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken as at 31 March 2023. The difference between the carrying amount and the fair value measures the reduced interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

Financial Assets	2022-23		2021-22	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	3,434	3,434	6,738	6,738
Short -Term Investments	7,396	7,396	23,165	23,165
Long -Term Investments	900	-	900	
Long-Term Debtors	58	58	58	58
Short-Term Debtors	3,596	3,596	2,291	2,291
<b>Financial Assets</b>	<b>15,384</b>	<b>14,484</b>	<b>33,152</b>	<b>32,252</b>

Short-term investments & borrowing, long-term debtors and short-term debtors & creditors are all carried at cost as this is a fair approximation of their value.

## 19. INVENTORIES

2021-22		2022-23
£'000		£'000
-	Work in progress	-
14	All other items	8
<b>14</b>	<b>Total</b>	<b>8</b>

## 20. DEBTORS

2021-22		2022-23
£'000		£'000
4,879	General Government Bodies	2,410
6,252	Other Local Authorities	7,914
10,099	Other Debtors	11,708
112	Payments in Advance	-
<b>21,342</b>	<b>Sub total</b>	<b>22,032</b>
(6,669)	Provision for impairments	(6,899)
<b>14,673</b>	<b>Total</b>	<b>15,133</b>

## 21. CASH AND CASH EQUIVALENTS

2021-22		2022-23
£'000		£'000
238	Cash and Bank	(1,566)
6,500	Money at call	5,000
<b>6,738</b>	<b>Sub total</b>	<b>3,434</b>

## 22. CREDITORS

2021-22		2022-23
£'000		£'000
(21,131)	Central Government Bodies	(4,571)
(944)	Other Local Authorities	(671)
(1,874)	Leaseholder Advance and Tenant Prepayments	(1,978)
(9,506)	Other Creditors	(9,239)
<b>(33,455)</b>	<b>Total</b>	<b>(16,458)</b>

## 23. PROVISIONS

2021-22 £'000		2022-23 £'000
(1,209)	Opening balance	(1,628)
827	Additional provisions made	119
(1,176)	Amounts used	(574)
(70)	Unused amounts reversed	-
<b>(1,628)</b>	<b>Closing balance</b>	<b>(2,084)</b>

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

## 24. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 9.

2021-22 £'000		2022-23 £'000
(961)	General Fund	(960)
(15,888)	Earmarked General Fund	(12,630)
(620)	Housing Revenue Account	(621)
(2,603)	Earmarked Housing Revenue Account	(2,092)
<b>(20,072)</b>		<b>(16,303)</b>
(2,978)	Capital Receipts	(5,073)
(779)	Capital Grants Unapplied	(779)
(11,622)	Community Infrastructure Levy	(11,779)
<b>(35,450)</b>	<b>Total</b>	<b>(33,933)</b>

## 25. UNUSABLE RESERVES

2021-22 £'000		2022-23 £'000
(64,591)	Revaluation Reserve	(79,279)
(97,680)	Capital Adjustment Account	(98,707)
51,952	Pensions Reserve	(26,678)
2,853	Collection Fund Adjustment Account	1,485
526	Accumulated Absences Account	394
<b>(106,940)</b>	<b>Total</b>	<b>(202,785)</b>

## 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.

2021-22 £'000		2022-23 £'000
(59,495)	Balance at start of year	(64,591)
(7,381)	Surplus or deficit on the revaluation of non- current assets not posted to the Surplus or Deficit on the Provision of Services	(18,050)
-	- Amount written off to the Capital Adjustment Account	-
1,333	Difference between fair value depreciation and historical cost depreciation	2,020
952	Accumulated gains on assets sold or scrapped	1,343
2,285	Sub total	3,363
(64,591)	Balance at end of year	(79,278)

## 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.

2021-22 £'000		2022-23 £'000
<b>(89,179)</b>	<b>Balance at start of year</b>	<b>(97,679)</b>
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	-
4,968	Charges for depreciation	5,740
284	Amortisation of intangible assets	267
1,757	Revenue expenditure funded from capital under statute	2,010
3,506	Non-current assets written off as part of the gain / loss on disposal of assets	3,634
<b>10,515</b>	<b>Sub total</b>	<b>11,651</b>
	<i>Capital financing applied in the year</i>	
(1,197)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,204)
(3,833)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,546)
(7,500)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing *	(7,051)
(619)	Application of grants to capital financing from the capital grants unapplied account *	-
(657)	Provision for the financing of capital investment charged against the General Fund and HRA balances	(676)
(4,174)	Capital expenditure charged against the General Fund and HRA balances *	(2,888)
<b>(17,980)</b>	<b>Sub total</b>	<b>(16,365)</b>
(2,285)	Adjusting amounts written out of the Revaluation Reserve	(3,363)
1,250	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	7,049
<b>(97,679)</b>	<b>Balance at end of year</b>	<b>(98,707)</b>

## 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.

2021-22		2022-23
£'000		£'000
<b>70,599</b>	<b>Balance at start of year</b>	51,952
(22,938)	Re-measurement of the net defined benefit liability / asset	(82,734)
7,109	Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	7,243
(2,818)	Employer's pension contributions payable in the year	(3,139)
<b>51,952</b>	<b>Balance at end of year</b>	<b>(26,678)</b>

### 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.

2021-22		2022-23
£'000		£'000
<b>3,396</b>	<b>Balance at start of year</b>	2,853
(543)	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	(1,368)
<b>2,853</b>	<b>Balance at end of year</b>	<b>1,485</b>

### 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.

2021-22		2022-23
£'000		£'000
<b>660</b>	<b>Balance at start of year</b>	526
(134)	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	(132)
<b>526</b>	<b>Balance at end of year</b>	<b>394</b>

## 26. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2021-22 £'000	2022-23 £'000
(62) Interest received	(98)
3,057 Interest paid	3,060

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

2021-22 £'000	2022-23 £'000
4,968 Depreciation	8,230
1,335 Impairment and downward valuations	(561)
(85) Movement in the market value of investment properties	4,825
284 Amortisation	
11,761 Change in Creditors	(14,851)
3,930 Change in Debtors	(1,001)
(1) Change in Inventories	6
6,673 Movement in Pension Liability	6,486
3,506 Carrying amount of non current assets sold or disposed	3,634
419 Other non cash items charged to the deficit on the provision of services	323
<b>32,790 Non cash movements</b>	<b>7,091</b>

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

2021-22 £'000	2022-23 £'000
(2,832) Proceeds from the sale of non current assets	(3,273)
(10,342) Capital grants for non current assets charged through revenue	(7,266)
<b>(13,174) Non cash movements</b>	<b>(10,538)</b>

## 27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2021-22 £'000	2022-23 £'000
(23,951) Purchase of property, plant and equipment, investment property and intangible assets	(20,809)
(13,700) Purchase of short term and long term investments	(32,000)
2,832 Proceeds from the sale of non-current assets	3,273
2,000 Proceeds from short term and long term investments	47,775
5,203 Capital Grants & Contributions Received for the Financing of New Capital Expenditure	7,422
<b>(27,616) Net cash flows from investing activities</b>	<b>5,661</b>

## 28. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2021-22		2022-23
£'000		£'000
824	Receipts from financing activities	938
-	Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	
<b>824</b>	<b>Net cash flows from financing activities</b>	<b>938</b>

## 29. EXPENDITURE AND INCOME ANALYSED BY NATURE

2021-22		2022-23
£'000		£'000
	<b>Expenditure</b>	
23,335	Employee benefit expenses	25,614
43,040	Other services expenses	44,181
(2,943)	Support service recharges	(3,970)
6,502	Depreciation, amortisation, revaluations and impairment	13,055
1,757	Revenue Expenditure Funded from Capital Under Statute	2,010
4,269	Interest payments	4,335
638	Precepts	679
894	Payments to Housing Capital Receipts Pool	-
673	Disposal of assets	336
<b>78,164</b>	<b>Total expenditure</b>	<b>86,240</b>
	<b>Income</b>	
(32,486)	Fees, charges and other income	(33,359)
(2,541)	Interest and investment income	(3,583)
(9,832)	Income from council tax and NDR	(10,432)
(38,029)	Government grants and contributions	(32,411)
<b>(82,888)</b>	<b>Total income</b>	<b>(79,785)</b>
<b>(4,723)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>6,455</b>

## 30. 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.

## 31. MEMBER ALLOWANCES

The total allowances and expenses paid in the year were £0.347m (£0.346m in 2021-22).

## 32. 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	
	2022-23	Restated 2021-22
£50,000 - £54,999	5	4
£55,000 - £59,999	1	3
£60,000 - £64,999	3	1
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999*	1	-
<b>Total</b>	<b>10</b>	<b>8</b>

\* Includes a one off redundancy payment

The Council terminated the contract of 1 employee in 2022-23 incurring liabilities of £0.15m (£0m in 2021-22). This consisted of 1 voluntary and 0 compulsory redundancies. This compares to 0 voluntary and 0 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	
	2022-23	2021-22	2022-23 £'000	2021-22 £'000
£0 - £20,000	-	-	-	-
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
Over £150,000	1	-	152	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>152</b>	<b>-</b>

In addition to the figures shown above there were also £0.000m of pension strain costs incurred in 2022-23 in relation to 1 flexible retirement (£0m in 2021-22).

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.

Post Title	Salary & Election Fees	Expenses	Compensation for loss of office	Benefits in Kind	Total before pensions	Pension contribution	Total
	£	£	£	£	£	£	£
<b>2022-23</b>							
Chief Operating Officer	108,328	-	-	-	108,328	19,091	<b>127,419</b>
Director of Place & Community	66,868	-	-	-	66,868	12,443	<b>79,311</b>
Corporate Director of Transformation, Housing & Resources	87,897	-	-	-	87,897	16,552	<b>104,449</b>
Head of Finance, Procurement & Commercial Services	69,129	-	-	-	69,129	13,116	<b>82,245</b>
Head of Corporate & Customer Services	62,038	-	-	846	62,884	11,677	<b>74,561</b>
Corporate Compliance & Governance Manager	53,330	-	-	-	53,330	10,001	<b>63,331</b>
Head of Housing Services	39,406	-	-	428	39,834	7,487	<b>47,321</b>
Head of Planning & Regulatory Services	63,142	-	-	846	63,988	11,781	<b>75,769</b>
Head of Environmental Services	60,604	-	-	846	61,450	11,477	<b>72,927</b>
Head of Wellbeing & Place Services	-	-	-	-	-	-	-
Head of Housing & Regulatory Services	19,739	-	-	250	19,989	3,867	<b>23,856</b>
Legal & Democratic Services Manager	61,065	-	-	-	61,065	11,429	<b>72,494</b>
	<b>691,546</b>	-	-	<b>3,216</b>	<b>694,762</b>	<b>128,921</b>	<b>823,683</b>
<b>2021-22</b>							
Chief Operating Officer	111,117	-	-	-	111,117	18,725	<b>129,842</b>
Director of Place & Community	85,726	-	-	-	85,726	16,186	<b>101,912</b>
Director of Transformation & Resources	85,692	-	-	-	85,692	16,186	<b>101,878</b>
Head of Finance, Procurement & Commercial Services	65,155	-	-	-	65,155	12,333	<b>77,488</b>
Head of Corporate & Customer Services	60,228	-	-	846	61,074	11,311	<b>72,385</b>
Head of Growth & Development	23,385	-	-	353	23,738	4,393	<b>28,131</b>
Head of Wellbeing & Leisure	29,975	-	-	423	30,398	5,558	<b>35,956</b>
Head of Environmental Services	18,784	-	-	282	19,066	3,526	<b>22,592</b>
Head of Housing & Regulatory Services	64,811	-	-	846	65,657	12,228	<b>77,885</b>
Legal & Democratic Services Manager	55,742	-	-	-	55,742	10,475	<b>66,217</b>
	<b>600,615</b>	-	-	<b>2,750</b>	<b>603,365</b>	<b>110,921</b>	<b>714,286</b>

### 33. EXTERNAL AUDIT COSTS

2021-22 £'000		2022-23 £'000
63	Fees payable in relation to the audit of the accounts and inspection fees for the year	74
-	Fees relating to prior year	209
20	Fees payable for the certification of grant claims and returns	41
<b>83</b>	<b>Total</b>	<b>324</b>

### 34. GRANT INCOME

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

2021-22 £'000		2022-23 £'000
	<i>Credited to Taxation and Non Specific Grants:</i>	
(802)	New Homes Bonus	(703)
(3,618)	S31 Business Rates & Council Tax Grants	(3,490)
(748)	Other Revenue Grants	(388)
(8,853)	Other Grants & Contributions	(5,400)
<b>(14,021)</b>	<b>Total credited to Taxation &amp; Non-Specific Grants</b>	<b>(9,981)</b>
	<i>Credited to Services:</i>	
(18,444)	Benefit Payments and Administration	(18,638)
(1,488)	Capital Grants	(1,841)
(1,984)	Covid-19 Grant	(191)
(267)	Contribution to Highways	(280)
	Kickstart Grant	(121)
(1,826)	Other Grants and Contributions	(1,358)
<b>(24,008)</b>	<b>Total credited to Services</b>	<b>(22,429)</b>
<b>(38,029)</b>	<b>Total government grants &amp; contributions</b>	<b>(32,410)</b>

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:

2021-22 £'000		2022-23 £'000
	<i>Grants and Contributions Received in Advance</i>	
(2,676)	Section 106 Agreements	(2,460)
(1,402)	Homes England	(1,615)
(144)	Commuted Sums	(144)
<b>(4,222)</b>	<b>Total</b>	<b>(4,219)</b>

### 35. 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 2022-23 is shown in Note 31.

There are 54 Council Members, of whom 13 are also Parish Councillors, 6 are County Councillors, 2 are members 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 £0.069m (£0.072m in 2021-22) was also provided to them. Details of the payments made to the Lancashire Pension Fund are shown in note 39.

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 – 4 Members
- Dial a Ride - £56,555 – 2 Members
- Lancashire West Citizens Advice Bureau £50,000 – 1 Member

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

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

### Officers

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

### Other Related Parties

The Council has entered into a long-term contractual arrangement with Lancashire County Council and BTLS for the provision of IT Services worth £1.0m in 2022-23 (£1.2m in 2021-22), and there were no payments due to BTLS on this contract at the year end. The Council also received income

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of £0.28m in 2022-23 (£0.27m in 2021-22) 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 £0m in 2022-23 (£0.59m in 2021-22) was made to West Lancashire Community Leisure Ltd as part of the Council's Leisure services arrangement. The Council provided the majority of the Trust's funding and also appointed one out of the Trust's 6 Board Members but West Lancashire Community Leisure Ltd was disbanded in March 2022 with More Leisure Community Trust replacing the previous arrangement from April 2022. This arrangement formed part of the extension of the sport and leisure management contract from April 2022 to end September 2023 at which point the service will be managed and operated in house.

The Council has set up a wholly owned company, Tawd Valley Developments Limited that is now trading. The Director of Transformation, Housing & Resources and the Head of Finance, Procurement and Commercial 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 £96k and total expenditure to the Council was £6.6m. As at 31 March 2023 the Council was owed £74k by TVDL and had an outstanding creditor with TVDL of £760k. TVDL have outstanding loans from the Council of £1.3m

### 36. 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.

2021-22 £'000		2022-23 £'000
<b>104,270</b>	<b>Opening Capital Financing Requirement</b>	<b>111,692</b>
	<i>Capital Investment:</i>	
8,190	Property, Plant and Equipment	8,177
-	- Heritage Assets	8
15,085	Assets Under Construction	10,244
174	Intangible Assets	362
1,757	Revenue Expenditure funded from Capital under Statute	2,010
-	- Assets Held for Sale	-
197	Investment Properties	5
	<i>Sources of Finance:</i>	
(1,197)	Capital Receipts	(1,204)
(8,119)	Government Grants and Other Contributions	(7,051)
(3,834)	Major Repairs Reserve	(4,546)
	<i>Sums set aside from Revenue:</i>	
(4,174)	Direct Revenue Contributions	(2,888)
(657)	Minimum Revenue Provision	(676)
<b>111,692</b>	<b>Closing Capital Financing Requirement</b>	<b>116,133</b>
	<i>Explanation of Movement in Year:</i>	
7,422	Increase / decrease in underlying need to borrow	4,441
<b>7,422</b>	<b>Change in Capital Financing Requirement</b>	<b>4,441</b>

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.

### 37. 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:

2021-22		2022-23
£'000		£'000
1,064	Not later than one year	1,064
3,108	Later than one year and not later than five years	2,054
<b>4,172</b>	<b>Total</b>	<b>3,118</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:

2021-22		2022-23
£'000		£'000
2,308	Not later than one year	2,326
3,796	Later than one year and not later than five years	3,389
5,875	Later than five years	5,174
<b>11,979</b>	<b>Total</b>	<b>10,889</b>

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

In April 2021 the Council agreed a 5 year contract for vehicle supply and maintenance, with an annual value of around £1.054m.

### 39. DEFINED BENEFIT PENSION SCHEMES

#### ***Participation in Pension Schemes***

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

The Council participates in a Local Government Pension scheme, which is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with the investment assets. The scheme is administered by Lancashire County Council and is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of a Pension Fund Committee comprised of a mixture of County Councillors and representatives from other employers. The Committee is assisted by an investment panel which advises on investment strategy and risk management.

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

#### ***Transactions Relating to Post-Employment Benefits***

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council tax is based on the cash payable in the year. Consequently the accounting cost of post-employment benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	Discretionary Benefits		All Benefits	
	2022-23 £'000	2021-22 £'000	2022-23 £'000	2021-22 £'000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<i>Cost of Services</i>				
- Current service cost		-	5,689	5,452
- Settlements and curtailments		-	91	147
- Past service costs		-	-	-
<i>Other Operating Expenditure</i>				
- Administration expenses		-	87	82
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	110	88	6,960	5,155
- Expected return on scheme assets		-	(5,584)	(3,727)
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	<b>110</b>	<b>88</b>	<b>7,243</b>	<b>7,109</b>
<i>Re-measurement of the net defined benefit liability</i>				
- Return on plan assets		-	(936)	(21,654)
- Actuarial gains and losses arising on changes in financial assumptions	(396)	(18)	(81,798)	(1,284)
<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(286)</b>	<b>70</b>	<b>(75,491)</b>	<b>(15,829)</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	(110)	(88)	(6,960)	(7,109)
Actual amount charged against the General Fund Balance for pensions	367	327	3,139	2,818

### 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	
	2022-23 £'000	2021-22 £'000	2022-23 £'000	2021-22 £'000
Present value of the benefit obligation	3,456	4,109	175,969	252,184
Fair value of plan assets	-	-	(202,647)	(202,614)
<b>Net liability</b>	<b>3,456</b>	<b>4,109</b>	<b>(26,678)</b>	<b>49,570</b>



Reconciliation of the movements in the Fair Value of Scheme Assets	Discretionary Benefits		All Benefits	
	2022-23	2021-22	2022-23	2021-22
	£'000	£'000	£'000	£'000
<b>Opening fair value of scheme assets</b>	-	-	<b>200,232</b>	<b>177,594</b>
Interest on plan assets	-	-	5,584	3,727
Re-measurements	-	-	936	21,654
Administration expenses	-	-	(87)	(82)
Employer contributions	367	-	3,139	2,818
Contributions by scheme participants	-	-	953	890
Benefits paid	(367)	-	(8,110)	(6,369)
<b>Closing Balance</b>	-	-	<b>202,647</b>	<b>200,232</b>

Reconciliation of Present value of the Scheme Liabilities	Discretionary Benefits		All Benefits	
	2022-23	2021-22	2022-23	2021-22
	£'000	£'000	£'000	£'000
<b>Opening Balance</b>	<b>4,109</b>	<b>4,366</b>	<b>252,184</b>	<b>248,193</b>
Current service cost	-	-	5,689	5,452
Past service cost	110	-	6,960	-
Interest cost	-	88	953	5,155
Contributions by scheme participants	-	-	-	890
Re-measurement gains and losses	(396)	(18)	(81,798)	(1,284)
Settlements and curtailments	-	-	91	147
Benefits paid	(367)	(327)	(8,110)	(6,369)
<b>Closing Balance</b>	<b>3,456</b>	<b>4,109</b>	<b>175,969</b>	<b>252,184</b>

### ***Pre-payment of Past Service Deficit and Future Service Contributions***

As part of the 2019 valuation of the Fund, the Fund Administrator and Fund Actuary allowed some fund employers the option of pre-paying specified sums in exchange for a discount on the amounts to be paid. As part of the Council's budget plans for 2020/21 the Council agreed to prepay both the past service deficit and future service contributions in full for three years as follows:

Pre-pay of Pension Summary	Past Service	Future Service	Total
	£	£	£
2020-21	129,566	2,252,134	2,381,700
2021-22	129,567	2,252,133	2,381,700
2022-23	129,567	2,252,133	2,381,700
<b>Total Payment in 2020-21</b>	<b>388,700</b>	<b>6,756,400</b>	<b>7,145,100</b>

The final year of the pre-payment of pension contributions relating to 2022/23 has been charged to the CIES (GF and HRA balances).

Reconciliation of Net Pension Liability and the Pension reserve	2022-23	2021-22
	£'000	£'000
2020-21	200,265	200,232
2021-22	(175,969)	(252,184)
<b>Net Pension Liability</b>	<b>24,296</b>	<b>(51,952)</b>
Prepayment	2,382	2,382
<b>Total Payment in 2020-21</b>	<b>26,678</b>	<b>(49,570)</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.

An analysis of scheme assets by category is shown below:

Asset category	Sub category	Quoted (Y/N)	31 March 2022 £'000	31 March 2023 £'000
Equities	Financials	Y	238	236
				-
Bonds	UK corporate	Y	822	-
	Overseas corporate	N	739	418
				-
Property	Offices	N	93	38
	Industrial / Warehouse		1,493	1,462
	Shops		177	408
	Retail Warehouse	N	-	1,144
	Multi Let Commercial Building	N	1,435	-
				3,507
Alternatives	UK Private Equity	N	4,429	13,475
	Overseas private equity	N	12,072	31,522
	Infrastructure	N	22,810	29,406
	Credit Funds	N	26,798	2,920
	Pooled Fixed Income	N	8,706	17,838
	Indirect Property Funds	N	17,459	2,145
	UK Pooled Equity Funds	N	1,885	96,517
	Overseas Pooled Equity Funds	N	96,035	-
				1,611
Cash	Cash accounts	N	5,553	-
	Net current assets	N	(512)	-
<b>Total</b>			<b>200,232</b>	<b>202,647</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 2023.

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

	2022-23 £'000	2021-22 £'000
<i>Financial Assumptions</i>		
Rate of inflation	2.70%	3.40%
Rate of increase in salaries	4.20%	4.90%
Rate of increase in pensions	2.80%	3.50%
Rate for discounting scheme liabilities	4.80%	2.80%
<i>Longevity Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	21.5/23.8	22.4 / 25.1
- Future pensioner aged 65 in 20 years time	22.8/25.6	23.9 / 26.9

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	175,969	(202,647)	(26,678)
+ 0.1% discount rate	163,442	(202,647)	(39,205)
+0.1% inflation rate	182,698	(202,647)	(19,949)
+0.1% pay growth	176,727	(202,647)	(25,920)
1 year increase in life expectancy	179,706	(202,647)	(22,941)
+1% change in investment return	175,969	(204,665)	(28,696)
-1% change in investment return	175,969	(200,629)	(24,660)

### **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 2026.

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31 March 2023 are £2.732m. Expected contributions for Discretionary Benefits in the year to 31 March 2023 are £0.327m. 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.

## **40. CONTINGENT LIABILITIES AND ASSETS**

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.

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

The Authority's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Authority;
- **Liquidity risk** - the possibility that the Authority might not have funds available to meet its commitments to make payments;

- **Re-financing risk** - the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

### Overall procedures for managing risk

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual treasury management strategy. The Authority provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

### Credit risk - the possibility that other parties might fail to pay amounts due to the Council

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures.

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

### Credit Risk Management Practices

The Authority's credit risk management practices are set out on pages 7 to 8 of the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's credit ratings services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Authority are detailed below:

This Authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit ratings of Short Term of F1, Long Term A, Support bb+ and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- UK institutions provided with support from the UK Government;

The full Investment Strategy for 2022/23 was approved by Council on 23/02/22 and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Authority's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

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

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing (£10.8m) are due to be paid in less than one year

### **Refinancing and Maturity risk**

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies to address the main risks and

the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows

2021-22 £'000	2022-23 £'000
- Less than 5 years	4,411
4,411 Between 5 and 10 years	4,411
4,411 Between 10 and 15 years	8,821
8,821 Between 15 and 20 years	8,821
8,821 Between 20 and 25 years	8,822
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	-
<b>88,212 Total</b>	<b>88,212</b>

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

#### **Interest rate risk**

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the comprehensive income and expenditure statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the comprehensive income and expenditure statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance. Movements in the fair value of fixed rate investments

that have a quoted market price will be reflected in the other comprehensive income and expenditure.

The Authority has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements.

#### Price risk

The Authority does not generally invest in equity shares or marketable bonds.

However, it does have shareholdings to the value of £900k in Tawd Valley Developments Ltd. Whilst these holdings are generally illiquid, the Authority is not exposed to gains or losses arising from movements in the price of the shares because they are not traded.

**Foreign exchange risk** - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

**Pooled funds** – The Authority has no holdings in pooled funds.

## 42. 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.

## 43. AGENCY ARRANGEMENTS

During this financial year the Council acted as agent for Central Government in relation to various grants totalling £1.653m. 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		2022-23 £'000
Energy Bill Support		(553)
Energy Rebate Scheme		(766)
Ukraine Dispersal		(334)
<b>Total</b>		<b>(1,653)</b>



## **GROUP ACCOUNTS**

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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, 2022/23 represents their third 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 2022/23

Movement in Reserves Statement	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA	Capital Receipts Reserve	Capital Grants Unapplied	Community Infrastructure Levy	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	£'000
<b>Balance at 31 March 2022</b>	<b>(960)</b>	<b>(15,888)</b>	<b>(621)</b>	<b>(2,603)</b>	<b>(2,978)</b>	<b>(779)</b>	<b>(11,622)</b>	<b>(35,450)</b>	<b>(106,939)</b>	<b>(142,389)</b>	<b>1,254</b>	<b>(141,135)</b>
<i>Movement in Reserves during 2022-23</i>												
Total Comprehensive Income and Expenditure	10,419	-	(4,059)	-	-	-	-	6,360	(100,784)	(94,424)	202	(94,222)
Adjustments between accounting basis and funding basis under regulations	(7,225)	-	4,570	-	(2,095)	-	(189)	(4,938)	4,938	-	-	-
Adjustments between Group Accounts and Council Accounts	96	-	-	-	-	-	-	96	-	96	96	191
Transfers to / from Earmarked Reserves	(3,290)	3,258	(511)	511	-	-	32	0	-	0	-	0
<b>Increase / Decrease in Year</b>	<b>-</b>	<b>3,258</b>	<b>-</b>	<b>511</b>	<b>(2,095)</b>	<b>-</b>	<b>(157)</b>	<b>1,517</b>	<b>(95,846)</b>	<b>(94,329)</b>	<b>297</b>	<b>(94,032)</b>
<b>Balance at 31 March 2023</b>	<b>(960)</b>	<b>(12,630)</b>	<b>(621)</b>	<b>(2,092)</b>	<b>(5,073)</b>	<b>(779)</b>	<b>(11,779)</b>	<b>(33,933)</b>	<b>(202,785)</b>	<b>(236,718)</b>	<b>1,551</b>	<b>(235,167)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT 2021/22

Movement in Reserves Statement	General Fund Balances	Earmarked Gen. Fund Reserves	HRA Balances	Earmarked HRA	Capital Receipts Reserve	Capital Grants Unapplied	Community Infrastructure Levy	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	£'000
<b>Balance at 31 March 2022</b>	<b>(960)</b>	<b>(15,888)</b>	<b>(621)</b>	<b>(2,603)</b>	<b>(2,978)</b>	<b>(779)</b>	<b>(11,622)</b>	<b>(35,450)</b>	<b>(106,939)</b>	<b>(142,389)</b>	<b>1,254</b>	<b>(141,135)</b>
<i>Movement in Reserves during 2022-23</i>												
Total Comprehensive Income and Expenditure	10,419	-	(4,059)	-	-	-	-	<b>6,360</b>	(100,784)	<b>(94,424)</b>	202	<b>(94,222)</b>
Adjustments between accounting basis and funding basis under regulations	(7,225)	-	4,570	-	(2,095)	-	(189)	<b>(4,938)</b>	4,938	-	-	-
Adjustments between Group Accounts and Council Accounts	96	-	-	-	-	-	-	<b>96</b>	-	<b>96</b>	96	<b>191</b>
Transfers to / from Earmarked Reserves	(3,290)	3,258	(511)	511	-	-	32	<b>0</b>	-	<b>0</b>	-	<b>0</b>
<b>Increase / Decrease in Year</b>	<b>-</b>	<b>3,258</b>	<b>-</b>	<b>511</b>	<b>(2,095)</b>	<b>-</b>	<b>(157)</b>	<b>1,517</b>	<b>(95,846)</b>	<b>(94,329)</b>	<b>297</b>	<b>(94,032)</b>
<b>Balance at 31 March 2023</b>	<b>(960)</b>	<b>(12,630)</b>	<b>(621)</b>	<b>(2,092)</b>	<b>(5,073)</b>	<b>(779)</b>	<b>(11,779)</b>	<b>(33,933)</b>	<b>(202,785)</b>	<b>(236,718)</b>	<b>1,551</b>	<b>(235,167)</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Cost £'000	2021-22		Service	Gross Cost £'000	2022-23	
	Gross Income £'000	Net Cost £'000		Gross Cost £'000	Gross Income £'000	Net Cost £'000
21,275	(18,891)	2,384	Corporate and Customer Svs	22,444	(19,517)	2,927
9,457	(1,846)	7,611	Environmental Services	10,021	(1,816)	8,206
437	(527)	(90)	Finance, Procure & Commercial	610	(449)	161
3,156	(2,327)	829	Housing Services	2,759	(2,582)	178
20,751	(26,361)	(5,611)	Housing Revenue Account	24,530	(28,322)	(3,792)
1,357	(270)	1,087	Legal and Democratic	1,721	(242)	1,479
4,209	(1,694)	2,516	Planning and Regulatory	5,566	(1,637)	3,928
6,098	(2,504)	3,594	Wellbeing and Place	6,156	(1,286)	4,870
68	-	68	Chief Officers	69	(6)	63
3,827	(2,068)	1,760	Other Services	1,188	(207)	981
<b>70,633</b>	<b>(56,486)</b>	<b>14,147</b>	<b>Cost of Services</b>	<b>75,064</b>	<b>(56,063)</b>	<b>19,001</b>
2,287	-	2,287	Other operating expenditure	1,128	-	1,128
5,612	(2,433)	3,179	Financing & investment income & expenditure	10,536	(3,494)	7,042
-	(23,853)	(23,853)	Taxation & non specific grant income & expenditure	23	(20,440)	(20,417)
<b>78,532</b>	<b>(82,772)</b>	<b>(4,240)</b>	<b>Surplus or (Deficit) on Provision of Services</b>	<b>86,750</b>	<b>(79,997)</b>	<b>6,753</b>
		(7,381)	Surplus (-) or deficit on revaluation of non current assets			(18,050)
		(22,938)	Re-measurement of the net defined pension liability			(82,734)
		<b>(30,319)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(100,784)</b>
		<b>(34,559)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(94,031)</b>

## GROUP BALANCE SHEET

31 March 2022		Notes	31 March 2023
£'000			£'000
253,008	Property, Plant & Equipment		264,499
509	Heritage Assets		516
18,496	Investment Property		26,494
832	Intangible Assets		926
58	Long Term Debtors	G1	58
<b>272,902</b>	<b>Long term assets</b>		<b>292,493</b>
21,590	Short Term Investments		6,096
81	Assets held for sale		54
534	Inventories	G2	440
14,611	Short Term Debtors	G3	16,359
7,455	Cash and Cash Equivalents	G4	4,000
<b>44,272</b>	<b>Current assets</b>		<b>26,949</b>
-	Bank Overdraft		-
(32,371)	Short Term Creditors	G5	(16,404)
<b>(32,371)</b>	<b>Current Liabilities</b>		<b>(16,404)</b>
(1,628)	Provisions		(2,084)
(49,570)	Pension Liabilities		26,678
(4,222)	Grants & Contributions in Advance		(4,219)
(88,246)	Long Term Borrowing		(88,246)
<b>(143,666)</b>	<b>Long Term Liabilities</b>		<b>(67,871)</b>
<b>141,137</b>	<b>Net Assets</b>		<b>235,167</b>
(34,197)	Usable Reserves		(32,381)
(106,940)	Unusable Reserves		(202,785)
<b>(141,137)</b>	<b>Total Reserves</b>		<b>(235,167)</b>

## GROUP CASH FLOW STATEMENT

2021-22 £'000		2022-23 £'000
4,240	Net Position on the Provision of Services	(6,753)
32,061	Adjustments for non-cash movements (Note G6)	6,921
(13,174)	Adjustments for items that are investing or financing activities	(10,538)
23,127	Net Cash Flows from Operating Activities	(10,370)
(26,724)	Investing Activities (Note G7)	7,398
824	Financing Activities	(483)
<b>(2,773)</b>	<b>Change in Cash and Cash Equivalents</b>	<b>(3,455)</b>
<b>10,227</b>	<b>Cash &amp; Cash Equivalents at start of period</b>	<b>7,455</b>
<b>7,455</b>	<b>Cash &amp; Cash Equivalents at end of period (Note 22)</b>	<b>4,000</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 2022-23	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	4,822	4,822	6,096	6,096	4,000	4,000	14,976	14,976
Fair Value Through OCI									-	-
<b>Total financial assets</b>	<b>58</b>	<b>58</b>	<b>4,822</b>	<b>4,822</b>	<b>6,096</b>	<b>6,096</b>	<b>4,000</b>	<b>4,000</b>	<b>14,976</b>	<b>14,976</b>
Non-Financial assets	-	-	11,537	11,537	-	-	-	-	11,537	11,537
<b>Total assets</b>	<b>58</b>	<b>58</b>	<b>16,359</b>	<b>16,359</b>	<b>6,096</b>	<b>6,096</b>	<b>4,000</b>	<b>4,000</b>	<b>26,513</b>	<b>26,513</b>

## West Lancashire Borough Council Statement of Accounts 2022/33

Financial Assets 2021-22	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	1,779	1,779	21,590	21,590	7,455	7,455	30,882	30,882
Fair Value Through OCI	-	-	-	-	-	-	-	-	-	-
Financial assets	58	58	1,779	1,779	21,590	21,590	7,455	7,455	30,882	30,882
Non-Financial assets	-	-	12,832	12,832	-	-	-	-	12,832	12,832
Total assets	58	58	14,611	14,611	21,590	21,590	7,455	7,455	43,714	43,714



## West Lancashire Borough Council Statement of Accounts 2022/33

Financial Liabilities 2022-23	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)	(74,041)	(11,137)	(11,137)	(99,383)	(85,178)
Fair Value Through OCI					-	-
<b>Financial liabilities</b>	<b>(88,246)</b>	<b>(74,041)</b>	<b>(11,137)</b>	<b>(11,137)</b>	<b>(99,383)</b>	<b>(85,178)</b>
Non-Financial instruments	-	-	(5,267)	(5,267)	(5,267)	(5,267)
<b>Total Liabilities</b>	<b>(88,246)</b>	<b>(74,041)</b>	<b>(16,404)</b>	<b>(16,404)</b>	<b>(104,650)</b>	<b>(90,445)</b>

Financial Liabilities 2021-22	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)	(103,736)	(15,183)	(15,183)	(103,429)	(118,919)
Fair Value Through OCI	-	-	-	-	-	-
<b>Financial liabilities</b>	<b>(88,246)</b>	<b>(103,736)</b>	<b>(15,183)</b>	<b>(15,183)</b>	<b>(103,429)</b>	<b>(118,919)</b>
Non-Financial instruments	-	-	(17,188)	(17,188)	(17,188)	(17,188)
<b>Total Liabilities</b>	<b>(88,246)</b>	<b>(103,736)</b>	<b>(32,371)</b>	<b>(32,371)</b>	<b>(120,617)</b>	<b>(136,107)</b>

## G2. INVENTORIES

2021-22		2022-23
£'000		£'000
520	Work in progress	432
14	All other items	8
<b>534</b>	<b>Total</b>	<b>440</b>

### G3. DEBTORS

2021-22 £'000		2022-23 £'000
4,879	General Government Bodies	2,410
6,252	Other Local Authorities	7,914
10,037	Other Debtors	12,934
112	Payments in Advance	-
21,280	Sub total	23,258
(6,669)	Provision for impairments	(6,899)
14,611	Total	16,359

### G4. CASH AND CASH EQUIVALENTS

2021-22 £'000		2022-23 £'000
955	Cash and Bank	(1,000)
6,500	Money at call	5,000
7,455	Total	4,000

### G5. CREDITORS

2021-22 £'000		2022-23 £'000
(21,131)	Central Government Bodies	(4,571)
(944)	Other Local Authorities	(671)
(1,875)	Leaseholder Advance and Tenant Prepayments	(1,995)
(8,421)	Other Creditors	(9,167)
(32,371)	Total	(16,404)

### G6. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

2021-22 £'000		2022-23 £'000
4,968	Depreciation	5,740
1,335	Impairment and downward valuations	2,223
(85)	Movement in the market value of investment properties	267
284	Amortisation	4,825
10,907	Change in Creditors	(15,313)
4,045	Change in Debtors	(1,491)
9	Change in Inventories	94
6,673	Movement in Pension Liability	6,486
419	Carrying amount of non current assets sold or disposed	456
3,506	Other non cash items charged to the deficit on the provision of services	3,634
32,062	Non cash movements	6,921

**G7. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

<b>2021-22</b>		<b>2022-23</b>
<b>£'000</b>		<b>£'000</b>
(23,259)	Purchase of property, plant and equipment, investment property and intangible assets	(19,872)
(13,500)	Purchase of short term and long-term investments	(31,200)
2,832	Proceeds from the sale of non-current assets	3,273
2,000	Proceeds from short term and long-term investments	47,775
5,203	Other receipts from investing activities	7,422
<b>(26,724)</b>	<b>Net cash flows from investing activities</b>	<b>7,398</b>

## HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT		
2021-22 £'000		2022-23 £'000
	<b>Expenditure</b>	
(5,577)	Repairs and maintenance (note 2)	(6,256)
(8,652)	Supervision and management	(11,408)
(400)	Rents, rates, taxes and other charges	(401)
(5,028)	Depreciation (note 3)	(5,828)
-	Revaluation (note 3)	-
(103)	Movement in bad debt provision	(88)
<b>(19,760)</b>	<b>Total expenditure</b>	<b>(23,981)</b>
	<b>Income (note 5)</b>	
23,397	Dwelling rents	24,374
392	Non-dwelling rents	397
2,566	Charges for services and facilities	3,101
7	Contributions towards expenditure	168
<b>26,361</b>	<b>Total income</b>	<b>28,040</b>
(496)	HRA share of Corporate & Democratic Core	-
(127)	HRA share of Pension Past Service Gain/Cost (-)	(88)
<b>5,979</b>	<b>Net Income of HRA Services</b>	<b>3,972</b>
<b>5,979</b>	<b>Net Cost of HRA Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>3,972</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>	
345	Gain or Loss on Disposal of Non-Current Assets	281
(3,057)	Interest payable	(3,067)
5	Interest and Investment Income	78
1,050	Capital Grants & Contributions receivable	2,795
(240)	Pensions interest cost and expected return on pensions assets	-
(14)	Pension administration expenses	2,795
		-
<b>4,068</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>6,854</b>

## West Lancashire Borough Council Statement of Accounts 2022/33

MOVEMENT ON THE HRA STATEMENT		
2021-22		2022-23
£'000		£'000
(620)	<b>HRA Balances brought forward</b>	<b>(620)</b>
(4,068)	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	(4,059)
3,975	Adjustments between accounting basis and funding basis under statute	4,570
(93)	Net change before transfers to or from reserves	511
93	Transfers to (-) or from reserves	(511)
-	Increase or Decrease in balances in year	-
(620)	<b>HRA Balances carried forward</b>	<b>(620)</b>

Adjustments between accounting basis and funding basis under statute		
2021-22		2022-23
£'000		£'000
13	Transfers to / from (-) the Accumulated Absences Account	28
345	Gain (-) or loss on sale of non-current assets	281
(721)	HRA share of contributions to or from the Pensions Reserve	(503)
4,136	Capital expenditure funded by the HRA	2,888
3,833	Transfer to Major Repairs Reserve	4,546
	Transfers to and from the Capital Adjustment Account	
(1,194)	Revaluation (Note H3)	(1,282)
(3)	Revenue expenditure funded from capital under statute	-
(3,833)	Depreciation (Note H3)	(4,546)
1,050	Capital Grants & Contributions Applied	2,795
350	Provision for repayment of debt	362
3,975	<b>Total adjustments</b>	<b>4,570</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:

2021-22 £'000		2022-23 £'000
1,039	Programmed Work (including painting)	1,127
4,538	Repairs	5,129
<b>5,577</b>	<b>Total</b>	<b>6,256</b>

### H3. Capital charges

A downward revaluation charge of £1.282m (£1.194m in 2021-22) 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 £4.506m have been made to the HRA to reflect its use of assets (£3.788m in 2021-22). 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 2022/23 was £80.31 (on a 52-week basis). This is an increase of £3.76 over the like for like figure at the end of 2021/22.

The overall 4.9% increase in average rent is driven by a 4.1% annual increase in 2022/23 compared to 2021/22.

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

2021-22 £'000		2022-23 £'000
1,015	Arrears carried forward	983
(500)	Provision for bad debts carried forward	(500)

## H7. Movement in the Major Repairs Reserve

2021-22 £'000		2022-23 £'000
-	Balance brought forward	-
3,833	Depreciation Charge	(4,546)
(3,833)	Funding for Capital Expenditure	4,546
-	<b>Balance carried forward</b>	-

## H8. Housing Stock

The Council owned an average of 5,843 dwellings (including flats and maisonettes, houses and bungalows) during 2022/2023. The following table shows the changes in stock over the last two years.

2021-22	2022-23
<b>5,862 Opening Stock</b>	<b>5,858</b>
44 Additions	37
(47) Sales	(66)
(2) Transfers to / from Assets Held for Sale	(2)
- Demolitions and disposals	-
1 Other movements	1
<b>5,858 Closing Stock</b>	<b>5,828</b>

An analysis of the housing stock at 31 March 2023 is shown below.

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
<b>Low-Rise Flats</b>					
1 Bedroom	-	-	46	1,012	1,058
2 Bedroom	-	-	95	96	191
3 (or more) Bedroom	-	-	-	9	9
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>141</b>	<b>1,117</b>	<b>1,258</b>
<b>Medium-Rise Flats</b>					
1 Bedroom	-	1	1	289	291
2 Bedroom	-	-	-	515	515
3 (or more) Bedroom	-	-	-	105	105
<b>Sub Total</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>909</b>	<b>911</b>
<b>Houses</b>					
1 Bedroom	2	32	287	281	602
2 Bedroom	33	49	191	294	567
3 Bedroom	8	126	418	1,616	2,168
4 (or more) Bedroom	-	4	5	313	322
<b>Sub Total</b>	<b>43</b>	<b>211</b>	<b>901</b>	<b>2,504</b>	<b>3,659</b>
<b>Totals</b>	<b>43</b>	<b>212</b>	<b>1,043</b>	<b>4,530</b>	<b>5,828</b>



## H9. Movement in the Balance Sheet Value of HRA Non-Current Assets

2022-23	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>200</b>	<b>81</b>	<b>203,533</b>	<b>2,407</b>	<b>5,642</b>	<b>170</b>	<b>212,034</b>
Additions and Enhancements	-	-	7,045	-	6,052	-	<b>13,097</b>
Disposals	-	(81)	(2,879)	-	-	-	<b>(2,961)</b>
Depreciation	(62)	-	-	(1)	-	(25)	<b>(88)</b>
Revaluation and Impairment	-	-	8,433	388	-	-	<b>8,822</b>
Other	-	-	-	(13)	-	-	<b>(13)</b>
Transfers	-	54	6,688	(41)	(6,701)	-	<b>(0)</b>
<b>Closing value</b>	<b>138</b>	<b>54</b>	<b>222,820</b>	<b>2,741</b>	<b>4,993</b>	<b>145</b>	<b>230,891</b>

## H10. Vacant Possession Value of Council Dwellings

The vacant possession value of dwellings on the 1st April 2022 was £502.2m (£470.7m at 1<sup>st</sup> April 2021). 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

2021-22	2022-23
£'000	£'000
3,833 Major Repairs Reserve	4,546
4,136 HRA Revenue Contribution	2,888
1,050 Capital Grants	2,795
7,051 Internal Borrowing	2,868
540 Capital Receipts	-
<b>16,610 Total</b>	<b>13,097</b>

## H12. Capital Receipts

The value of receipts on disposals of HRA assets were £3.340m in the year (£2.448m in 2021-22).

## COLLECTION FUND

COLLECTION FUND STATEMENT				
2021-22			2022-23	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
<b>INCOME</b>				
(27,900)	(73,906)	Income due in year (notes 2 & 3)	(28,067)	(77,969)
(7,587)	(955)	Contributions to previous year deficits (note 4)	(6,264)	
-	-	Transitional protection payments		(40)
<b>(35,487)</b>	<b>(74,861)</b>	<b>Total income</b>	<b>(34,331)</b>	<b>(78,009)</b>
<b>EXPENDITURE</b>				
<b>Precepts, Demands and Shares</b>				
15,404	-	- Central Government	14,236	-
12,323	8,485	West Lancashire Borough Council	11,389	8,905
2,773	53,550	Lancashire County Council	2,563	57,043
308	2,658	Lancashire Combined Fire Authority	285	2,911
-	8,327	Lancs Police & Crime Commissioner	-	8,907
-	-	Contributions from previous year surpluses (note 4)		406
<b>Charges to Collection Fund</b>				
691	1,590	Impairment of debts – write offs and provisions	668	1,763
1,522	-	Change in provision for appeals	1,094	-
127	-	Cost of Collection Allowance	128	-
83	-	Transitional Protection Payments	4	-
<b>33,231</b>	<b>74,610</b>	<b>Total expenditure</b>	<b>30,366</b>	<b>79,935</b>
<b>(2,256)</b>	<b>(252)</b>	<b>Movement on Fund Balances</b>	<b>(3,965)</b>	<b>1,926</b>
<b>9,269</b>	<b>643</b>	<b>Opening Fund Balances</b>	<b>7,013</b>	<b>391</b>
<b>(2,256)</b>	<b>(252)</b>	<b>Increase / (decrease) for the year (as above)</b>	<b>(3,965)</b>	<b>1,926</b>
<b>7,013</b>	<b>391</b>	<b>Closing Fund Balances</b>	<b>3,049</b>	<b>2,317</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 8.

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 2022/2023 was 37,669.71 (36,774.06 in 2021/22) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
Z	39	5/9	22
A	9,594	6/9	6,396
B	7,358	7/9	5,723
C	8,595	8/9	7,640
D	6,714	1	6,714
E	4,688	11/9	5,729
F	2,405	13/9	3,474
G	1,543	15/9	2,572
H	85	2	170
<b>Total Relevant Amount</b>	<b>41,020</b>		<b>38,438</b>
<b>Estimated Collection Rate</b>			<b>98%</b>
<b>Council Tax Base</b>			<b>37,670</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 2022/23 and 51.2p in 2021/22) 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.

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The NNDR income after reliefs and discounts was £28.067m for 2022/20223 (£27.900m for 2021/2022). The rateable value for the Council's area at the end of the financial year 2022/23 was £80.646m (£80.231m for 2021/22).

### C4. Surplus and Deficit on Collection

The final outturn on Council Tax operations shows a deficit of £2.317m, which compares with the estimated deficit of £1.913m declared in January 2023 and which will be distributed in 2023-24.

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.

2021-22	2022-23
Surplus	Surplus
£	£
(701) Lancashire County Council	298,213
(106) Lancashire Police Authority	43,450
(35) Lancashire Fire Authority	15,432
(113) West Lancashire Borough Council	49,039
<b>(955) Total</b>	<b>406,134</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.

2021-22	2022-23
Surplus	Surplus
£	£
(4,406) Central Government	(3,132)
(2,643) West Lancashire Borough Council	(2,506)
(474) Lancashire County Council	(564)
(64) Lancashire Fire Authority	(63)
<b>(7,587) Total</b>	<b>(6,264)</b>

### C5. Lancashire Business Rates Pool

This section is awaiting information from the Lancashire Pool lead Authority

## 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.