

***WEST LANCASHIRE BOROUGH COUNCIL***

**STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017**

**CONTENTS**

---

	Page
<b>Introduction</b>	2
<b>Narrative Report</b>	3
<b>Annual Governance Statement</b>	11
<b>Independent Auditor's Report</b>	16
<b>Statement of Responsibilities</b>	19
<b>Movement in Reserves Statement</b>	20
<b>Comprehensive Income and Expenditure Statement</b>	22
<b>Balance Sheet</b>	23
<b>Cash Flow Statement</b>	24
<b>Notes</b>	25
<b>Housing Revenue Account and Notes</b>	84
<b>Collection Fund and Notes</b>	90
<b>Glossary</b>	95

**INTRODUCTION**

---

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

The Statement shows the financial performance and financial position of the Council for 2016/2017. The publication of the Statement is a statutory requirement and demonstrates the Council's stewardship of public money for this year.

The Audit and Governance Committee approved the Statement of Accounts at its meeting of 5th September 2017 following the external audit of the accounts.

Adam Yates

Chairman of the Audit  
And Governance Committee

Marc Taylor

Borough Treasurer

**NARRATIVE REPORT**

---

**Introduction**

This publication contains the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2017.

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

**Stewardship of public money and best value**

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

The Council's accounts are subject to scrutiny by its elected Councillors and its Internal and External Auditors to verify that these regulations are being followed. In addition members of the public have a statutory right to inspect the accounts before the annual audit is completed.

**Background information**

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

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

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

**Financial summary**

The Council spent £72.473m in providing day-to-day services for the local community. The Council also invested £17.119m in capital projects during the year to maintain and develop the services that it provides. Total usable reserves increased by £0.736m over the course of the year to £19.891m.

**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)***

	2016/2017	2015/2016
	£'000	£'000
Benefits Payments and Administration grants	28,019	29,898
Housing rents and service charges	25,989	26,513
Service specific fees, charges and grants	10,467	9,551
<b>Total</b>	<b>64,475</b>	<b>65,962</b>

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

	2016/2017	2015/2016
	£'000	£'000
Leisure and Wellbeing	6,789	6,548
Housing and Inclusion	30,942	32,738
Housing Revenue Account	18,679	23,452
Corporate Services	4,509	4,402
Development and Regeneration	4,131	4,517
Street Scene	6,812	6,995
Other Services	611	312
<b>Total</b>	<b>72,473</b>	<b>78,964</b>

The single largest reason for the reduction in spending was a fall in the level of Housing Revenue Account impairment charges compared to the previous year.

**Financial performance for the year**

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

This account shows income and expenditure for all services except Council housing, and a net budget of £12.883m was set for the year.

A favourable variance was delivered against this budget of £391,000 or 3.0%. This position reflects a number of factors including good performance on implementing savings measures, under spending on employees and running expenses, and income levels exceeding budget projections in a range of areas. The Council intends to use £310,000 of these funds to support the revenue budget for 2018-19, leaving a balance of £81,000 still to be allocated. The level of GRA earmarked reserves reduced by £0.774m to £10.972m, as a result of using funds to support the budget position and specific capital schemes in line with financial plans.

The Council is facing a difficult medium term financial situation as a result of the Government reducing the funding it provides to all local authorities. It is expected that there will be a budget gap of £2.725m by 2020-21 between the spending required to maintain existing service levels and the resources that will be available. This challenging financial position is recognised as a key risk on the Council's key risk register and will primarily be addressed through the Council's established Policy Option process, which has proved effective in dealing with these issues in recent years.

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

This account shows income and expenditure relating to the Council's housing stock. A favourable budget variance was delivered in the year of £1.404m, which represents 5.4% of the overall budget requirement. The main reasons for this position were the active management of staffing levels which delivered savings on employee budgets, underspends on response repairs and void repairs which are demand led areas of spending, no calls being made on the HRA Contingency budget, and savings on interest costs.

It is intended that most of this budget variance will be used to avoid the need to take out external borrowing to support the capital investment programme as this will help to minimise future interest costs.

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

There was investment of £10.734m in the housing stock this year against a budget of £15.070m. This means that 71% of the programme was spent, which is similar to the performance that has been delivered in previous years. It is intended that £4.726m 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. Funding of £0.726m has been brought forward into 2016/17 from later years to match the pattern of spending and the balance of £0.336m is no longer required for its original purpose and will be reallocated to other uses.

The level of GRA and HRA balances and reserves continues to be adequate for prudent financial management.

### **Capital investment in the year**

Each year the Council invests money to buy new infrastructure, buildings and equipment and to pay for long-term improvements to its existing assets. This spending is needed to maintain and develop the services that the Council provides.

The following tables provide a breakdown of the total investment for the year and how it has been financed:

***Where the money comes from***

	2016/2017	2015/2016
	£'000	£'000
Capital Receipts	1,367	1,225
Government Grants and Other Contributions	1,069	1,162
Revenue Contributions	11,447	10,014
Increase in underlying need to borrow	2,969	5,069
Other	267	283
<b>Total</b>	<b>17,119</b>	<b>17,753</b>

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

	2016/2017	2015/2016
	£'000	£'000
Property, Plant and Equipment	11,800	16,011
Other long term assets	4,262	217
Revenue Expenditure Funded from Capital	829	1,297
Other	228	228
<b>Total</b>	<b>17,119</b>	<b>17,753</b>

**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 £231.999m, which is an increase of £23.840m on the previous year.

The Council had a total net worth of £85.696m at 31<sup>st</sup> March 2017, taking into account all of its assets and liabilities, which was an increase of £11.026m on the previous year. The increase was primarily as a result of the revaluation of assets, which are explained in more detail below.

**Significant issues in the accounts**

The value of the net pension liability in the accounts has increased by £10.736m to £64.019m. The net pension liability represents the excess of long term accrued liabilities, assessed on a prescribed basis, compared with the market value of pension assets. Statutory arrangements for the funding of the pension scheme mean that the financial position of the Council remains healthy. The large increase over the previous year is mainly a result of actuarial losses arising on changes in financial assumptions.

The Cash Flow Statement shows an increase of £2.211m in cash and cash equivalents over the year. There are a number of explanatory factors for this position including a reduction in debtors of £0.864m and an increase in creditors of £0.784m.

An impairment charge of £3.361m (£8.184m in 2015/16) was made on Council dwellings within the HRA. This was primarily as a result of an element of the Housing capital programme not increasing the book value of these properties. A net revaluation increase in Council dwellings of £18.208m (£7.564m in 2015-16) was posted to the revaluation reserve primarily as a result of the stock valuation discount factor being increased by the government from 35% to 40%. Both the impairment charge and the housing stock revaluation were conducted in conjunction with the Council's Estates section who followed professional guidelines in conducting both exercises.

The value of Investment Properties on the Balance Sheet increased by £4.743m mainly as a result of the purchase of the Wheatsheaf Walks retail site in Ormskirk town centre and the building of new industrial units as part of the Greenshoots project.

At the start of the year the Council had £88.212m of external borrowing that was taken out with the Public Works Loans Board to finance the introduction of the HRA Self Financing system. During 2016-17 the scale of capital investment meant there was an increase in the underlying need to borrow of £2.969m, although this was funded from internal sources rather than through external borrowing.

### **Future revenue spending and capital investment plans**

The budget that has been set for 2017-18 contains a number of new improvement measures while maintaining service levels for the vast majority of services provided by the Council. This position has been achieved, despite a challenging financial position, by maximising efficiencies and income and through the planned use of reserves. The budget also required an increase of 1.75% in the level of the Council tax. The package of savings measures that has been agreed has a total value of £1.2m and this will be closely monitored and managed in year to ensure that financial targets are achieved.

The capital programme for 2017-18 is based on a budget of £9.914m before slippage. This includes planned investment in the housing stock of £8.668m, which will be funded primarily by HRA revenue contributions.

### **Contents of the Accounts**

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



Comprehensive Income and Expenditure Statement (£'000)

Surplus on the Provision of Services	1,751
Other Comprehensive Income/Expenditure	<u>9,275</u>
Total Comprehensive Income and Expenditure	<u>11,026</u>

Movement in Reserves statement (£000)

Effect on usable reserves	736
Effect on unusable reserves	<u>10,290</u>
Change in Total Net Worth	<u>11,026</u>

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

Change in net assets (excl cash)	8,815
Change in cash and cash equivalents	<u>2,211</u>
Change in net worth	<u>11,026</u>

Cashflow Statement (£000)

Net increase / decrease in cash and cash equivalents	2,211
--	-------

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

*Movement in Reserves Statement*

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

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

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

*Comprehensive Income and Expenditure Statement*

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

*Balance Sheet*

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

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

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

### *Cash Flow Statement*

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

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

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

### *Annual Governance Statement*

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

### *Independent Auditor's Report*

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

### *Statement of Responsibilities*

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

### *Housing Revenue Account (HRA)*

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

### *Collection Fund*

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

The main change to the Statement of Accounts this year has been the introduction of an Expenditure and Funding Analysis, which is set out in note 27. This provides an analysis of how expenditure and income is allocated for decision making purposes between the Council's services, and the differences between net expenditure chargeable to the General Fund and HRA Balances and the net expenditure in the Comprehensive Income and Expenditure Statement.

### Further information

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

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

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

- E-mailing            Marc.Taylor@westlancls.gov.uk
- Telephoning        (01695) 585092
- Writing to            West Lancashire Borough Council  
52 Derby Street  
Ormskirk  
Lancashire L39 2DF

**WEST LANCASHIRE BOROUGH COUNCIL**

**2016/17 ANNUAL GOVERNANCE STATEMENT**

**SCOPE OF RESPONSIBILITY**

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

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

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

**THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and the mechanisms through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

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

The governance framework has been in place at West Lancashire Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

### THE GOVERNANCE FRAMEWORK

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

The key elements of the framework include:

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

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

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis.

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

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are also available on the Council's website. The Council also has a Standards Committee whose role is to promote and maintain high standards of conduct.

The Council's Constitution clearly sets out the respective roles and responsibilities of the Council, its Executive and Overview and Scrutiny functions, and delegations to Committees, Portfolio holders and Chief Officers as well as those functions which, by Statute, are to be exercised by a designated "Proper Officer". Committee meetings are open to the public, except where personal or confidential matters may be disclosed.

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

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

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

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

The Council has a comprehensive Risk Management process in place which is fully embedded throughout the Authority and forms an integral part of the management process. This includes a dedicated resource committed to this area of work to ensure consistency and compliance throughout the Authority. In addition all reports to Council and Cabinet have a risk assessment section.

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*. The Committee receives regular reports on governance issues from both officers and the Council's external auditors. The Council has an objective and professional relationship with its external auditors and statutory inspectors, together with other agencies such as the Local Government Association.

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a formal Complaints Procedure, Anti-Money Laundering Policy, Whistleblowing Code and Anti-Fraud, Bribery and Corruption Policy. The Council has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Code provides the opportunity for anyone to report their concerns confidentially and enable them to be investigated properly.

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

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

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

The Council has in place a Protocol which sets out how the essential elements of local governance, accountability and transparency will be maintained within any proposed arrangements for service delivery through partnerships. The Council is committed to working in partnership with public, private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

### FINANCIAL MANAGEMENT ARRANGEMENTS

The Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

### REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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

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

Our most recent Annual Audit Letter from Grant Thornton concluded that the Council has effective arrangements in place for internal control.

As part of the procedure for producing this statement, the Council's Heads of Service and Senior Managers are required to review whether there are any significant control or governance issues that require addressing. No significant issues have been identified in this year's review.

The Borough Treasurer, who has overall responsibility for the Authority's financial framework, has not identified any significant governance or internal control issues in relation to financial matters. In carrying out a continuous audit of the Council's business, the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2016/17 does not identify any serious deficiencies in the Council's internal control mechanisms.

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

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



**PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT**

**FINANCIAL CHALLENGES AND THE BUSINESS PLAN**

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2016/17 and has set a balanced budget for 2017/18. Consequently, the Council is taking appropriate action to ensure a stable financial standing and this position has been confirmed in our latest Annual Audit letter.

**CURRENT SIGNIFICANT GOVERNANCE ISSUES**

**FUTURE FINANCIAL CHALLENGES**

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

**ELECTRONIC RECORDS**

The Council is reviewing its management of electronic records in light of the large volumes of information currently held on systems. An action plan is being developed for implementation to improve governance to ensure compliance with the Corporate Retention and Disposal Schedule through an officer based project group.

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

**SIGNED:** .....

Date .....

**LEADER**

**SIGNED:** .....

Date .....

**CHIEF EXECUTIVE**

On behalf of West Lancashire Borough Council



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

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

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

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

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

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

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

### **The Authority's Responsibilities**

The Authority is required to:

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

### **The Chief Finance Officer's Responsibilities**

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

In preparing this statement of accounts, I have:

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

I have also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31<sup>st</sup> March 2017 and its income and expenditure for the year then ended.

Marc Taylor  
Borough Treasurer  
5 September 2017

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balances £'000	Earmarked Gen. Fund Reserves £'000	HRA Balances £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2015</b>	<b>961</b>	<b>12,619</b>	<b>783</b>	<b>359</b>	<b>3,287</b>	<b>0</b>	<b>0</b>	<b>18,009</b>	<b>39,896</b>	<b>57,905</b>
<i>Movement in Reserves during 2015-16</i>										
Total Comprehensive Income and Expenditure	-2,244		-381					-2,625	19,390	<b>16,765</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	1,371		2,120		263		17	<b>3,771</b>	-3,771	<b>0</b>
Transfers to / from Earmarked Reserves (note 7)	873	-873	-1,739	1,739				<b>0</b>		<b>0</b>
<b>Increase / Decrease in Year</b>	<b>0</b>	<b>-873</b>	<b>0</b>	<b>1,739</b>	<b>263</b>	<b>0</b>	<b>17</b>	<b>1,146</b>	<b>15,619</b>	<b>16,765</b>
<b>Balance at 31 March 2016</b>	<b>961</b>	<b>11,746</b>	<b>783</b>	<b>2,098</b>	<b>3,550</b>	<b>0</b>	<b>17</b>	<b>19,155</b>	<b>55,515</b>	<b>74,670</b>

## MOVEMENT IN RESERVES STATEMENT

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2015/2016 Restated			Service	2016/2017		
Gross Cost £'000	Gross Income £'000	Net Cost £'000		Gross Cost £'000	Gross Income £'000	Net Cost £'000
6,548	1,872	4,676	Leisure and Wellbeing	6,789	2,355	4,434
32,738	32,371	367	Housing and Inclusion	30,942	30,469	473
23,452	26,513	-3,061	Housing Revenue Account	18,679	25,989	-7,310
4,402	390	4,012	Corporate Services	4,509	376	4,133
4,517	3,026	1,491	Development and Regeneration	4,131	3,181	950
6,995	1,641	5,354	Street Scene	6,812	1,527	5,285
312	149	163	Other Services	611	578	33
<b>78,964</b>	<b>65,962</b>	<b>13,002</b>	<b>Cost of Services (note 27)</b>	<b>72,473</b>	<b>64,475</b>	<b>7,998</b>
3,447	2,420	1,027	Other operating expenditure (note 8)	4,466	3,623	843
3,828	1,386	2,442	Financing & investment income & expenditure (note 9)	6,103	1,898	4,205
9,869	23,715	-13,846	Taxation & non specific grant income & expenditure (note 10)	9,681	24,478	-14,797
<b>96,108</b>	<b>93,483</b>	<b>2,625</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>92,723</b>	<b>94,474</b>	<b>-1,751</b>
		-8,365	Surplus (-) or deficit on revaluation of non current assets (note 23i)			-17,991
		-11,025	Re-measurement of the net defined pension liability (note 37)			8,716
		<b>-19,390</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-9,275</b>
		<b>-16,765</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-11,026</b>

**BALANCE SHEET**

31 March 2015 £'000	31 March 2016 £'000		Notes	31 March 2017 £'000
184,900	194,250	Property, Plant & Equipment	11a	213,049
490	490	Heritage Assets	12	490
10,657	12,958	Investment Property	13	17,701
267	396	Intangible Assets	14	697
66	65	Long Term Debtors		62
<b>196,380</b>	<b>208,159</b>	<b>Long term assets</b>		<b>231,999</b>
11,017	11,515	Short Term Investments		10,005
1,003	1,251	Assets held for sale	11b	273
15	37	Inventories	17	16
8,246	5,586	Short Term Debtors	18	4,722
5,434	1,828	Cash and Cash Equivalents	19	4,039
<b>25,715</b>	<b>20,217</b>	<b>Current assets</b>		<b>19,055</b>
-1,713	0	Bank Overdraft	19	0
-8,509	-7,675	Short Term Creditors	20	-8,459
<b>-10,222</b>	<b>-7,675</b>	<b>Current Liabilities</b>		<b>-8,459</b>
-1,135	-1,938	Provisions	21	-1,168
-61,944	-53,283	Pension Liabilities	37	-64,019
-580	-635	Other Long Term Liabilities	36	-674
-2,063	-1,929	Grants & Contributions in Advance	32	-2,792
-88,246	-88,246	Long Term Borrowing	16	-88,246
<b>-153,968</b>	<b>-146,031</b>	<b>Long Term Liabilities</b>		<b>-156,899</b>
<b>57,905</b>	<b>74,670</b>	<b>Net Assets</b>		<b>85,696</b>
-18,009	-19,155	Usable Reserves	22	-19,891
-39,896	-55,515	Unusable Reserves	23	-65,805
<b>-57,905</b>	<b>-74,670</b>	<b>Total Reserves</b>		<b>-85,696</b>



**CASH FLOW STATEMENT**

2015-2016 £'000		2016-2017 £'000	
-2,625	<b>Net Position on the Provision of Services</b>	1,751	
14,522	Adjustments for non-cash movements (note 24)	13,621	
-2,719	Adjustments for items that are investing or financing activities (note 24)	-3,872	
9,178	<b>Net Cash Flows from Operating Activities</b>		11,500
-13,496	Investing Activities (note 25)		-10,074
2,425	Financing Activities (note 26)		785
<b>-1,893</b>	<b>Change in Cash and Cash Equivalents</b>		<b>2,211</b>
<b>3,721</b>	<b>Cash &amp; Cash Equivalents at start of period</b>		<b>1,828</b>
<b>1,828</b>	<b>Cash &amp; Cash Equivalents at end of period (note 19)</b>		<b>4,039</b>

## **NOTES TO THE ACCOUNTS**

### **1. ACCOUNTING POLICIES**

#### **i. General Principles**

This Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31<sup>st</sup> March 2017. 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 2016/17, supported by International Financial Reporting Standards.

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

#### **ii. Accruals of Income and Expenditure**

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

- Revenue due from customers is recognised as income at the date the goods or services are provided and where it is probable that the income will be received
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and interest payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

#### **iii. Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

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

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

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

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

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

**vii. Employee Benefits**

***Benefits Payable During Employment***

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

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

***Termination Benefits***

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

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

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

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

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate based on high quality corporate bonds. The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

Statutory provisions require the General Fund balance to be charged with the amount payable to the Pension Fund in the year rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and to replace them with the amounts actually payable to the Pension Fund for the year.

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

**viii. Events after the Reporting Period**

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

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

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

**ix. Financial Instruments**

***Financial Liabilities***

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

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

***Financial Assets***

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

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

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

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

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

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

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

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

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

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



**xi. Heritage Assets**

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

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

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

**xii. Intangible Assets**

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

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

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



**xiii. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

In 2004/05 the Council entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its main leisure centres. This includes an investment programme that is financed through a deferred liability scheme, and the relevant assets and liabilities are included in the balance sheet.

**xiv. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. The same treatment is applied for gains and losses on disposal.

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

**xv. Leases**

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

***The Council as Lessee: Operating Leases***

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased asset.

***The Council as Lessor: Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet, and the rental income is credited to the Comprehensive Income and Expenditure Statement.

**xvi. Overheads and Support Services**

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

**xvii. Property Plant and Equipment**

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

***Recognition***

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

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

***Measurement***

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value determined using the basis of existing use value for social housing (EUV-SH)

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

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

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

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

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

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

### ***Impairment***

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

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

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

**Depreciation**

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

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

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

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

**Disposals and Assets Held for Sale**

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

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

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

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

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

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

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

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties. Payments are then charged to the provision set up in the Balance Sheet when they are eventually made.

Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the likely cost. Where a provision is no longer required it will be reversed and credited back to the relevant service.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities can also arise in circumstances where a provision would otherwise be made but either it is not sufficiently certain that the event will take place or the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Council a possible asset but whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

**xix. Reserves**

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

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

**xx. Revenue Expenditure Funded from Capital under Statute**

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

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

**xxi. VAT**

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

**xxii. Fair value measurement**

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

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

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

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

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

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However this uncertainty is not yet sufficient to provide an indication of what assets might be impaired as a result of the need to make savings and potentially reduce service levels in certain areas
- The Council has entered into a 15 year agreement with a Leisure Trust and Serco PLC for the operation of its main leisure centres. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council

## **3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, the actual results could be materially different from the assumptions and estimates.



## West Lancashire Borough Council Statement of Accounts 2016/17

The items in the Balance Sheet at 31<sup>st</sup> March 2017 for which there is a significant risk of material adjustment in the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	The useful lives of assets are estimated when calculating depreciation but it is not possible to know these lives with certainty.	An increase in estimated useful lives of 1% would decrease depreciation charges by £0.04m.
Fair value measurements	When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.	The significant unobservable inputs used in the fair value measurement include management assumptions about rent growth, vacancy levels (for investment properties) and discount rates.  Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in note 16.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide expert advice on the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways and note 37 provides details on actuarial factors in recent years.
Grant claims	Income for government grants in certain cases is based on estimated claims which are still subject to audit and could possibly change.	Details on grant income levels are provided in note 32.
Arrears	Note 18 provides details on levels of debtors and their associated bad debt provisions. However in the current economic climate it is not certain that these provisions will be sufficient.	If collection rates were to deteriorate, then the level of bad debt provisions would need to be increased. A 10% increase in impairment of doubtful debts would require an additional £0.47m to be set aside.
Provision for NNDR Appeals	At the year end an estimate has been made of the cost of outstanding NNDR appeals that organisations have submitted against their business rate bills. This estimate is based on the rateable value of the organisations that have made appeals and the average settlement rate based on experience.	An increase in the estimated settlement rate of 10% would have the effect of adding £0.25m to the provision needed.



Expenditure accruals	At the year end estimates are made of the value of goods and services delivered but not yet paid. These estimates are then used as a basis for accruing expenditure.	Details on creditors are provided in note 20.
----------------------	--	---

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

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

**5. EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts were authorised for issue by the Borough Treasurer on 29<sup>th</sup> June 2017. 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<sup>st</sup> March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. **ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASES UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against is set out below:

**General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, and out of which all the liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balances, which is not necessarily in accordance with proper accounting practice. This Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. This Balance is not however available to be applied to funding HRA services.

**Housing Revenue Account Balance**

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part IV of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

**Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

**Capital Receipts Reserve**

This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

**Capital Grants Unapplied**

This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

## West Lancashire Borough Council Statement of Accounts 2016/17

Adjustments between Accounting and Funding Basis Under Regulations 2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments to Revenue Resources</i>						
Pensions costs (transferred to or from the Pensions Reserve)	1,686	335				-2,021
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	-844					844
Holiday pay (transferred to the Accumulated Absences Account)	-2	-4				6
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,308	9,347			364	-12,019
<b>Total Adjustments to Revenue Resources</b>	<b>3,148</b>	<b>9,678</b>	<b>0</b>	<b>0</b>	<b>364</b>	<b>-13,190</b>
<i>Adjustments between revenue and capital resources</i>						
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	-174	-3,449	3,623			0
Administrative costs of non current asset disposals funded from the Capital Receipts Reserve		105	-105			0
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	830		-830			0
Posting of HRA resources from revenue to the Major Receipts Reserve		-3,249		3,249		0
Statutory provision for the repayment of debt	-324	0				324
Capital expenditure financed from revenue balances	-942	-7,256				8,198
<b>Total Adjustments between revenue and capital resources</b>	<b>-610</b>	<b>-13,849</b>	<b>2,688</b>	<b>3,249</b>	<b>0</b>	<b>8,522</b>
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure			-1,367			1,367
Use of the Major Receipts Reserve to finance capital expenditure				-3,249		3,249
Application of capital grants to finance capital expenditure	-1,035	-34				1,069
Cash payments in relation to deferred capital receipts			2			-2
<b>Total Adjustments to Capital Resources</b>	<b>-1,035</b>	<b>-34</b>	<b>-1,365</b>	<b>-3,249</b>	<b>0</b>	<b>5,683</b>
<b>Total Adjustments</b>	<b>1,503</b>	<b>-4,205</b>	<b>1,323</b>	<b>0</b>	<b>364</b>	<b>1,015</b>

## West Lancashire Borough Council Statement of Accounts 2016/17

Adjustments between Accounting and Funding Basis Under Regulations 2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Mov't in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments to Revenue Resources</i>						
Pensions costs (transferred to or from the Pensions Reserve)	1,846	518				-2,364
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	276					-276
Holiday pay (transferred to the Accumulated Absences Account)	8	-3				-5
Reversal of entries included in the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	757	13,088			17	-13,862
<b>Total Adjustments to Revenue Resources</b>	<b>2,887</b>	<b>13,603</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>-16,507</b>
<i>Adjustments between revenue and capital resources</i>						
Transfer of non current asset sale proceeds from revenue to the Capital Receipts Reserve	-177	-2,243	2,420			0
Administrative costs of non current asset disposals funded from the Capital Receipts Reserve		74	-74			0
Payments to the government housing receipts pool funded from the Capital Receipts Reserve	859		-859			0
Posting of HRA resources from revenue to the Major Receipts Reserve		-2,966		2,966		0
Statutory provision for the repayment of debt	-55	-281				336
Capital expenditure financed from revenue balances	-1,241	-5,807				7,048
<b>Total Adjustments between revenue and capital resources</b>	<b>-614</b>	<b>-11,223</b>	<b>1,487</b>	<b>2,966</b>	<b>0</b>	<b>7,384</b>
<i>Adjustments to Capital Resources</i>						
Use of the Capital Receipts Reserve to finance capital expenditure			-1,225			1,225
Use of the Major Receipts Reserve to finance capital expenditure				-2,966		2,966
Application of capital grants to finance capital expenditure	-902	-260				1,162
Cash payments in relation to deferred capital receipts			1			-1
<b>Total Adjustments to Capital Resources</b>	<b>-902</b>	<b>-260</b>	<b>-1,224</b>	<b>-2,966</b>	<b>0</b>	<b>5,352</b>
<b>Total Adjustments</b>	<b>1,371</b>	<b>2,120</b>	<b>263</b>	<b>0</b>	<b>17</b>	<b>-3,771</b>

**7. TRANSFERS TO AND FROM EARMARKED RESERVES**

	Balance 31/3/15 £'000	Movement in year £'000	Balance 31/3/16 £'000	Movement in year £'000	Balance 31/3/17 £'000
Insurance Fund	2,295	-79	2,216	-85	2,131
Renewal and Repairs Funds	536	-272	264	85	349
Corporate Reserves	7,973	-274	7,699	-1,084	6,615
Ring Fenced Reserves	795	-226	569	299	868
Capital Reserve	640	238	878	-21	857
Specific Grant Reserves	380	-260	120	32	152
<b>General Fund subtotal</b>	<b>12,619</b>	<b>-873</b>	<b>11,746</b>	<b>-774</b>	<b>10,972</b>
HRA Reserves	359	1,739	2,098	-14	2,084
<b>Total</b>	<b>12,978</b>	<b>866</b>	<b>13,844</b>	<b>-788</b>	<b>13,056</b>

**8. OTHER OPERATING EXPENDITURE**

	2016/2017 £'000	2015/2016 £'000
Parish Council Precepts	550	489
Payments to the Government Housing Capital Receipts Pool	830	859
Losses / Gains (-) on the disposal of non current assets	-603	-374
Pension administration expenses	66	53
<b>Total</b>	<b>843</b>	<b>1,027</b>

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

	2016/2017 £'000	2015/2016 £'000
Interest payable and similar charges	3,164	3,168
Pensions interest cost and expected return on pension assets	1,810	1,931
Interest income	-91	-123
Income, expenditure and changes in the fair value of investment properties	-678	-2,534
Gains and losses on trading accounts	0	0
<b>Total</b>	<b>4,205</b>	<b>2,442</b>

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

	2016/2017 £'000	2015/2016 £'000
Council tax income	6,994	6,743
Non domestic rates income and expenditure	3,478	1,996
Non ring fenced government grants	3,973	4,734
Capital grants and contributions	352	373
<b>Total</b>	<b>14,797</b>	<b>13,846</b>

West Lancashire Borough Council Statement of Accounts 2016/17

**11a. PROPERTY, PLANT AND EQUIPMENT**

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

West Lancashire Borough Council Statement of Accounts 2016/17

<b>Movement on Balances 2015-16</b>								
	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
Balance at 1 <sup>st</sup> April 2015	194,295	33,994	4,084	1,152	1,852	110	0	235,487
Additions	10,365	269	2,476	67	52		2,782	16,011
Revaluations recognised in the Revaluation Reserve	10,064	883						10,947
Revaluations recognised in the Surplus / Deficit on the Provision of Services	-3,015	-95						-3,110
De-recognition - disposals and decommissioning	-2,583	-33	-965			-110		-3,691
Transfers	-1,097	520						-577
Other movements	-46,676							-46,676
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>161,353</b>	<b>35,538</b>	<b>5,595</b>	<b>1,219</b>	<b>1,904</b>	<b>0</b>	<b>2,782</b>	<b>208,391</b>
<b>Accumulated Depreciation and Impairment</b>								
Balance at 1 <sup>st</sup> April 2015	-46,676	-1,980	-1,897	0	0	-32	0	-50,585
Depreciation charge	-2,870	-731	-556					-4,157
- Depreciation written out to the Revaluation Reserve	-265	-272						-537
- Depreciation written out to the Surplus / Deficit on the Provision of Services	-2,605	-459	-556					-3,620
Impairments recognised in the Revaluation Reserve	-2,500	-82						-2,582
Impairments recognised in the Surplus / Deficit on the Provision of Services	-5,073	-133	-32					-5,238
De-recognition - disposals and decommissioning	747	4	965			32		1,748
Other movements	46,676							46,676
<b>Balance at 31<sup>st</sup> March 2016</b>	<b>-9,696</b>	<b>-2,922</b>	<b>-1,520</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-14,138</b>
<b>Net Book Value Balance at 1<sup>st</sup> April 2015</b>	<b>147,619</b>	<b>32,014</b>	<b>2,187</b>	<b>1,152</b>	<b>1,852</b>	<b>78</b>	<b>0</b>	<b>184,902</b>
<b>Net Book Value Balance at 31<sup>st</sup> March 2016</b>	<b>151,657</b>	<b>32,616</b>	<b>4,075</b>	<b>1,219</b>	<b>1,904</b>	<b>0</b>	<b>2,782</b>	<b>194,253</b>



***Depreciation***

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

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

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

***Capital Commitments***

At 31<sup>st</sup> March 2017 the Council had entered into a number of contracts for the construction or enhancement of non current assets in future years budgeted to cost £1.890m. Similar commitments as at 31<sup>st</sup> March 2016 were £2.810m.

The major commitments are:

- Bathroom installations to Council Dwellings £0.850m
- Replacement Heating for Council Dwellings £0.420m
- Electrical Testing for Council Dwellings £0.180m
- Replacement Customer Relations Management IT System £0.160m

***Revaluations***

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

The significant assumptions applied in estimating fair values are:

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

	Council Dwellings £'000	Vehicles, Furniture, Plant & Equipment £'000	Other Assets £'000	Total £'000
Historical cost at last valuation	0	5,799	3,004	<b>8,803</b>
Valued at fair value as at:				
31 <sup>st</sup> March 2017	32,142		-1,607	<b>30,535</b>
31 <sup>st</sup> March 2016	161,353	0	4,334	<b>165,687</b>
31 <sup>st</sup> March 2015	0	0	269	<b>269</b>
31 <sup>st</sup> March 2014	0	0	33,732	<b>33,732</b>
31 <sup>st</sup> March 2013	0	0	104	<b>104</b>
<b>Total</b>	<b>193,495</b>	<b>5,799</b>	<b>39,836</b>	<b>239,130</b>

**11b. ASSETS HELD FOR SALE**

	2016/2017 £'000	2015/2016 £'000
Balance at start of year	1,251	1,003
Assets newly classified as held for sale	165	283
Assets de-classified as held for sale	-800	-5
Revaluation gains	34	0
Assets sold	-377	-30
<b>Balance at end of year</b>	<b>273</b>	<b>1,251</b>

**12. HERITAGE ASSETS**

The closing value of Heritage Assets is £490,000 (£490,000 in 2015-16).

***Civic Regalia:***

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

**Public Sculptures**

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

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

**Memorials, fountains and village cross**

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

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

**13. INVESTMENT PROPERTIES**

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

	2016/2017	2015/2016
	£'000	£'000
Rental income	-1,806	-1,259
Direct operating expenses	1,128	726
Movement in fair value of investment properties	0	-2,001
<b>Net gain / loss</b>	<b>-678</b>	<b>-2,534</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.

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

	2016/2017 £'000	2015/2016 £'000
Balance at start of year	12,958	10,657
Net gains/losses from fair value adjustments	0	2,001
Additions	3,852	0
Transfers	891	300
<b>Balance at end of year</b>	<b>17,701</b>	<b>12,958</b>

#### 14. INTANGIBLE ASSETS

The Council accounts for purchased software licences as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use. Most assets have a useful life of 5 years. The carrying amount of intangible assets is amortised on a straight line basis.

	2016/2017 £'000	2015/2016 £'000
Balance at start of year:		
- Gross carrying amount	572	437
- Accumulated amortisation	-176	-170
Net carrying amount at start of year	396	267
Additions	410	216
Amortisation	-109	-87
<b>Net carrying amount at end of year</b>	<b>697</b>	<b>396</b>

Balance at end of year:		
- Gross carrying amount	880	572
- Accumulated amortisation	-183	-176
<b>Net carrying amount at end of year</b>	<b>697</b>	<b>396</b>

During the course of the year fully amortised assets with a gross carrying value of £102,000 were written off (£81,000 in 2015-16).

**15. IMPAIRMENT AND REVALUATION**

An impairment charge of £3.361m (£8.184m in 2015-16) was made to the Housing Revenue Account primarily as a result of an element of the Housing capital programme not increasing the book value of Council dwellings. A net revaluation increase in Council dwellings of £18.208m (£7.564m in 2015-16) was posted to the revaluation reserve primarily as a result of the stock valuation discount factor being increased by the Department for Communities and Local Government (DCLG) from 35% to 40%. Both the impairment charge and the housing stock revaluation were conducted in conjunction with the Council's internal Estates service who followed professional guidelines in conducting both exercises.

Impairment charges of £0.335m (£0.166m in 2015-16) were also made to other parts of the Comprehensive Income and Expenditure Statement in the year, as a result of capital investment that had not increased the book value of assets.

**16. FINANCIAL INSTRUMENTS**

The Council has £10.005m of short term investments (£11.515m in 2015-16) that are classified as loans and receivables. Details on debtors are shown in note 18 to the accounts, and these are classified as financial assets carried at contract amounts. The Council has £88.212m of borrowing (£88.212m in 2015-16) that is classified as financial liabilities at amortised cost. Details on creditors are shown in note 20, and these are classified as financial liabilities carried at contract amounts.

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

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

- The fair value of debtors and creditors (as shown in notes 18 and 20) are taken to be the invoiced or billed amount. Consequently these items' carrying value is judged to be not materially different from their fair value
- The fair value of investments is assumed to approximate to its carrying value, as these instruments will mature within the next 12 months
- The fair value of PWLB borrowing is £108.099m compared to its carrying amount including accrued interest of £88.246m. This difference is because the Council's debt portfolio includes a number of fixed rate loans where the interest rate payable is more than the prevailing rates at the balance sheet date. This shows a notional future loss based on economic conditions at the balance sheet date arising from a commitment to pay interest to lenders above current market rates.

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2017, are as follows:

	Other significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	Fair Value as at 31st March 2016 £'000
Commercial Units	11,693	562	12,255
Office Units	5,348	0	5,348
Other	0	98	98
<b>Total</b>	<b>17,041</b>	<b>660</b>	<b>17,701</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 no overall fair value gain attributed to these assets for 2016/17 (£2.001m gain in 2015-16).

### Assets held for sale

Assets held for sale are classified in the hierarchy as level 2 and are valued at £0.273m (£1.251m in 2015-16). These assets consist of land items and Council house sales. For both classes of asset there is adequate transactional data to classify them as level 2 in the hierarchy.

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

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

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

	2016/2017 £'000	2015/2016 £'000
Opening Balance	660	475
Total gain / (loss) for the period included in Surplus / Deficit on the provision of services resulting from changes in fair value	0	185
<b>Total</b>	<b>660</b>	<b>660</b>

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

**17. INVENTORIES**

	2016/2017 £'000	2015/2016 £'000
Work in progress	1	26
All other items	16	11
<b>Total</b>	<b>17</b>	<b>37</b>

**18. DEBTORS**

	2016/2017 £'000	2015/2016 £'000
General Government Bodies	1,323	1,438
Other Local Authorities	1,133	1,553
Other Debtors	6,885	6,798
Payments in Advance	53	87
Sub total	9,394	9,876
Provision for impairments	-4,672	-4,290
<b>Total</b>	<b>4,722</b>	<b>5,586</b>

19. CASH AND CASH EQUIVALENTS

	2016/2017 £'000	2015/2016 £'000
Cash and Bank	539	828
Money at call	3,500	1,000
Sub total	4,039	1,828
Bank overdraft	0	0
<b>Total</b>	<b>4,039</b>	<b>1,828</b>

20. CREDITORS

	2016/2017 £'000	2015/2016 £'000
Central Government Bodies	2,124	1,348
Other Local Authorities	1,554	945
Leaseholder Advance and Tenant Prepayments	1,011	1,077
Other Creditors	3,770	4,305
<b>Total</b>	<b>8,459</b>	<b>7,675</b>

21. PROVISIONS

	2016/2017 £'000	2015/2016 £'000
Opening balance	1,938	1,135
Movement to grants & contributions in advance	0	-3
Additional provisions made	25	1,013
Amounts used	-795	-192
Unused amounts reversed	0	-15
<b>Closing balance</b>	<b>1,168</b>	<b>1,938</b>

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



**22. USABLE RESERVES**

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

**23. UNUSABLE RESERVES**

	2016/2017	2015/2016
	£'000	£'000
i. Revaluation Reserve	42,853	26,414
ii. Capital Adjustment Account	87,632	83,893
iii. Deferred Capital Receipts	0	2
iv. Pensions Reserve	-64,019	-53,282
v. Collection Fund Adjustment Account	-462	-1,306
vi. Accumulated Absences Account	-199	-206
<b>Total</b>	<b>65,805</b>	<b>55,515</b>

**i. Revaluation Reserve**

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains realised

This reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2016/2017 £'000	2015/2016 £'000
<b>Balance at start of year</b>	<b>26,414</b>	<b>18,786</b>
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	17,991	8,365
<i>Amount written off to the Capital Adjustment Account</i>		
Difference between fair value depreciation and historical cost depreciation	-880	-537
Accumulated gains on assets sold or scrapped	-672	-200
Sub total	-1,552	-737
<b>Balance at end of year</b>	<b>42,853</b>	<b>26,414</b>

## ii. Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/2017 £'000	2015/2016 £'000
<b>Balance at start of year</b>	<b>83,893</b>	<b>84,281</b>
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation, impairment, and revaluation losses	-8,166	-12,506
Amortisation of intangible assets	-109	-88
Revenue expenditure funded from capital under statute	-829	-1,297
Non-current assets written off as part of the gain / loss on disposal of assets	-2,915	-1,972
Sub total	-12,019	-15,863
<i>Capital financing applied in the year</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,367	1,225
Use of the Major Repairs Reserve to finance new capital expenditure	3,249	2,966
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to capital financing	1,069	1,162
Provision for the financing of capital investment charged against the General Fund and HRA balances	324	336
Capital expenditure charged against the General Fund and HRA balances	8,198	7,048
Sub total	14,207	12,737
Adjusting amounts written out of the Revaluation Reserve	1,551	737
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	2,001
<b>Balance at end of year</b>	<b>87,632</b>	<b>83,893</b>

**iii. Deferred Capital Receipts Reserve**

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

	2016/2017	2015/2016
	£'000	£'000
Balance at start of year	2	4
Transfer to the Capital Receipts Reserve upon receipt of cash	-2	-2
<b>Balance at end of year</b>	<b>0</b>	<b>2</b>

**iv. Pensions Reserve**

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

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

	2016/2017	2015/2016
	£'000	£'000
Balance at start of year	53,282	61,944
Re-measurement of the net defined benefit liability / asset	8,716	-11,025
Reversal of Items relating to retirement benefits debited or credited to the Surplus / Deficit on the Provision of Services	5,247	5,722
Employer's pension contributions payable in the year	-3,226	-3,359
<b>Balance at end of year</b>	<b>64,019</b>	<b>53,282</b>

**v. Collection Fund Adjustment Account**

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

	2016/2017 £'000	2015/2016 £'000
Balance at start of year	1,306	1,030
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	-844	276
<b>Balance at end of year</b>	<b>462</b>	<b>1,306</b>

**vi. Accumulated Absences Account**

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

	2016/2017 £'000	2015/2016 £'000
Balance at start of year	206	201
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	-7	5
<b>Balance at end of year</b>	<b>199</b>	<b>206</b>

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

The cash flows for operating activities include the following items:

	2016/2017 £'000	2015/2016 £'000
Interest received	-102	-124
Interest paid	3,164	3,172

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

	2016/2017 £'000	2015/2016 £'000
Depreciation	4,470	4,156
Impairment and downward valuations	3,696	8,350
Movement in the market value of investment properties	0	-2,001
Amortisation	109	88
Change in Creditors	1,069	-1,111
Change in Debtors	78	-80
Change in Inventories	20	-21
Movement in Pension Liability	2,020	2,364
Carrying amount of non current assets sold or disposed	2,915	1,972
Other non cash items charged to the deficit on the provision of services	-756	805
<b>Non cash movements</b>	<b>13,621</b>	<b>14,522</b>

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

	2016/2017 £'000	2015/2016 £'000
Proceeds from the sale of non current assets	-3,520	-2,346
Capital grants for non current assets charged through revenue	-352	-373
<b>Non cash movements</b>	<b>-3,872</b>	<b>-2,719</b>

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

	2016/2017 £'000	2015/2016 £'000
Purchase of property, plant and equipment, investment property and intangible assets	-16,084	-15,669
Purchase of short term and long term investments	-26,000	-43,500
Proceeds from the sale of non-current assets	3,520	2,346
Proceeds from short term and long term investments	27,500	43,000
Other receipts from investing activities	990	327
<b>Net cash flows from investing activities</b>	<b>-10,074</b>	<b>-13,496</b>

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

	2016/2017 £'000	2015/2016 £'000
Receipts from financing activities	1,013	2,653
Cash payments for the reduction of outstanding liabilities relating to finance leases and deferred liabilities	-228	-228
<b>Net cash flows from financing activities</b>	<b>785</b>	<b>2,425</b>

**27a. EXPENDITURE AND FUNDING ANALYSIS**

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

Service Area	Net Expenditure Chargeable to the General Fund & HRA £'000	Adjustments Between the Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income and Expenditure £'000
<b>2016-17</b>			
Leisure and Wellbeing	4,302	133	4,435
Housing and Inclusion	1,609	-1,136	473
Housing Revenue Account	0	-7,310	-7,310
Corporate Services	2,654	1,479	4,133
Development & Regeneration	864	86	950
Street Scene	4,978	307	5,285
Other Services	-498	530	32
<b>Net Cost of Services</b>	<b>13,909</b>	<b>-5,911</b>	<b>7,998</b>
Other Income & Expenditure	-12,957	3,208	-9,749
<b>Surplus or Deficit</b>	<b>952</b>	<b>-2,703</b>	<b>-1,751</b>
<b>Opening balances &amp; reserves</b>	<b>-15,588</b>		
<b>Closing balances &amp; reserves</b>	<b>-14,636</b>		
<b>2015-16</b>			
Leisure and Wellbeing	4,561	115	4,676
Housing and Inclusion	1,643	-1,277	366
Housing Revenue Account	0	-3,061	-3,061
Corporate Services	2,821	1,191	4,012
Development & Regeneration	1,203	288	1,491
Street Scene	4,909	445	5,354
Other Services	-519	682	163
<b>Net Cost of Services</b>	<b>14,618</b>	<b>-1,617</b>	<b>13,001</b>
Other Income & Expenditure	-15,484	5,108	-10,376
<b>Surplus or Deficit</b>	<b>-866</b>	<b>3,491</b>	<b>2,625</b>
<b>Opening balances &amp; reserves</b>	<b>-14,722</b>		
<b>Closing balances &amp; reserves</b>	<b>-15,588</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. 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.

	2016-17 Adjustments				
	Pensions	Capital	Other	Internal	Total
	£'000	£'000	£'000	£'000	£'000
Leisure and Wellbeing	149			-16	133
Housing & Inclusion	101			-1,237	-1,136
Housing Revenue Account	313			-7,623	-7,310
Corporate Services	-832			2,311	1,479
Development & Regen.	130			-44	86
Street Scene	47			260	307
Other Services				530	530
Other Income & Expenditure	2,113	-3,874	-850	5,819	3,208
<b>Surplus or Deficit</b>	<b>2,021</b>	<b>-3,874</b>	<b>-850</b>	<b>0</b>	<b>-2,703</b>

	2015-16 Adjustments				
	Pensions	Capital	Other	Internal	Total
	£'000	£'000	£'000	£'000	£'000
Leisure and Wellbeing	177			-62	115
Housing & Inclusion	126			-1,403	-1,277
Housing Revenue Account	398			-3,459	-3,061
Corporate Services	-820			2,011	1,191
Development & Regen.	159			130	289
Street Scene	68			377	445
Other Services				682	682
Other Income & Expenditure	2,256	846	281	1,724	5,107
<b>Surplus or Deficit</b>	<b>2,364</b>	<b>846</b>	<b>281</b>	<b>0</b>	<b>3,491</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 projects reserve.

***Pensions Adjustment***

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

***Other Adjustments***

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

***Internal***

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

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

27b. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016/2017	2015/2016
	£'000	£'000
<b><i>Expenditure</i></b>		
Employee benefit expenses	15,194	15,743
Other services expenses	53,338	52,487
Support service recharges	11,975	11,143
Depreciation, amortisation and impairment	8,275	12,593
Interest payments	3,164	3,168
Precepts	550	489
Payments to Housing Capital Receipts Pool	830	859
Gain on the disposal of assets	-603	-374
Total expenditure	92,723	96,108
<b><i>Income</i></b>		
Fees, charges and other service income	39,140	37,608
Interest and investment income	91	123
Income from council tax and NDR	20,154	18,608
Government grants and contributions	35,089	37,144
Total income	94,474	93,483
<b>Surplus or Deficit on Provision of Services</b>	<b>-1,751</b>	<b>2,625</b>

**28. TRADING OPERATIONS**

**Trading Services**

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

**Direct Service Organisations**

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

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

	2016-17 Expenditure £'000	2016-17 Income £'000	2016-17 Deficit/ Surplus(-) £'000	2015-16 Deficit/ Surplus(-) £'000
<b>Trading Services</b>				
Market	240	257	-17	-8
Car Parks	402	667	-265	-388
<b>Total</b>	<b>642</b>	<b>924</b>	<b>-282</b>	<b>-396</b>
<b>DSOs</b>				
Refuse Collection & Street Cleaning	5,005	4,999	6	32
Grounds Maintenance	1,262	1,285	-23	1
Repatriation of balances		-17	17	-33
<b>Deficit / Surplus (-) transferred to I&amp;E Statement</b>	<b>6,267</b>	<b>6,267</b>	<b>0</b>	<b>0</b>

**29. MEMBER ALLOWANCES**

The total allowances and expenses paid in the year were £0.345m (£0.344m in 2015-16).

**30. OFFICER REMUNERATION**

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

Remuneration band	Number of employees	
	2016/17	2015/16
£50,000 - £54,999	4	7
£55,000 - £59,999	2	0
£65,000 - £69,999	1 *	0
£75,000 - £75,999	1 *	0
Total	8	7

\* Includes one off redundancy payment

The Council terminated the contracts of 5 employees in 2016-17 in different service areas incurring liabilities of £0.247m (£0.354m in 2015-16). Four of these cases related to voluntary redundancy (compared to 4 in 2015-16) and the other related to the end of a fixed term contract.

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17 £'000	2015/16 £'000
£0 - £20,000	1	1	12	16
£20,001 - £40,000	1	2	25	50
£40,001 - £60,000	2	0	83	0
£120,001 - £140,000	1	0	127	0
Over £150,000	0	1	0	288
Total	5	4	247	354

In addition to the figures shown above there were also £0.009m of pension strain costs incurred in 2016-17 in relation to a flexible retirement (nil in 2015-16).

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

## West Lancashire Borough Council Statement of Accounts 2016/17

Post Title	Salary £	Expenses £	Compensation for loss of office £	Benefits in Kind £	Total before pensions £	Pension contribution £	Total £
<b><u>2016-17 Remuneration</u></b>							
Chief Executive	110,058	0	0	0	110,058	14,128	<b>124,186</b>
Director of Housing and Inclusion (started Dec 2016)	23,614	0	0	0	23,614	3,235	<b>26,849</b>
Director of Housing and Inclusion (left Dec 2016)	53,571	0	0	0	53,571	7,215	<b>60,786</b>
Director of Leisure and Well Being	78,648	164	0	0	78,812	10,650	<b>89,462</b>
Director of Street Scene (started March 2016)	5,889	0	0	0	5,889	807	<b>6,696</b>
Director of Street Scene (left October 2016)	42,133	0	0	0	42,133	5,648	<b>47,781</b>
Director of Development and Regeneration	71,711	0	0	0	71,711	9,700	<b>81,411</b>
Borough Treasurer	58,370	0	0	0	58,370	7,997	<b>66,367</b>
Borough Transformation Manager and Deputy Director of Housing and Inclusion	58,983	0	0	1,239	60,222	8,013	<b>68,235</b>
Borough Solicitor	61,385	0	0	0	61,385	7,997	<b>69,382</b>
<b><u>2015-16 Remuneration</u></b>							
Chief Executive	92,015	0	0	4,578	96,593	12,360	<b>108,953</b>
Managing Director (People and Places) left in year	82,432	0	99,575	4,164	186,171	199,945	<b>386,116</b>
Director of Housing and Inclusion	69,916	0	0	4,578	74,494	9,540	<b>84,034</b>
Director of Leisure and Well Being	70,131	138	0	4,578	74,847	9,540	<b>84,387</b>
Director of Street Scene	63,720	0	0	4,578	68,298	8,673	<b>76,971</b>
Director of Development and Regeneration	63,305	0	0	4,578	67,883	8,673	<b>76,556</b>
Borough Treasurer	55,688	0	0	0	55,688	7,629	<b>63,317</b>
Borough Transformation Manager and Deputy Director of Housing and Inclusion	56,183	0	0	1,239	57,422	7,629	<b>65,051</b>
Borough Solicitor	56,988	0	0	0	56,988	7,629	<b>64,617</b>

31. EXTERNAL AUDIT COSTS

	2016/2017 £'000	2015/16 £'000
Fees payable in relation to the audit of the accounts and inspection fees	44	44
Fees payable for the certification of grant claims and returns	13	16
<b>Total</b>	<b>57</b>	<b>60</b>

32. GRANT INCOME

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

	2016/2017 £'000	2015/2016 £'000
<i>Credited to Taxation and Non Specific Grants</i>		
Revenue Support Grant	1,576	2,385
New Homes Bonus	1,714	1,369
Council Tax Freeze Grant	0	71
Business Rate Relief	553	658
Business Rates Safety Net	0	218
Other Grants	130	33
<b>Total non ring fenced government grants</b>	<b>3,973</b>	<b>4,734</b>
<i>Credited to Services</i>		
Benefit Payments and Administration	28,019	29,898
Capital Grants	1,082	806
Contributions to Refuse and Cleansing	970	981
Contribution to Highways	68	201
Flooding grants	578	149
Other Grants and Contributions	399	375
<b>Total</b>	<b>31,116</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:

	2016/2017	2015/2016
	£'000	£'000
<i>Grants and Contributions Received in Advance</i>		
Section 106 Agreements	2,299	1,723
Homes and Communities Agency Contributions	314	0
Commuted Sums	179	206
<b>Total</b>	<b>2,792</b>	<b>1,929</b>

### 33. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosures of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

Central Government has significant influence over the general operations of the Council and it is responsible for providing the statutory framework within which the Council operates. It provides the majority of the Council's funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties e.g. council tax. Grants received from the Government are set out in note 32 on grant income.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Member allowances paid in 2016-17 is shown in note 29.

There are 54 Council Members, of whom 10 are also Parish Councillors, 5 are County Councillors, and 1 is a Member of the Fire and Rescue Authority. Precept payments to Lancashire County Council, the Fire and Rescue Authority and the Police Authority are shown in the Collection Fund. The total precepts paid to Parish Councils are shown in note 8 and grant funding of £0.084m (£0.131m in 2015-16) was also provided to them. Details of the payments made to the Lancashire Pension Fund are shown in note 37.



Decisions on the overall level of funding to be provided to Parish Councils are taken by full Council with due regard to procedures for preventing undue influence. Decisions on how this funding pot is allocated to parishes are determined by the Borough Treasurer using a set formula in consultation with a Cabinet Member who is not a Parish Councillor.

Grant payments were also made to a number of voluntary organisations in which Council Members had interests as follows:

- Council for Voluntary Services – £29,250 – 2 Members
- Women’s Refuge – £11,230 – 1 Member
- Dial a Ride - £25,720 – 1 Member
- Homestart - £11,270 – 2 Members

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

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

### **Officers**

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

### **Other Related Parties**

The Council has entered into a long term contractual arrangement with Lancashire County Council and BTLS for the provision of Revenues, Benefits and IT Services worth £3.2m in 2016-17 (£3.2m in 2015-16), and there were payments due by the Council of £299,000 at the year end. The Council also received income of £1.04m (£1.18m in 2015-16) from Lancashire County Council in relation to Refuse and Recycling, Street Cleansing and Highways Maintenance activities, and there was £213,000 owed to the Council on these arrangements at the year end.

Payment of subsidy of £0.39m (£0.40m in 2015-16) was made to West Lancashire Community Leisure Ltd as part of the Council’s Leisure services arrangement. The Council provides the majority of the Trust’s funding and also appoints one out of the Trust’s 6 Board Members.

The Council is an associate member of the Liverpool City Region Combined Authority and paid a membership fee of £21,000 for the year (£21,000 in 2015-16).

**34. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure for the year is shown in the table below (including the value of assets acquired under long term contracts), together with the resources used to finance it.

	2016/2017 £'000	2015/2016 £'000
<b>Opening Capital Financing Requirement</b>	<b>99,043</b>	<b>94,255</b>
<i>Capital Investment</i>		
Property, Plant and Equipment	11,800	16,011
Heritage Assets	0	1
Investment Properties	3,852	0
Intangible Assets	410	216
Revenue Expenditure Funded from Capital Under Statute	829	1,297
<i>Sources of Finance</i>		
Capital Receipts	-1,367	-1,225
Government Grants and Other Contributions	-1,069	-1,162
Direct Revenue Contributions	-11,447	-10,014
Minimum Revenue Provision	-324	-336
<b>Closing Capital Financing Requirement</b>	<b>101,727</b>	<b>99,043</b>
<i>Explanation of Movement in Year</i>		
Increase in underlying need to borrow	2,969	5,069
Movement in other long term liabilities	39	55
Minimum Revenue Provision	-324	-336
Other	0	0
<b>Change in Capital Financing Requirement</b>	<b>2,684</b>	<b>4,788</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.

**35. LEASES**

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

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

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

	2016/2017 £'000	2015/2016 £'000
Not later than one year	375	787
Later than one year and not later than five years	211	324
Later than five years	2	0
<b>Total</b>	<b>588</b>	<b>1,111</b>

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

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

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

	2016/2017 £'000	2015/2016 £'000
Not later than one year	2,067	1,634
Later than one year and not later than five years	2,427	2,702
Later than five years	4,351	2,992
<b>Total</b>	<b>8,845</b>	<b>7,328</b>

**36. OTHER LONG TERM LIABILITIES AND CONTRACTS**

The Council has agreed a 15-year investment programme in its leisure centres through a partnership arrangement with Serco that started in January 2005. This investment will be repaid over the lifetime of the contract.

	2016/2017 £'000	2015/2016 £'000
Balance brought forward	635	580
Leisure trust repayments	-228	-228
Leisure trust investment	267	283
<b>Balance carried forward</b>	<b>674</b>	<b>635</b>

In October 2011 the Council agreed a 10 year contract for the provision of its IT, Revenues and Benefits Services with Lancashire County Council and BTLS, with an annual value of £3.2m. In October 2012 the Council agreed a 5 year contract for vehicle supply and maintenance with Kier Limited with an annual value of just over £1.0m.

**37. DEFINED BENEFIT PENSION SCHEMES**

***Participation in Pension Schemes***

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

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

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

**Transactions Relating to Post-Employment Benefits**

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

	Discretionary Benefits		All Benefits	
	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<i>Cost of Services</i>				
- Current service cost	0	0	3,194	3,518
- Past service cost / gain (-)	0	0	0	0
- Settlements and curtailments	0	0	177	220
<i>Other Operating Expenditure</i>				
- Administration expenses	0	0	66	53
<i>Financing and Investment Income and Expenditure</i>				
- Interest Cost	180	177	6,025	5,667
- Expected return on scheme assets	0	0	-4,215	-3,736
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>180</b>	<b>177</b>	<b>5,247</b>	<b>5,722</b>
<i>Re-measurement of the net defined benefit liability</i>				
- Return on plan assets	0	0	-19,909	-1,899
- Actuarial gains and losses arising on changes in financial assumptions	416	-185	28,625	-9,126
<b>Total post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>596</b>	<b>-8</b>	<b>13,963</b>	<b>-5,303</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	-180	-177	-5,247	-5,722
Actual amount charged against the General Fund Balance for pensions	356	367	3,227	3,358

**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	
	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000
Present value of the benefit obligation	5,580	5,340	207,465	174,940
Fair value of plan assets	0	0	-143,446	-121,657
<b>Net liability</b>	<b>5,580</b>	<b>5,340</b>	<b>64,019</b>	<b>53,283</b>

Reconciliation of the movements in the Fair Value of Scheme Assets	Discretionary Benefits		All Benefits	
	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>	<b>121,657</b>	<b>117,616</b>
Interest on plan assets	0	0	4,215	3,736
Re-measurements	0	0	19,909	1,899
Administration expenses	0	0	-66	-53
Employer contributions	356	367	3,227	3,358
Contributions by scheme participants	0	0	861	872
Benefits paid	-356	-367	-6,357	-5,771
<b>Closing Balance</b>	<b>0</b>	<b>0</b>	<b>143,446</b>	<b>121,657</b>

Reconciliation of Present value of the Scheme Liabilities	Discretionary Benefits		All Benefits	
	2016-17	2015-16	2016-17	2015-16
	£'000	£'000	£'000	£'000
<b>Opening Balance</b>	<b>5,340</b>	<b>5,715</b>	<b>174,940</b>	<b>179,560</b>
Current service cost	0	0	3,194	3,518
Interest cost	180	177	6,025	5,667
Contributions by scheme participants	0	0	861	872
Re-measurement gains and losses	416	-185	28,625	-9,126
Past service costs	0	0	0	0
Settlements and curtailments	0	0	177	220
Benefits paid	-356	-367	-6,357	-5,771
<b>Closing Balance</b>	<b>5,580</b>	<b>5,340</b>	<b>207,465</b>	<b>174,940</b>

An analysis of scheme assets by category is shown below:

Asset category	Sub category	Quoted (Y/N)	31 March 2016 £'000	31 March 2017 £'000
Equities	Consumer Discretionary	Y	6,174	0
	Consumer Staples	Y	7,021	0
	Energy	Y	522	0
	Financials	Y	7,368	0
	Health Care	Y	4,408	0
	Industrials	Y	5,262	0
	Information Technology	Y	7,476	0
	Materials	Y	1,504	0
	Telecommunications	Y	1,008	0
	Utilities	Y	1,006	0
	Bonds	UK corporate	Y	1,746
Overseas corporate		Y	728	1,833
UK fixed gilts		Y	0	275
UK index linked		Y	2,441	2,564
Property	Offices	N	2,455	2,647
	Offices / Warehouses	N	251	264
	Industrial / Warehouses	N	2,869	3,542
	Shops	N	1,456	1,248
	Retail Warehouse	N	2,100	2,078
	Shopping Centre	N	605	578
	Multi Let Commercial Building	N	1,940	2,279
Alternatives	UK private equity	N	1,981	1,626
	Overseas private equity	N	5,334	7,606
	Infrastructure	N	9,706	17,309
	Credit Funds	N	30,566	32,144
	Indirect Property Funds	N	1,677	2,022
	Overseas Pooled Equity Funds	N	9,688	63,419
Cash	Cash and cash equivalents	N	4,293	1,489
	Net current assets	N	72	0
<b>Total</b>			<b>121,657</b>	<b>143,446</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 31st March 2016.

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

	2016/2017	2015/2016
	£'000	£'000
<i>Financial Assumptions</i>		
Rate of inflation	2.3%	2.0%
Rate of increase in salaries	3.8% *	3.5%
Rate of increase in pensions	2.3%	2.0%
Rate for discounting scheme liabilities	2.5%	3.5%
<i>Longevity Assumptions</i>		
Life expectancy of a male / female		
- Current pensioner aged 65	22.6 / 25.2	23.0 / 25.6
- Future pensioner aged 65 in 20 years time	24.9 / 27.9	25.2 / 27.9

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

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

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

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



Sensitivity Analysis	Liabilities £'000	Assets £'000	Deficit £'000
Central	207,465	-143,446	64,019
+ 0.1% discount rate	204,127	-143,446	60,681
+0.1% inflation rate	210,859	-143,446	67,413
+0.1% pay growth	208,138	-143,446	64,692
1 year increase in life expectancy	211,645	-143,446	68,199

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

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

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

The total normal contributions the Council expect to pay to the Pension scheme in the year to 31<sup>st</sup> March 2018 are £3.134m. Expected contributions for Discretionary Benefits in the year to 31<sup>st</sup> March 2018 are £0.356m. The weighted average duration of the defined benefit obligation for scheme members is 16 years, and the duration profile used to determine assumptions is very mature.

## **38. CONTINGENT LIABILITIES AND ASSETS**

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

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

**39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council has adopted CIPFA's Treasury Management Code of Practice, and our Treasury Management policy and strategy (available at [www.westlancs.gov.uk](http://www.westlancs.gov.uk)) set out a framework for the control of risk arising from financial instruments.

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

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

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

Investments are only made with UK based financial institutions with excellent credit ratings and other local authorities. The Council's maximum exposure to credit risk in relation to its investments and money at call of £14.04m cannot be assessed generally as the risk of any institution failing to make payments of interest or repaying the principal sum will be specific to each individual institution. However the Council prioritises minimising risk above maximising its investment returns. Consequently the Council does not expect any losses from defaults on its investments, and this position has been validated by historical experience.

The Council is also exposed to credit risk that it may not recover all of its debtor balances in full from its customers and other parties. Details on debtor balances and the associated bad debt provisions, which are typically based on the age of the debt and experience of default and non-collection, are shown in note 18. The single largest bad debt provision is £2.6m in relation to housing benefit overpayments debt which has been fully provided for given the difficulties involved in collecting this type of liability.

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

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

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

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

Maturity analysis of loans	2016/2017	2015/2016
	£'000	£'000
Between 5 and 10 years	4,411	0
Between 10 and 15 years	4,411	4,411
Between 15 and 20 years	8,821	4,411
Between 20 and 25 years	8,821	8,821
Between 25 and 30 years	8,821	8,821
Between 30 and 35 years	17,642	17,642
Between 35 and 40 years	17,642	17,642
Between 40 and 45 years	17,643	17,643
Between 45 and 50 years	0	8,821
<b>Total</b>	<b>88,212</b>	<b>88,212</b>

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

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates can have a complex impact, and for example an increase in interest rates would have the following effect:

- Borrowing at fixed rates – the fair value of the liabilities will fall. However as borrowings are not carried at fair value then this would not impact on the Surplus or Deficit on the Provision of Services.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the asset will fall

The Council has borrowed from the Public Works Loans Board specifically for HRA self financing. Consequently the £88.212m of loans that have been taken out for HRA self financing are at fixed interest rates and with long maturity periods. An increase of 1% in discount rates would result in a reduction in the fair value of these loans from the current level of £108.099m to £88.975m.

Investment income in 2016-17 was £0.091m based on an average rate of interest earned of 0.389%.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and budget monitoring during the year. This allows any changes to be accommodated, and this analysis will also advise whether any new borrowing taken out should be fixed or variable.

The Council does not have any investments in shares or any financial instruments denominated in foreign currencies. Consequently it does not have any direct risk from movements in stock prices or foreign exchange rates.

**40. TRUST FUNDS**

The Council acts as sole trustee for three trust funds. These funds do not represent assets of the Council and are not included in the balance sheet. There has been negligible expenditure and income on these trust funds over the last 2 years.

The Richard Berry Charity was established in 1906 to provide help for the aged poor in Skelmersdale. The assets of the trust are £4,018 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 £1,701 and there are no liabilities.

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

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

2015/2016		2016/2017	
£'000		£'000	£'000
<b>Expenditure</b>			
-3,578	Repairs and maintenance (note 2)	-3,559	
-8,230	Supervision and management	-7,927	
-348	Rents, rates, taxes and other charges	-401	
-2,966	Depreciation (note 3)	-3,249	
-8,184	Impairment (note 3)	-3,361	
-145	Movement in bad debt provision	-182	
<b>-23,451</b>	<b>Total expenditure</b>		<b>-18,679</b>
<b>Income (note 5)</b>			
24,023	Dwelling rents	23,589	
385	Non-dwelling rents	379	
2,016	Charges for services and facilities	2,021	
88	Contributions towards expenditure	0	
<b>26,512</b>	<b>Total income</b>		<b>25,989</b>
<b>3,061</b>	<b>Net Cost of HRA Services in the Comprehensive Income &amp; Expenditure Statement</b>		<b>7,310</b>
-416	HRA share of Corporate & Democratic Core		-443
-58	HRA share of Pension Past Service Gain/Cost(-)		-40
<b>2,587</b>	<b>Net Income of HRA Services</b>		<b>6,827</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
231	Gain or Loss on Disposal of Non-Current Assets		607
-3,057	Interest payable		-3,057
65	Interest and Investment Income		43
-455	Pensions interest cost and expected return on pensions assets		-411
-12	Pension administration expenses		-15
260	Capital grants and contributions receivable		34
<b>-381</b>	<b>Deficit (-) / Surplus for the year on HRA services</b>		<b>4,028</b>

**MOVEMENT ON THE HRA STATEMENT**

2015/2016		2016/2017	
£'000		£'000	£'000
<b>782</b>	<b>HRA Balances brought forward</b>		<b>782</b>
-381	Surplus or Deficit (-) for the year on the HRA Income and Expenditure Statement	4,028	
2,120	Adjustments between accounting basis and funding basis under statute	-4,205	
1,739	Net change before transfers to or from reserves	-177	
-1,739	Transfers to or from reserves	14	
0	Increase or Decrease in balances in year		-163
<b>782</b>	<b>HRA Balances carried forward</b>		<b>619</b>

**Adjustments between accounting basis and funding basis under statute**

2015/16		2016/17	
£'000		£'000	
-3	Transfers to/from the Accumulated Absences Account		-4
-231	Gain (-) or loss on sale of non-current assets		-607
518	HRA share of contributions to or from the Pensions Reserve		335
-5,807	Capital expenditure funded by the HRA		-7,256
-2,966	Transfer to Major Repairs Reserve		-3,249
	Transfers to and from the Capital Adjustment Account		
8,184	- Impairment (note 3)		3,361
2,966	- Depreciation (note 3)		3,249
-260	- Capital Grants		-34
-281	- Provision for repayment of debt		0
<b>2,120</b>	<b>Total adjustments</b>		<b>-4,205</b>

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**1. The Housing Revenue Account**

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

**2. Repairs and Maintenance**

Details of repairs and maintenance expenditure are as follows:

	2016/2017	2015/2016
	£'000	£'000
Programmed Work (including painting)	1,133	1,141
Repairs	2,426	2,437
<b>Total</b>	<b>3,559</b>	<b>3,578</b>

**3. Capital charges**

An impairment charge of £3.361m (£8.184m in 2015-16) has been made to the HRA in the year. This reflects impairment and revaluation decreases that could not be charged against the Revaluation Reserve. These charges do not affect the bottom line position of the HRA as they are reversed in the Adjustments section of the Movement on the HRA Statement.

Depreciation charges of £3.249m have been made to the HRA to reflect its use of assets (£2.966m in 2015-16). An amount equal to depreciation has then been transferred to the Major Repairs Reserve, which has been used to finance capital expenditure.

**4. Pensions**

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

**5. Rents and Service Charges**

Dwelling rents comprise the total rent income for all Council owned dwellings in the year. The average rent of our dwellings at the end of 2016/17 was £74.93 (on a 52 week basis). This is a decrease of £0.38 over the like for like figure at the end of 2015/16.

The overall 0.5% decrease in average rent is driven by Government policy to reduce rents for general housing stock by 1% in 2016/17 compared to 2015/16, though this effect has been mitigated by a Government approved increase to the rent for sheltered housing stock of 0.9%.

Non-dwelling rents include the rent of garages, garage sites, and miscellaneous plots of housing land. The Council also levies service charges to contribute towards the costs of special services such as Caretakers, door entry systems, sheltered dwellings, and furnished homes.

**6. Rent Arrears and Provision for Bad Debts**

	2016/2017 £'000	2015/2016 £'000
Arrears carried forward	1,153	1,237
Provision for bad debts carried forward	565	505

**7. Movement in the Major Repairs Reserve**

	2016/2017 £'000	2015/2016 £'000
Balance brought forward	0	0
Depreciation Charge	3,249	2,966
Funding for Capital Expenditure	-3,249	-2,966
<b>Balance carried forward</b>	<b>0</b>	<b>0</b>



**8. Housing Stock**

The Council owned an average of 6,028 dwellings (including flats and maisonettes, houses and bungalows) during 2016/2017. The following table shows the changes in stock over the last two years.

	2016/2017	2015/2016
Opening Stock	6,062	6,198
Additions	38	12
Sales	-81	-57
Transfers to / from Assets Held for Sale	7	-13
Demolitions and disposals	-52	0
Other movements	20	-78
<b>Closing Stock</b>	<b>5,994</b>	<b>6,062</b>

An analysis of the housing stock at 31 March 2017 is shown below.

	PRE 1919	1919-44	1945-64	AFTER 1964	TOTAL
<b>Low-Rise Flats</b>					
1 Bedroom	-	-	50	1,030	1,080
2 Bedroom	-	-	105	85	190
3 (or more) Bedroom	-	-	-	10	10
Sub Total	-	-	155	1,125	<b>1,280</b>
<b>Medium-Rise Flats</b>					
1 Bedroom	-	1	1	293	295
2 Bedroom	-	-	-	535	535
3 (or more) Bedroom	-	-	1	117	118
Sub Total	-	1	2	945	<b>948</b>
<b>Houses</b>					
1 Bedroom	2	32	287	260	581
2 Bedroom	33	52	211	242	538
3 Bedroom	9	149	457	1,685	2,300
4 (or more) Bedroom	-	6	5	336	347
Sub Total	44	239	960	2,523	<b>3,766</b>
<b>Totals</b>	<b>44</b>	<b>240</b>	<b>1,117</b>	<b>4,593</b>	<b>5,994</b>

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

	Intangible Assets	Assets held for sale	Council dwellings	Other land / buildings	Assets Under Construction	Other Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening value	32	283	151,658	2,328	1,890	76	156,267
Additions and Enhancements	197		10,649	7			10,853
Disposals		-283	-2,450				-2,733
Depreciation	-20		-3,159	-30		-43	-3,252
Revaluation and Impairment			14,846				14,846
Transfers		145	1,894	-731	-1,890	582	0
<b>Closing value</b>	<b>209</b>	<b>145</b>	<b>173,438</b>	<b>1,574</b>	<b>0</b>	<b>615</b>	<b>175,981</b>

**10. Vacant Possession Value of Council Dwellings**

The vacant possession value of dwellings on the 1st April 2016 was £428.3m (£432.8m at 1<sup>st</sup> April 2015). The difference between the vacant possession value and balance sheet value of dwellings within the HRA reflects the economic cost to the Government of providing Council housing at less than open market rents.

**11. Sources of Funding for HRA Capital Expenditure**

	2016/2017	2015/2016
	£'000	£'000
Major Repairs Reserve	3,249	2,966
HRA Revenue Contribution	7,256	5,807
Internal Borrowing	0	3,124
Capital Grants	34	260
Capital Receipts	314	98
<b>Total</b>	<b>10,853</b>	<b>12,255</b>

**12. Capital Receipts**

The value of receipts on disposals of HRA assets were £3.344m in the year (£2.169m in 2015-16).

COLLECTION FUND STATEMENT

2015-16			2016-17	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
<b>INCOME</b>				
31,671	54,001	Income due in year (notes 2 & 3)	31,734	56,317
1,554	125	Contributions to previous year deficits (note 4)	1,377	0
0	0	Transitional Protection Payments	315	0
<b>33,225</b>	<b>54,126</b>	<b>Total income</b>	<b>33,426</b>	<b>56,317</b>
<b>EXPENDITURE</b>				
Precepts, Demands and Shares				
15,609	0	- Central Government	16,150	0
14	0	- Transitional Protection Payments	0	0
12,487	6,654	- West Lancashire Borough Council	12,920	6,903
2,809	37,947	- Lancashire County Council	2,907	39,970
312	2,178	- Lancashire Combined Fire Authority	323	2,228
0	5,342	- Lancs Police & Crime Commissioner	0	5,519
0	0	Contributions from previous year surpluses (note 4)	0	288
Charges to Collection Fund				
481	1,177	- Impairment of debts – write offs and provisions	837	976
2,334	0	- Change in provision for appeals	-1,819	0
133	0	- Cost of Collection Allowance	132	0
<b>34,179</b>	<b>53,298</b>	<b>Total expenditure</b>	<b>31,450</b>	<b>55,884</b>
<b>-954</b>	<b>828</b>	<b>Movement on Fund Balances</b>	<b>1,976</b>	<b>433</b>
<b>-2,584</b>	<b>29</b>	<b>Opening Fund Balances</b>	<b>-3,538</b>	<b>857</b>
<b>-3,538</b>	<b>857</b>	<b>Closing Fund Balances</b>	<b>-1,562</b>	<b>1,290</b>

**NOTES TO THE COLLECTION FUND**

**1. The Collection Fund Account**

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

**2. Council Tax**

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

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

The council tax base for 2016/2017 was 34,020.96 (33,587.59 in 2015/16) Band D equivalent properties calculated as follows:

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
A	8,684.27	6/9	5,789.51
B	6,427.60	7/9	4,999.24
C	7,738.60	8/9	6,878.75
D	6,037.64	1	6,037.64
E	4,283.05	11/9	5,234.82
F	2,249.18	13/9	3,248.82
G	1,434.11	15/9	2,390.18
H	68.16	2	136.32
<b>Total Relevant Amount</b>			34,715.28
<b>Estimated Collection Rate</b>			98%
<b>Council Tax Base</b>			34,020.96

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

NNDR is the business rate and is organised on a national basis. The Government specifies an amount (49.7p in 2016/17 and 49.3p in 2015/16) and, subject to the effects of transitional arrangements and mandatory and discretionary reliefs, local businesses pay rates calculated by multiplying that amount by their rateable value.

The NNDR income after reliefs and discounts was £31.734m for 2016/2017 (£31.671m for 2015/16). The rateable value for the Council's area at the end of the financial year 2016/17 was £81.563m (£81.337m for 2015/16).

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

### 4. Surplus and Deficit on Collection

The final outturn on Council Tax operations shows a surplus of £1.290m, which compares with the estimated surplus of £0.923m declared in January 2017 and which will be distributed in 2017-18.

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.

	2016/2017 Surplus £	2015/2016 Deficit £
Lancashire County Council	209,451	-91,032
Lancashire Police Authority	29,488	-12,816
Lancashire Fire Authority	12,024	-5,231
West Lancashire Borough Council	36,725	-16,265
<b>Total</b>	<b>287,688</b>	<b>-125,344</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.

	2016/2017 Deficit £	2015/2016 Deficit £
Central Government	-688,341	-777,141
West Lancashire Borough Council	-550,673	-621,713
Lancashire County Council	-123,901	-139,885
Lancashire Fire Authority	-13,767	-15,543
<b>Total</b>	<b>-1,376,682</b>	<b>-1,554,282</b>

## 5. Lancashire Business Rates Pool

The Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

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

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

With regard to this Council, the retained levy would be £482,066, hence under pooling we have benefited from extra income of £433,859. Lancashire County Council has received the remaining 10% of the retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £2,000 is payable by each pool member to Ribble Valley Borough Council in their role as lead.

In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

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

## West Lancashire Borough Council Statement of Accounts 2016/17

Lancashire Business Rates Pool Members 2016/17	Authority Type	In-Year Transactions Relating to Tariffs and Top-Ups £	Retained Levy on Growth 2016/17 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2016/17 £
Burnley Borough Council	Tariff	7,173,471	-678,064	67,806	-610,258
Chorley Borough Council	Tariff	7,856,662	-918,171	91,817	-826,354
Hyndburn Borough Council	Tariff	5,063,238	-305,161	30,516	-274,645
Pendle Borough Council	Tariff	4,093,827	-530,870	53,087	-477,783
Ribble Valley Borough Council	Tariff	4,361,492	-376,131	37,613	-338,518
Rosendale Borough Council	Tariff	3,305,780	-400,847	40,085	-360,762
South Ribble Borough Council	Tariff	11,954,757	-1,116,335	111,633	-1,004,702
West Lancashire Borough Council	Tariff	9,633,376	-482,066	48,207	-433,859
Wyre Borough Council	Tariff	7,352,522	-319,521	31,952	-287,569
Lancashire County Council	Top-Up	-140,072,421	0	-512,716	-512,716
Central Government	-	79,277,296	0	0	0
<b>Total</b>		<b>0</b>	<b>-5,127,166</b>	<b>0</b>	<b>-5,127,166</b>

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

## GLOSSARY OF TERMS

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

### Accounting Policies

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

### Accruals

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

### Actuary

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

### Actuarial Gains and Losses

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

### Amortisation

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

### Appropriation

A contribution to or from a financial reserve.

### Balances (Or Reserves)

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

### Budget

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

### Capital Expenditure

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

### Capital Receipts

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



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

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

### Collection Fund

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

### Community Assets

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

### Consistency

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

### Contingency

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

### Corporate and Democratic Core

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

### Council Tax

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

### Creditors

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

### Current Assets

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

### Current Liabilities

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

### Current Service Cost (Pensions)

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

### Debtors

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

### Deferred Credits

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

### Defined Benefit Scheme

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

### Depreciation

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

### Direct Revenue Financing

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

### Emoluments

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

### Estimation Techniques

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

### Events after the Balance Sheet Date

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

### Exceptional Items

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

### Expected Rate of Return on Pensions Assets

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

### Fair Value

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

### Financial Instruments

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

### Finance Lease

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

### Financial Reporting Standards (FRSs)

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

### Financial Year

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

### General Fund

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

### Going Concern

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

### Government Grants

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

### Heritage Assets

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

### Historic Cost

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

### Housing Revenue Account (HRA)

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

### Impairment

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

### Infrastructure Assets

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

### Intangible Assets

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

### Inventories

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

### Investments

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

### Investment Properties

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

### Leasing

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

### Liquid Resources

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

### Materiality

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

### Minimum Revenue Provision (MRP)

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

### Non Domestic Rates (NDR)

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

### Net Book Value

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

### Net Current Replacement Cost

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

### Net Realisable Value

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

### Non-Current Assets

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

### Non-distributable Costs

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

### Non-Operational Assets

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

### Operating Leases

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

### Operational Assets

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

### Past Service Cost

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

### Post Balance Sheet Events

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

### Precept

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

### Principal

The amount of money borrowed, not including interest charges.

### Prior Year Adjustments

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

### Projected Unit Method

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

### Provision

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

### Prudence

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

### Prudential Code for Capital Finance

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

### Public Works Loan Board (PWLB)

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

### Related Parties

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

### Related Party Transactions

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

### Reserves

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

### Residual Amount

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

### Retirement Benefits

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

### Revenue Expenditure

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

### Revenue Expenditure Funded from Capital Under Statute

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

### Revenue Support Grant (RSG)

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

### Scheme Liabilities

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

Specific Grants

Government grants for a particular service.

Statement of Recommended Practice – (SORP)

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

Tangible Non-Current Assets

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

Total Cost

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

Total Net Worth

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

Useful Life

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