

Statement of Accounts

For the year ended 31 March 2019






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Introduction to the 2018/19 Statement of Accounts

Councillor Anne Whitehead

Cabinet Member for Finance, Revenues & Benefits, Performance Management and Community Wealth Building

The council continues to operate in a difficult financial climate, as central government funding to local authorities continues to be reduced. In spite of this, the council is committed to making the most of the district's many attributes as a great place to live, work and visit and to caring for and improving the lives of all our residents. Significant achievements this year include:

- Completion of the Morecambe Wave Reflection Wall to help prevent flooding
- Support for the development of the Eden Project North in Morecambe
- Submitting the Local Plan to guide housing development until 2031
- Reducing the time council houses remain empty by nearly 60%
- Bringing back in house the management of our museums

We have set a balanced budget for 2019/20 which has protected front line services, maintained full council Tax Support to the most vulnerable and introduced additional resources to meet council priorities in the areas of anti-social behaviour, CCTV, food poverty and support for park improvements. We increased council tax by 2.99% in order to provide services to all of our residents and to meet the challenges of the future.

The council's Medium Term Financial Strategy highlights a budget gap in excess of £2M from 2020/21 onwards. However, it importantly sets out ambitious plans to meet this gap with its Funding the Future Strategy, which will look to make savings from a rigorous pursuit of efficiency, increased commercialism and carefully risk managed property investments in the Lancaster district.

Work has commenced on a revised approach to capital expenditure in support of key corporate projects such as Canal Quarter, Heysham Gateway and Bailrigg Garden Village. A Member and Officer Capital Strategy Group will oversee the effective implementation and monitoring of key capital projects which will arise from the Economic Growth Plan and Climate Change Action Plan.

Business rates retention continues to be an uncertain source of funding for the council which carries a significant risk associated with the Heysham Nuclear Power Station. However, the delivery of successful projects such as Canal Quarter and Heysham Gateway provide an opportunity for the council to benefit from business rates growth and direct this financial benefit towards projects and services which benefit the Lancaster district and its communities.

I would like to take this opportunity to thank all of our officers who have worked throughout the year to balance the council's budget, deliver savings and provide value for money, in addition to closing the accounts so promptly and to such a high standard. The council's Medium Term Financial Strategy aims to provide a positive response to Lancaster's financial challenges as an alternative to managing decline. By focussing on financial resilience and proactive management, we will continue to protect and enhance service provision.



Narrative Report of the Chief Financial Officer

Introduction

This Statement of Accounts presents the financial results of the council's activities for the year ended 31 March 2019 and provides a picture of the council's overall financial position as at that date. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The purpose of the narrative report is to give the reader an understanding of the most significant matters reported in the accounting statements, as well as a review of the council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

The narrative report is structured as follows:

- An Introduction to Lancaster District
- Lancaster City Council Plan and Ambitions 2018-2022
- Financial Performance
- Treasury Management
- Pension Fund Liability
- Local Taxation
- Strategic Risk Register
- Rising to the Challenge
- Road to Ambition
- Prior Period Adjustments
- Accounting Policy Changes
- Explanation of Accounting Statements

An Introduction to Lancaster District

The historic and cultural capital of Lancashire, Lancaster is the most northerly district in Lancashire. The district has a population of around 140,000 with approximately 100,000 living in the main urban areas of Lancaster, Morecambe and Heysham. The remainder reside in an extensive rural area, which includes the market town of Carnforth and parts of the Arncliffe/Silverdale and Forest of Bowland Areas of Outstanding Natural Beauty.

The district is located on the main north/south transport corridor with good accessibility by road and rail to most of the country via the M6 motorway and the West Coast main railway line. Completion in 2016 of a new road link from the M6 to the Heysham peninsula has radically improved accessibility to Morecambe and key employment sites in Heysham, whilst providing some traffic relief to Lancaster and Carnforth. These good links make it an attractive area to live in for people working across the North and North West.

As home to the top ten ranked Lancaster University and the main campus of the University of Cumbria, the district has a strong academic focus and capitalising on this strength is a key economic priority.

Our Economy

The Lancaster District has a strong economy and enormous potential for further economic growth. Key economic assets for the region include Heysham 1 and 2 nuclear power stations, the expanding port of Heysham, the visitor and tourist economy, and arts and culture. The visitor economy is focused on the City of Lancaster's cultural assets and Morecambe Bay's outstanding natural environment and traditional seaside destination.

Our Achievements

Our Salt Ayre Leisure Centre continues to place itself at the heart of the local community playing a big role in getting people healthy and active, and this year they have seen record visitor numbers. In recognition of this success they have received several national and local awards and nomination, including:

- **Bay Business Awards** – Health & Beauty facility, Leisure Venue of the Year, and Health & Fitness Centre of the Year (Winner)
- **UKActive** – New Concept, Build and Design of the Year – (Winner)
- **National Sport & Leisure Catering Awards** – runner up to the Etihad Stadium
- **APSE** – Best Public / Private Sector Partnership and Efficiency & Transformation initiative
- **Lancaster & Morecambe College** – Apprentice of the Year - Georgia Parish (Runner Up)

Lancaster City Council continues to support the work of the district's Voluntary & Community sector through its commissioning scheme, allocating £264K during 2018/19 across six local partner organisations. The scheme is aligned with the council's Ambitions for 2018-22 and shared goals with our Voluntary & Community sector partners, aimed at achieving outcomes including:

- Supporting residents with managing the impact of welfare reforms
- Improving residents' quality of life and independence
- Providing efficient, joined-up information and advice through partnership working
- Building capacity and resilience in the Voluntary & Community sector through supporting volunteering initiatives
- Engaging local communities in the work of the Voluntary & Community sector
- Facilitating smaller Voluntary & Community sector initiatives through the Lancaster Community Fund

2018/19 saw the completion of the Morecambe Wave Reflection Wall providing flood protection for not only 11,400 residential properties, it also:

- Reduces the risk of flooding to 2,246 commercial properties
- Reduces the risk of flooding to major highway and promenade infrastructure, and;
- Safeguards the local economy

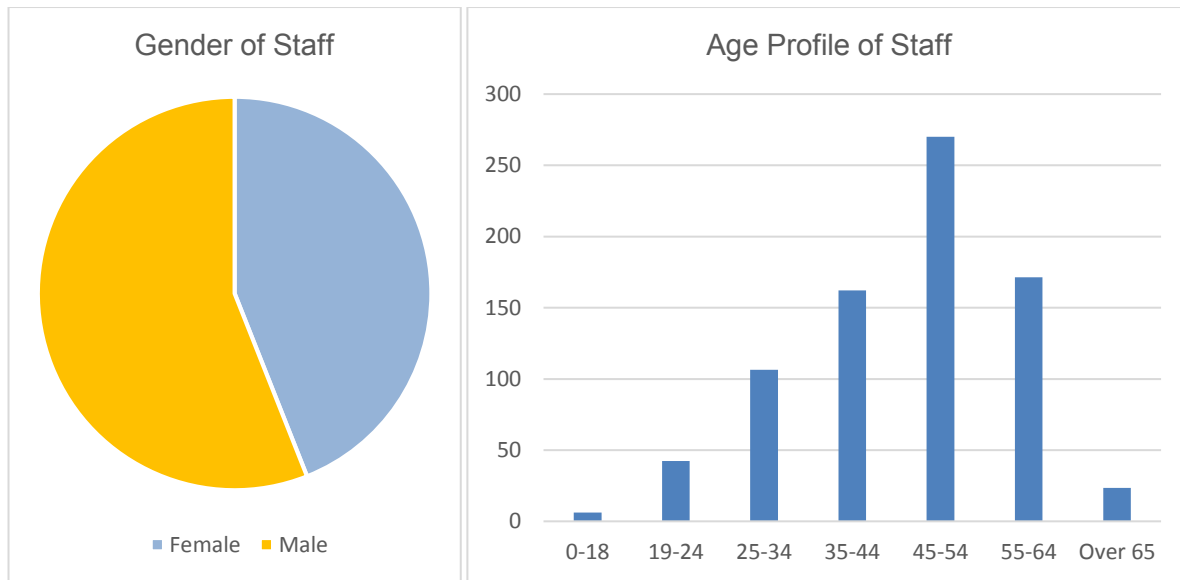
The project was funded by £10.8M central government grant-in-aid funding and led by Lancaster City Council in partnership with the Environment Agency. The project was highly commended in the 'community' category, at the ICE Civil Engineering Awards.

The councils Housing Voids Team achieved a reduction in average empty property re-let time from 66 days to 26 days, due to a combination of reduced volumes and faster turnaround. This has realised a decrease in void rent loss from 2.6% to 1.5% equating to £143K additional rental income in 2018/19.

In October we successfully brought back in house the management of our museums recognising their important place as part of the heritage and cultural offer in our nationally recognised heritage city. Our events programme continues to be a great success and has seen thousands of people attending various attractions and activities such as the Vintage, Light Up Lancaster and Highest Point festivals.

Our People

Lancaster City Council is a significant employer within the local area and employs approximately 783 people in full-time or part-time positions, reflecting the diversity of the residents of the City.



Recognising the age profile and that a number of key staff may soon reach retirement, the council continues to invest and develop its staff through exciting initiatives such as the recently established Lancaster Leadership Academy as well as various service specific training modules. The council now employs 12 apprentices across a wide range of roles from human resources, to joinery and motor mechanics.

Our Achievements

Now in its third year the council's Celebrating Success awards provided a great opportunity to recognise the hard work and achievements of our colleagues with over 70 nominations received. The event was attended by over 130 people and provided recognition for long service and satisfactory completion of apprenticeships and Institute of Leadership and Management course.

Employees are entitled to up to 2 hours paid leave to give blood or litter pick. Over 35 employees attended the initial blood donation launch, many continuing to attend throughout the year with over 100 litres of blood currently donated.

Bra Banks introduced at the Town Halls have so far collected 17 bin bags of bras to go towards the 'Against Breast Cancer' charity.

Lancaster City Council employees came 1st place nationally in the September Cycle Challenge 2018. Winning a bike rack which now provides the public with somewhere to secure their bike when visiting Lancaster Town Hall.

Public Realm Manager, Will Griffith, won the 'rising star' category at the annual Local Government Chronicle awards for his dedication towards public service, his business acumen, innovation and commitment to putting customers first.

Lancaster City Council Plan and Ambitions 2018-2022

The council continues to develop innovative strategies and solutions to ensure that we are in a strong position to respond to the challenges we face as an organisation. In July 2018 the council adopted its council Plan 2018-22, setting out its four Ambitions for the four year period. Each Ambition is supported by performance measures to evaluate success in key areas.



A Thriving and Prosperous Economy

Our Priorities | We want to...

- Create strong conditions for growth so that businesses thrive and jobs are created
- With our partners, deliver major regeneration and infrastructure projects
- Support development of new skills and improved prospects for our residents
- Ensure that growth is good for all, and increased wealth benefits our local communities
- Work with partners to drive growth and achieve major investment across the Lancaster and South Cumbria Economic Region

Measure	Target	Achieved
Percentage of major planning applications determined within 13 weeks or agreed time	60%	100%
Percentage of other planning applications determined within 8 weeks or agreed time	70%	98.39%
Percentage of minor planning applications determined within 8 weeks or agreed time	70%	98.87%
Number of empty properties brought back into use	60	60
Number of affordable homes delivered	60	53



Sustained high performance in determining planning applications



Supported and participated in the establishment of the Lancaster District Place Board to drive promotion of and investment in the district



Submitted our Local Plan for development up to 2031 for examination by the Planning Inspectorate



Delivered joint initiatives with partners across the business community, including the highly successful Lancaster on Ice



Developed plans for enhanced digital capacity across the district



Ambitious plans continue to progress for regeneration and development across the district: Lancaster's Canal Quarter, Eden Project North in Morecambe, Bailrigg Garden Village and Heysham Gateway



Clean, Green and Safe Neighbourhoods

Our Priorities | We want to...

- Deliver, work in partnership and influence to make our district's neighbourhoods, parks, beaches and open space clean, well-maintained and safe
- Work towards key parks and public spaces becoming financially self-sustaining
- Use innovation, technology and partnership with others to help improve the efficiency of services, improve customer satisfaction and reduce our impact on the environment

Measure	Target	Achieved
Number of fly tipping reports actioned within 5 days	500	1,103
Total number of subscriptions to the garden waste scheme	24,000	17,132
Diesel consumption in council fleet vehicles (Litres)	486,912	467,892.5
Public exposure to air pollution at roadside (micrograms of pollutant per metre cubed)	37.2	31.4
Public exposure to air pollution away from roads (micrograms of pollutant per metre cubed)	16.50	13.90



Three Green Flag awards for the first time in the district: Williamson Park, Happy Mount Park and Ryelands Park, thanks to partnership working with community groups and volunteers



National recognition through LGC 'Rising Star' award for Public Realm Manager



Continued reduction in diesel consumption due to adoption of electric vehicles



Tough action on fly-tipping and its causes through Operation Peregrine, targeting offenders and their vehicles



Declared a Climate Emergency and began taking steps towards carbon neutrality by 2030



Launched a Plastic Waste Reduction initiative with partners, including the installation of water fountains to reduce single-use plastic bottles

Healthy and Happy Communities

Our Priorities | We want to...

- Work with others to address health inequality, food and fuel poverty, mental health, loneliness
- Enhance community cohesion
- Improve access to arts and leisure, meaningful work, public open space, quality housing
- Protect and improve health focussing on early intervention and involving our communities in service design and delivery



Measure	Target	Achieved
Number of people statutorily homeless	100	41
Number of disabled facilities grants completed	200	387
Number of properties where 'category 1 hazards' have been eliminated	100	122
Percentage of premises scoring 4 or higher on the food hygiene rating scheme	90%	91%
Percentage of high-risk food hygiene inspections completed	100%	93.30%
Total number of admissions to Salt Ayre Leisure Centre	737,740	848,792
Time taken to re-let council houses (Days)	38	23.07
Number of people recorded as sleeping rough	2	4



Consistent decrease in number of people recorded as statutorily homeless in 2017/18



Transformational investment in Salt Ayre Leisure Centre continues to deliver community benefits, with increase from 747,301 admissions in 2017/18



Increased number of homes improved via Disabled Facilities Grants from 232 in 2017/18



Process review of council housing re-lets reduced process time from 63.13 days to 23.07 days, resulting in significant financial benefit as well as bringing homes back into use swiftly



Participated in the Morecambe Bay Poverty Truth Commission to understand and address the causes of deprivation in our district



Continued to increase the proportion of businesses with a food rating of 4 or higher out of 5



A Smart and Forward-Thinking Council

Our Priorities | We want to...

- Be customer-focused and customer-friendly
- Ensure our future financial resilience and be financially sustainable
- Use business intelligence to design our organisation to respond to needs
- Use digital and other technology to provide quality services
- Use our land and other property to benefit our communities

Measure	Target	Achieved
Number of followers on Lancaster City Council's Twitter Page	9,000	12,286
Average number of days of sickness absence per full time employee	7	7.6
Occupancy rates for all commercial properties (including estate shops)	100%	95.6%
Average days taken to process new housing benefit and council tax claims	23	32.76



Restructured Executive Team to successfully deliver Ambitions alongside newly elected administration



Expanding community reach and promotion of services and events through social media



Adopted Investment Strategy in December 2018 to secure long-term funding streams



Agreed our financial resilience strategy, Funding the Future, based on four key elements:

- Zero-Based Budgeting
- Pursuing Efficiency with Rigour
- Developing and Implementing a Commercial Strategy
- Investing for a Return or to Save on Cost



Continued to develop strong partnerships with key stakeholders across sectors, including two Universities, public sector partners, the Lancaster District Chamber of Commerce and the Lancaster and Morecambe Business Improvement Districts



Developed plans to build professional agility and digital capability across the organisation by reinventing our delivery models and practices

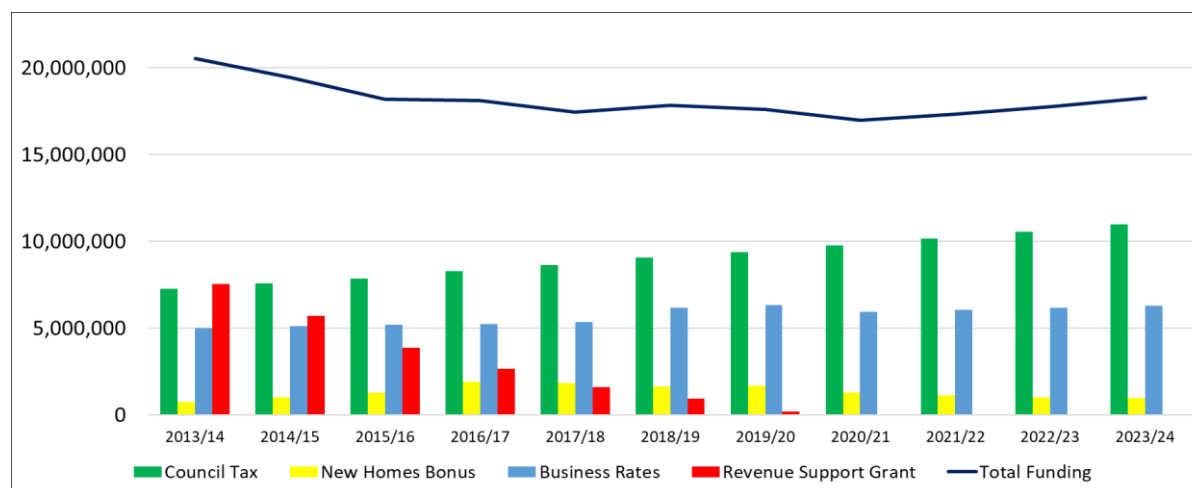
Financial Performance

Economic Climate

In common with the rest of local government austerity measures remain the largest financial challenge for the council with a steady reduction in the Government's Revenue Support Grant from £941K in 2018/19 to £200K in 2019/20 before it is phased out altogether. There are other significant areas of uncertainty including proposed reductions in New Homes Bonus allocations and the outcomes of the Government's Fair Funding Review. As a result of these reductions and uncertainties there is increased pressure to increase Council Tax as well as realising significant budget savings. Recent changes to the Business Rates system has enabled local authorities to retain a higher proportion of local business rates.

The chart below provides details of changes to council funding:

Major Sources of Council Funding



General Fund

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the council provides, with the exception of council housing. The General Fund Revenue Budget for 2018/19 was approved by council 28 February 2018 and in total the council planned to spend £16.204M (£15.839M 2017/18) delivering services. This spending was to be financed by Government grants, Council Tax and Business Rate income, as well as income derived from fees and charges.

Our Council Tax, (excluding other major preceptors) was set at £220.36 for a Band D equivalent property, representing an increase of £6.39 or 2.99% from 2017/18.

Year End Position

Despite the financial challenges faced by the council outlined above, the financial standing of the council remains robust, demonstrating sound financial management.

The table below provides details of the General Fund revenue income and expenditure for 2018/19 and variances for each service area. The format has been amended from previous years with the removal of various accounting entries such as internal recharging and notional items such as pension adjustments and capital charges.

The net underspend on the General Fund was £647K, which has been transferred into the General Fund unallocated reserve.

	2018/19			Remove	Variance
	Original	Working	Actual	Reserve	from
	Budget	Budget		Funded	Working
	£000	£000	£000	Variances	Budget
				£000	£000
Expenditure:					
Central Services	1,815	1,815	1,758	(56)	(113)
Environmental Services	5,666	5,645	5,457	318	130
Governance Services	1,629	1,724	1,702	(50)	(72)
Health & Housing Services	4,026	4,027	3,711	23	(293)
Office of the Chief Executive	270	299	331	(46)	(14)
Other Corporate Income & Expenditure Items	(4,434)	(4,679)	(5,209)	119	(411)
Regeneration & Planning	6,113	6,285	6,531	(249)	(3)
Resources	1,119	1,109	1,276	(59)	108
Contribution to General Fund Balance	-	(21)	647	-	668
NET REVENUE EXPENDITURE	16,204	16,204	16,204	-	-
Funded by:					
Revenue Support Grant	(941)	(941)	(941)	-	-
Retained Business Rates	(6,184)	(6,184)	(6,184)	-	-
Council Tax Payers	(9,079)	(9,079)	(9,079)	-	-
TOTAL FUNDING	(16,204)	(16,204)	(16,204)	-	-

At 31 March 2019, and as a result of outturn, the General Fund's unallocated reserve balance stands at £5.714M which is £4.214M above the £1.5M minimum recommended level. Balances are a fundamental component in protecting the council's financial standing, as well as being an important element in helping to address the council's financial challenges and establishing a sustainable budget, through their appropriate use.

Environmental Services

Car Parking Income (£179K underspend)

The base budget was projected prior to February 2018 and doesn't include a favourable outturn of £48K for 2017/18. Explanations for the remaining additional income include increased numbers of festivals in the district and a general upturn in parking levels which has continued since the opening of the bypass.

Vehicle Repairs & Maintenance (£93K overspend)

Overspend has been incurred due to increased maintenance requirements. Further work is required to link maintenance requirements with the vehicle replacement programme was scheduled but hasn't taken place following the delayed retirement of and subsequent recruitment to the Transport Manager post.

Garden Waste Subscriptions (£55K overspend)

The number of subscriptions dropped by 5.6% however the additional capacity generated was utilised to absorb the impact of new residential developments across the district which has contributed to delaying a new collection round scheduled for April 2019. Prices have been frozen for 2019/20 in order to protect the client base.

Waste Collection Salaries (£53K overspend)

Usually an area of high staff turnover, the target of £93K wasn't achieved due to vastly improved retention rates.

Health & Housing

DFG Admin Fee Income (£137K underspend)

The capital DFG grant has been increasing year on year and for 2018/19 was £1.97M. Grants are allocated and an 18% admin fee is levied. More money has meant an increased number of grant allocations and a subsequent rise in admin fee income. There is some offset to staff overtime, agency costs and IT equipment to deal with the extra volume of work.

HMO Income (£74K underspend)

New HMO legislation from October 2018 resulted in 100+ additional properties for licensing resulting in an additional £74K income. The licences are for 5 years so this will be an exceptional year and it is expected to peak again in 2023/24.

Salt Ayre SPA and Health & Fitness (£96K underspend)

Problems recruiting to and retaining posts including the SPA manager post has resulted in savings. New staffing structure recently implemented is working well and improved performance has been noticed now the new team is established. Gym membership numbers continue to rise following the development and the marketing of the new offer with £33K additional income. This, coupled with savings from the vacant gym manager post, now restructured, has returned the net saving.

Salt Ayre Management & Administration (£80K overspend)

During the 2018/19 budget process, estimates provided by an external company were used by Property Services to reduce the electricity budgets based on expected savings made from the repair of the air handling unit at Salt Ayre. Whilst the centre continues to be as efficient as it can with all utilities, the returned savings have not been as high as expected resulting in a £50K overspend on electricity. In addition to this a rates revaluation has been completed at Salt Ayre which has increased by £30K.

Regeneration & Planning

Development Management (£228K overspend)

An increase in non-fee earning work and reduced level of staffing to carry out building control fee earning work has resulted in an underachievement of income of £35K. Development control has had unforeseeable court costs and appeals in year to the value of £44K. Pre-app and planning fee income has seen a steady decrease in year, potentially due to Brexit uncertainty, with an underachievement of income of £191K.

Economic Development (£81K underspend)

Vintage and Light Up Lancaster, despite the best efforts of officers, have been unable to achieve the full savings target of £22K leaving an overspend of £19K. Economic Initiatives have incurred a £69K underspend due to delays in administering spend. New staff/structure now in place and a carry forward request of £29K has been submitted and will offset the underspend.

Regeneration (£216K underspend)

Engineers R&M budgets are both reactive and planned. Reactive jobs have been lower than estimated and some planned work delayed. This, along with lower capital salary charges and consultancy costs that will be delayed into 2019/20, have resulted in an underspend of £122K. Neighbourhood Planning consultancy expenditure £43K is likely to be delayed into 2019/20.

Service Support (£52K overspend)

Salary turnover target not achieved due to savings being used for interim cover which have out- turned higher than previously estimated.

Resources

Net cost of Housing Benefits Grants (£183K overspend)

There was a reduction in 2018/19 in Housing Benefit Overpayment Recoveries of £285K as the number of claimants and overpayments reduced as more people move across to Universal Credit leaving a net cost of £183K after net spend on benefits awarded and in year overpayments are taken into account.

Reduction in Court Costs Income (£163K overspend)

Difficult to budget for Council Tax/NNDR Court Cost income as numbers of court cases can vary quite significantly year on year and estimates are based on previous years' numbers. 2018/19 was based on a large number of cases which didn't materialise. Reductions may be required in 2019/20.

Reduced Repairs & Maintenance Expenditure (£90K underspend)

As the Building Condition Works Programme draws to a close, and a lot of the essential upgrade works completed to the councils buildings, the amount spent on one off repairs has reduced again. The budgets have been cut back in recent years and will be assessed going forward again to ensure that the correct level of funding is available for the routine maintenance and one-off repairs.

Resources Staffing (£116K underspend)

There have been two vacant Customer Service posts that haven't, and are unlikely to be, filled (subject to any service restructures) leading to a saving of £41K. Staff savings during the year in all Resources areas including Financial Services, Audit and Property Services totalling £75K.

Housing Revenue Account

The council owns approximately 3,700 homes generating rental income of over £13.5M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring fenced account, the Housing Revenue Account (HRA). Full details of the HRA is included within these accounts.

The net underspend on the HRA was £368K resulting in a net surplus for 2018/19 on the HRA of £218K (£80K 2017/18), which has been transferred into the HRA unallocated reserve.

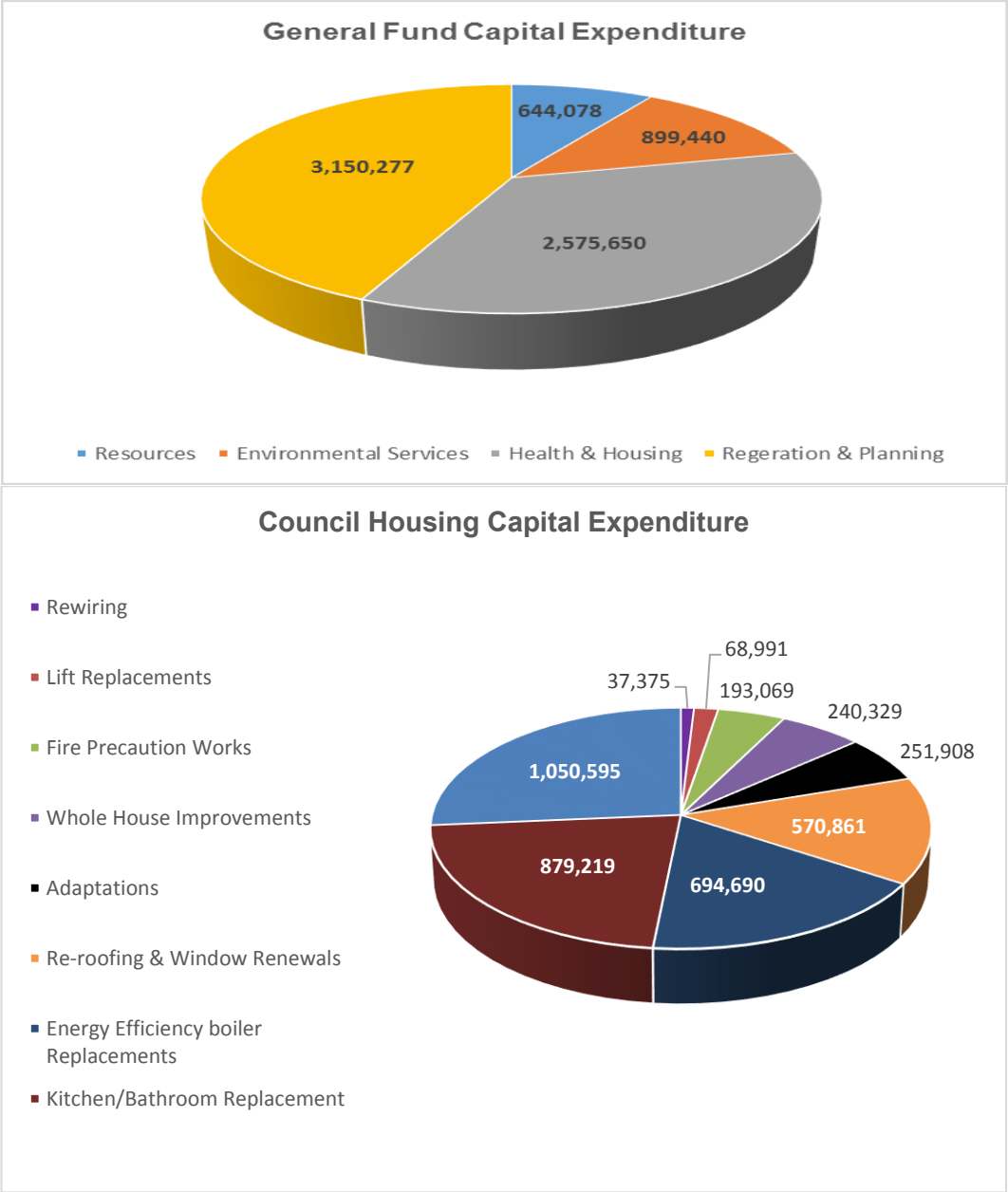
	£000
Repairs & Maintenance costs	72
Reduced contribution to the Bad Debt Provision	(107)
Increased Rental Income from tenants	(143)
Reduced use of Reserves	258
Net reduction in Capital funded from Revenue	(410)
Other minor variances	(38)
	<u>(368)</u>

As at 31 March 2019 the HRA's unallocated reserve balance stands at £2.235M which is £1.735M above the £500K minimum recommended level. Expenditure within the HRA is supported by a 30 year business plan and the council is planning to spend £17.3M over the next four years to improve its social housing stock.

Capital Investment

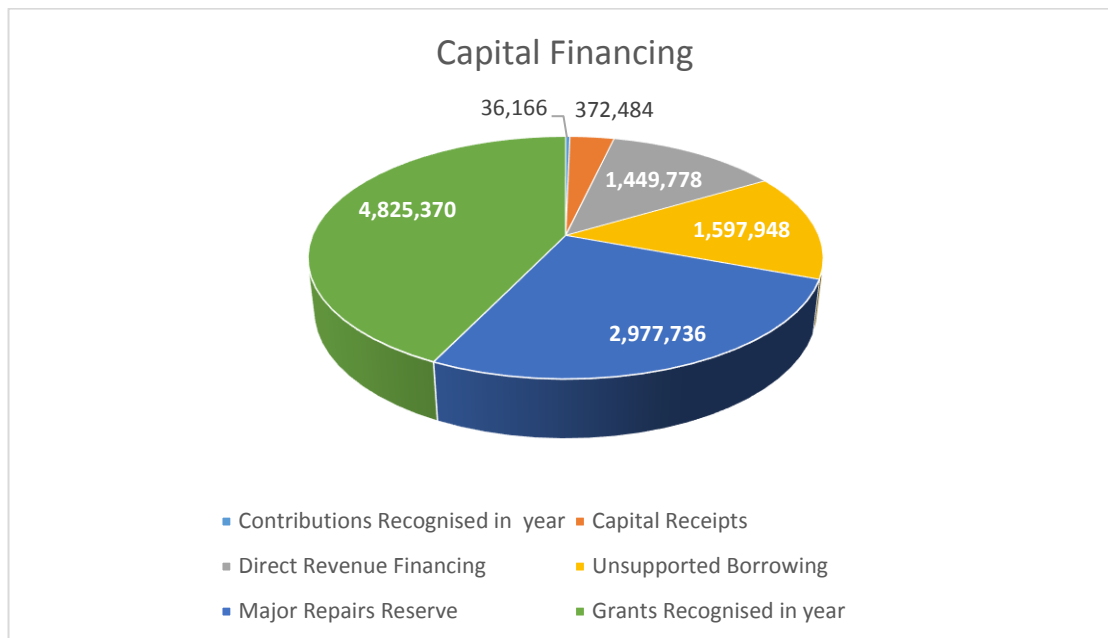
In 2018/19 the council spent £11.259M in total on capital schemes (£15.673M 2017/18). Total spend on the General Fund was £7.272M against a budget £7.441M, with the HRA spending £3.987M against a budget of £4.419M

The chart below summarises expenditure:



This expenditure is financed from a combination of capital receipts, grant funding and the council's own internal financial resources. The council can borrow money for capital purposes provided it can demonstrate it is able to meet certain criteria linked to affordability, sustainability and prudence, as determined by the Prudential Code Framework.

The chart below summarises how this capital investment was financed:



The councils Capital Programme for 2018/19 was £11.866M and the net slippage of £610K has been rolled forward into 2019/20 to reflect programming delays on some schemes. The approved capital programme for 2019/20 is £13.97M (General Fund £9.20M and HRA £4.77M) which will increase to £14.58M after slippage. The major capital schemes for 2019/20 include

- Caton Road Flood Defence Works
- Environmental Services Vehicle Renewals
- Disabled Facilities Grants
- HRA Roofing and Window Renewals

Treasury Management

The council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by council. This document identifies the investment and borrowing policies of the council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

Investments

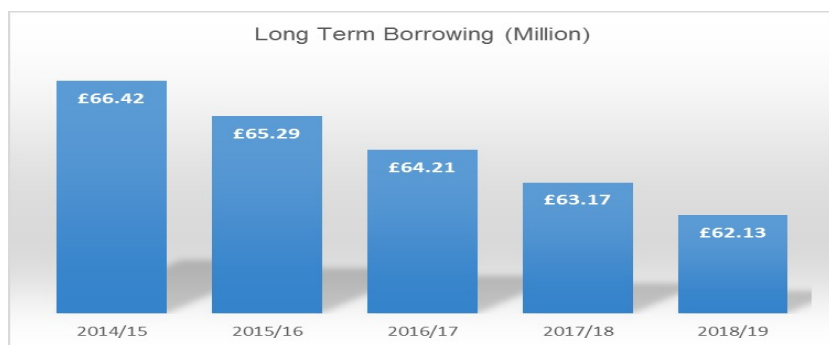
In 2018/19 the council had a comparatively low risk to investments. The average daily amount invested reduced slightly to £34.62M (£34.71M 2017/18) with short term investments at 31 March 2019 totalling £16.0M (£25.10M 2017/18). The overall return on investments was £211K at an average interest rate of 0.61% (£113K and 0.33% 2017/18).

Borrowing

The council did not incur any short term, or long term borrowing during 2018/19.

Total long term debt at 31 March 2019 amounted to £63.2M (£63.17M 2017/18) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.

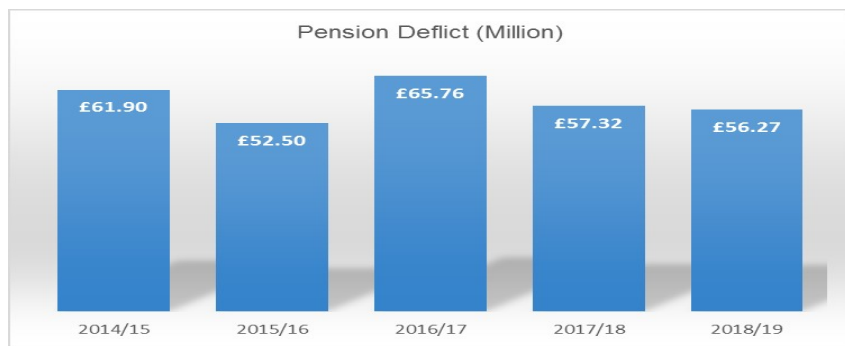
In determining its Council Tax charges councils have to make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2018/19 the councils CFR was £82.885M (£84.009M 2017/18) a decrease of £1.125M. The amount of MRP charged in 2018/19 totalled £2.703M (£2.458M 2017/18).



Pension Fund Liability

In accordance with accounting practice, the council must show the present surplus or deficit position for its share of the Pension Fund. The Local Government Pension Scheme administered by Lancashire County Council underwent a full valuation as at March 2016, the results of which were published in March 2017. This valuation saw an increase in net deficit on the Fund to £1.377BN (£993M in 2010).

The council's deficit position share of the Pension Fund has increased by £3.076M to £56.274M (£53.198M in 2017/18).



The movement in net liabilities is attributable to a number of changes to the actuarial assumptions over the financial year.

The deficit figure is very much an estimate and will not become due immediately, or all at once. They relate to the actuary's estimated pensions payable to current scheme members on their normal retirement dates. The position represents a snapshot as at the end of the financial year, based on prevailing market and other economic conditions and assumptions. As such, it may fluctuate considerably from one year to the next.

Local Taxation

Collection Fund

The Collection Fund accounts for all the Council Tax and Business Rates income for the district with the council acting as billing authority. Income is collected by the council (Council Tax £72.78M and Business Rates £66.11M) and redistributed to the council's General Fund, Central Government, Lancashire County Council, Lancashire Combined Fire Authority and the Police and Crime Commissioner for Lancashire.

Council Tax

Council Tax is the largest single revenue stream that is used to support the council's revenue budget. In 2018/19 Council Tax was increased by 2.99% the maximum amount allowable by the Government to £220.36 for a Band D equivalent property.

At 31 March 2019 there was a deficit of £560K (£103K surplus 2017/18) in relation to Council Tax. This represents the actual tax base being less than estimated. As the council funds 13% of any deficit this would mean a potential charge of £73K against the 2020/21 revenue budget.

Business Rates

In 2018/19 the council's share of above baseline growth was £728K resulting in total retained income from Business Rates of £6.975M compared to a budgeted figure of £6.184M.

The council also benefited from £997K (£961K for 2017/18) of rating income from renewable energy schemes within the district. Such income currently falls outside of the main rate retention scheme, and so the council retains the full benefit from it.

The council has provided £3.107M to cover outstanding appeals arising from challenges to the 2010 and 2017 valuation lists. The provision is calculated using Central Governments formula 4.7% of Net Rates Payable and covers new threats around Automatic Teller Machines (ATMs).

The council is not a member of the Lancashire Business Rates Pool. Given the nature of the scheme and the significant risk of high value appeals and loss of income from unplanned outages at the Heysham Power Stations would have fallen on the council we will continue to benefit from the protection of the current Safety Net arrangements put in place by the Government.

Collection Rates

The table below shows the in-year collection rates for both Council Tax and Business Rates

	2016/17	2017/18	2018/19
Council Tax	96.4%	96.1%	96.4%
Business Rates	99.0%	98.7%	98.4%

Strategic Risk Register

The Strategic Risk Register (SRR) is the means by which the council aims to identify and address any potential risks to the organisation and the delivery of its functions which therefore need to be managed strategically. The council exists in an ever changing political, economic and financial environment and so the SRR is a live document and needs to be updated to reflect any new or emerging strategic risks facing the council.

In previous years the council's key corporate risks centred on balancing the needs and demands of the district and its citizens against ongoing reductions in local government funding. Over the medium to longer term the council has ambitious plans to bridge its funding gap and recognises that its appetite to risk must increase significantly.

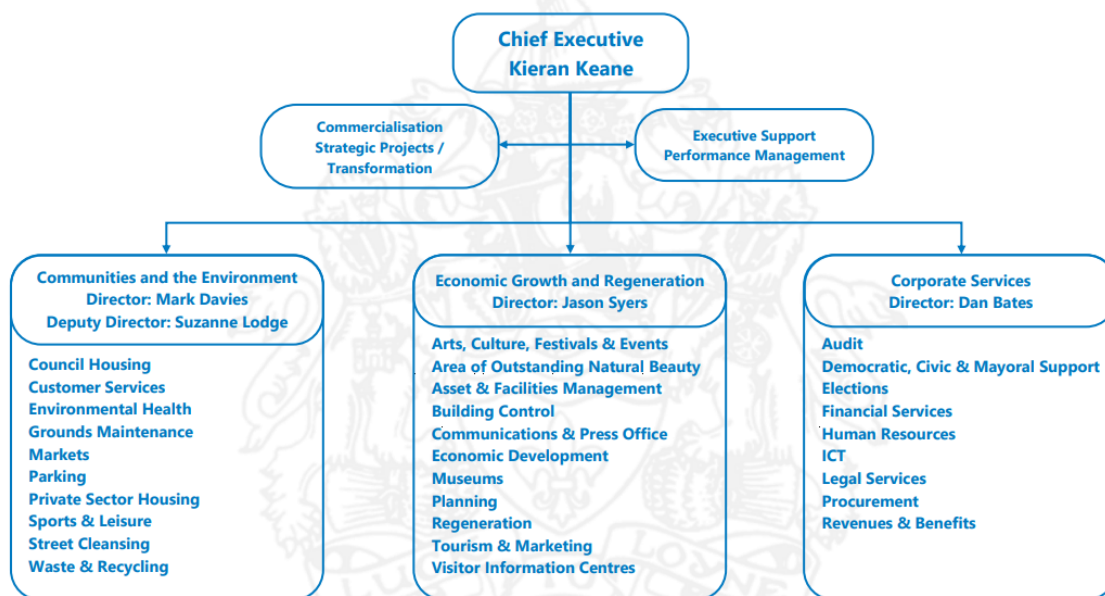
The council recognises there is some work still to do, there are clearly defined steps to support the council's decision making through the better understanding of risk and the likely impact. The strategic risk register was presented to Audit Committee in February 2019 and will continue to be reviewed and monitored

Rising to the Challenge

During 2018/19 a review of the council's management structure was implemented, with the aims of

- Introducing clearly-defined senior roles to enable a strengthening of strategic and corporate focus on service provision and delivery, growth and sustainability
- Ensuring the right skills are in place for each permanent role at Executive level to help shape and successfully drive forward the challenging agenda for the council.
- Bringing together a cohesive and supportive team to deliver change

The new structure was completed from March 2019 and is outlined below.



Road to Ambition

Following the management restructure and in support of the Council Plan 2018-22, an Operational Plan is in development: the Road to Ambition, summarised below.



Funding the Future

The MTFS approved by council 28th February 2019 identified a projected a budget gap over the period 2019/20 – 2023/24 of £2.8M. A wide range of options have been identified and are being actively pursued through the council's Funding the Future Strategy, based on four key initiatives:

- Zero based budgetary strategy
- Pursuing efficiency with rigor right across the council
- Developing and implementing a Commercial Strategy
- Investing for a return or to save on cost whilst adding to wealth building in the area

Strategic and Transformational Initiatives

Alongside the Funding the Future Strategy, the council is also engaged in a number of significant initiatives which will have a long-term positive impact on the district:

Climate Emergency

In January 2019 the council declared a climate emergency, and is committed to working towards reducing

carbon emissions to net-zero by 2030, bringing forward the previously-agreed goal of 2050. The declaration established a Climate Change Cabinet Liaison Group tasked with engaging the widest possible range of stakeholders, and ensuring the impact is considered across the council's range of activities. A 'Zero Carbon +' strategy is in development, which will set out planned activity to achieve carbon neutrality by 2030.

Canal Quarter

Regeneration of this partly-derelict and underutilised city centre location, previously known as Canal Corridor North, will bring significant and wide-ranging cultural and economic benefit to the city and wider district.

In partnership with private and public sector organisations as well as Lancaster University, the initiative will deliver a world-class city centre environment for shopping and leisure. Consultation and planning work is ongoing.

Heysham Gateway

The completion of the Bay Gateway link road from the M6 to Heysham in 2016 radically improved accessibility to Morecambe and key employment sites. The council has plans to facilitate the further development of areas around the Port of Heysham and is looking to maximize the growth opportunities provided by the enhanced access to the site.

Eden North

The Eden Project recently unveiled its vision for Eden Project North, a major new attraction situated on the former Bubbles swimming pool and Dome theatre site on Morecambe seafront.

The project will deliver an internationally recognised destination that combines indoor and outdoor experiences, connecting people with the natural environment of Morecambe Bay while also enhancing well-being.

Although currently at the feasibility stage the council is working with its strategic partners Lancashire Enterprise Partnership, Lancaster University and Lancashire County Council to ensure that this transformational project delivers significant benefits for the district and attracts visitors from across the North West and beyond.

Accounting Policy Changes

There have been some accounting changes implemented in this Statement of Accounts for 2018/19 as described below:

The standards introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 include:

- IFRS 9 Financial Instruments,
- IFRS 15 Revenue from Contracts with Customers,
- amendments to IAS 12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrealised Losses,
- amendments to IAS 7 *Statement of Cash Flows*: Disclosure Initiative, and;
- Department for Communities and Local Government (DCLG): The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2017 – for English Authorities.

These new standards have not had any material impact on the financial statements

Prior Period Adjustments

A review of the council's accounting policies and closedown procedures identified several issues requiring the restatement of the 2017/18 balances.

Further details of these issues and appropriate adjustments are disclosed within Note 45 of the Statement of Accounts.

Explanation of Accounting Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into “usable reserves” and other reserves. The Surplus or (Deficit) on the Provision of Services shows the true economic cost of providing the council's services, more detail of which is shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Housing Revenue Account for rent setting purposes, and the General Fund for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfer to or from earmarked reserves undertaken by the council.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

This is fundamental to the understanding of the council's year-end financial position. It shows the balances and reserves at the council's disposal and its long term indebtedness, the net current assets employed in operations, and summarises information on fixed assets held. (It excludes Trust Funds, however).

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Expenditure and Funding Analysis (Included in the Notes to the Accounts)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities 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.

The Supplementary Financial Statements

Housing Revenue Account Income and Expenditure Account

This is prepared on the same accounting basis as the main Comprehensive Income and Expenditure Account mentioned above. It reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how these are met by rents and other income.

Collection Fund

This shows the transactions of the council as a charging authority in relation to Non Domestic (Business) Rates and Council Tax. It illustrates the way in which these have been distributed to precepting authorities (such as Central Government, Lancashire County Council, Fire and Police Authorities) and the council's own General Fund

With regards to Business Rates, a Business Rates Retention Scheme is in operation. The main aim of the scheme is to give councils a greater incentive to grow businesses in the district. It does, however, also increase the financial risk due to non-collection, the outcome of appeals, and the volatility of the NNDR tax base.

Group Accounts

This statement consolidates any material interests the council may have in subsidiary and associated companies within one set of accounts.

It should be noted that Lancaster has no material interest in any companies and as such, there are no Group Accounts included in the Statement. Details of the council's minority interests in any companies are shown in the notes to the Balance Sheet.

Bequests, Endowments and Trust Funds

These show the accounts of various Funds for which the council is Trustee and administrator

Independent Auditor's Report to Members of Lancaster City Council

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Lancaster City Council ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the related notes 1 to 45
- the Housing Revenue Account and related notes; and
- the Collection Fund and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information

and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2019, we are satisfied that, in all significant respects, Lancaster City council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which

prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Lancaster City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Lancaster City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Lancaster City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Hewitson ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Newcastle, United Kingdom
6 March 2020

Annual Governance Statement 2018/19

1.0 INTRODUCTION

1.1 Local authorities are statutorily required to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA / Solace Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

1.2 The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met. Key elements of the council's governance framework are summarised below;

The Council, Cabinet and Leader

- Provide leadership, develop and set policy
- Develop and set policy to maintain the council's standing
- Support the council's diverse communities and distinctive neighbourhoods to thrive and succeed

Management Team and Statutory Officers

- The Head of Paid Service is the Chief Executive who is responsible for all council staff and leading an effective corporate management team of Chief Officers
- The Council's Section 151 Officer is responsible for safeguarding the council's financial position and ensuring value for money
- The Acting Head of Legal Services is the council's Monitoring Officer, who is responsible for ensuring legality and promoting high standards of public conduct

Decision making

- Meetings are held in public
- Agendas, minutes and decisions are recorded on the council's website

Scrutiny and Review

- The Overview and Scrutiny Committee reviews council policy and can challenge decisions
- The Budget and Performance panel reviews operational and financial performance
- The Audit Committee reviews internal control, fraud, risk management and governance

2.0 HOW WE COMPLY WITH THE CIPFA / SOLACE FRAMEWORK

2.1 The council has approved and adopted:

- a Code of Corporate Governance (however it is noted that this needs reviewing to ensure reflects the 2016 Framework);
- the requirements of the CIPFA / Solace Framework Delivering Good Governance in Local Government Framework 2016; and
- a number of specific strategies and processes for strengthening corporate governance.

2.2 Set out below is how the council has complied with the seven principles set out in the CIPFA / Solace Framework during 2018/19.

PRINCIPLE A

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

- A Code of Conduct for both members and staff is in place
- A values and behaviours framework was launched in 2018
- Members values and behaviours are encompassed in the members Code of Conduct
- A register of interests policy is in place for both staff and members
- Council meeting minutes show any declarations made
- A gifts and hospitality policy and register is in place for both staff and Members
- There is an effective standards committee in place
- Effective counter fraud policies are in place
- The council has a 'Raising Concerns' Policy in place
- Annual Performance Appraisals take place and all staff have attended the launch of the new values and behaviours
- A robust complaints procedure is in place
- An ethical governance survey was completed in 2018
- Guidance procedures for external funding and accountable bodies are documented within the Financial Regulations
- The council's 'Statement of Business Ethics' communicates commitment to ethical values to external suppliers
- The council has a Procurement Policy in place
- There are effective policies and procedures in place for dealing with unacceptable behaviours for both officers and Members
- All allegations concerning breaches of the code of conduct by members are investigated by the Monitoring Officer
- Staff appointments are made taking into account the council's values and behaviours
- The council has an agreed overview and scrutiny work programme
- The council complies with CIPFA's Role of the Chief Financial Officer and the role of the Head of Audit in Local Government
- The Constitution includes terms of references, defines decision making powers and describes roles and functions
- Up-to-date job descriptions are in place for key roles; i.e. Chief Executive, Section 151 officer and the Monitoring Officer
- Training is provided for regulatory committees on a regular basis.
- Legal and financial advice is given in advance of decision making
- Compliance to specific legislation, law or guidance is documented in decision making documents
- Limits of lawful activity are recognised by the ultra vires doctrine

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

- The council Plan is published to all staff, elected members, partners and the community
- An annual 'Narrative Report' is published and accompanies the Statement of Accounts
- The Section 151 publishes annual accounts within statutory deadlines to the community to report on the organisations activities, achievements and its financial position and performance
- The council is compliant with the Local Government Transparency Code 2015
- An Overview and Scrutiny and Budget and Performance Panel report is published annually
- The council publishes all key decisions on its website
- A Freedom of Information publication scheme is in place
- Standardised report pro-formas for decision making are in place and a published timetable of reporting deadlines for committees is published on-line
- The council is committed to ensuring that appropriate consultation and engagement takes place e.g. regular consultation forums took place as part of the Salt Ayre re-development project
- The council publishes all current and closed consultations on its website
- Customer feedback forms are in place at Salt Ayre Leisure Centre
- The council has a Consultation Strategy 2018–2022 and an annual consultation plan
- Key partnerships are reviewed as and when required through the audit plan
- Internal Audit are invited to sit on project working groups to ensure key risks are identified and mitigated where possible
- The council has a number of communication guidance documents in place e.g. the Intranet Policy and the Plain English and Style Guide
- The council complies with publication dates for reports and the 'forward plan'
- A up-to-date stakeholder database is in place
- Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team
- An annual stakeholder event was held to consult on the Council's 'Ambitions' as set out in the Corporate Plan
- An annual special stakeholder meeting was held with the Budget and Performance Panel
- A consultative forum was held for all public services in relation to the Council budget
- The council's vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders
- The council has an on-going resident's survey to monitor satisfaction in the local area and the Website includes a 'have your say section'.
- The council has recently carried out a Council Tax Support consultation with members of the public

PRINCIPLE C

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

- The Council Plan 2018-22 was approved by Full Council in July 2018 and contains a clear statement of the council's vision
- Corporate key performance indicators are reported quarterly to Cabinet and the Budget and Performance Panel
- A 'Narrative Report' is published within the Statement of Accounts to reflect the council's key achievements
- There are effective arrangements in place to deal with failure in service delivery via the council's corporate complaints procedure
- The Medium Term Financial Plan, Revenues Estimates and Capital Programme are designed to deliver the strategic priorities
- The council has a capital programme of works
- The council has an approved Capital Investment Strategy
- Individual capital projects are equality impact assessed
- All key decisions are required to consider fair access to services
- The council has produced a Local Plan which is currently being examined by the Planning Inspectorate
- Procedures are in place to address conflicting interests e.g. the call-in procedure

PRINCIPLE D

Determining the interventions necessary to optimise the achievement of the intended outcomes

- Effective mechanisms are in place for documenting evidence for decisions and recording the criteria, rational and consideration on which decisions are based
- Limits of lawful activity are recognised by the ultra vires doctrine and members strive to use their powers under the council's scheme of delegation to the full benefit of the community
- Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making
- Member and Officer briefings have taken place for more complex areas of decision making e.g. Canal Quarter, Eden Project and the Local Plan
- The council's Plan and Ambitions document is refreshed annually and reviewed by the council's Executive Team
- The council considers public surveys, demographic information and public health reports when developing the Council Plan
- The MTFS, Revenue Estimates and Capital Programme are soundly configured to meet the requirements of the Council Plan and Ambitions document and are published annually. They are key documents for forecasting budget requirements and planning ahead
- The MTFS sets out the framework for corporately managing the council's resources in the years ahead and an efficiency programme complements the MTFS ensuring sustainability going forward
- Corporate Key Performance Indicators are in place and are reported quarterly to Cabinet and the Budget and Performance Panel
- A 'Narrative Report' is published within the Statement of Accounts to reflect the council's key achievements
- The Statement of Accounts which include the Annual Governance Statement is reported to the Audit Committee
- Budgeting guidance and protocols are in place and reviewed annually by the Audit Committee

- Both Capital and Revenue bids considered 'social value'

PRINCIPLE E

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

- The council is member of APSE and regularly benchmarks a number of council services e.g. Street Cleansing, Council Housing, Internal Audit, Waste Management, Pest Control and Salt Ayre
- The council has received both blue and green flag status for its clean beaches and parks and open spaces
- The council has been successful in securing numerous Local Government achievement awards during 2018/19 in relation to effective service delivery e.g. Pest Control Team of the Year and Service of the Year and Rising Star
- Member's allowances were reviewed by the Independent Remuneration Panel during 2018/19 with a full review being carried out every four years prior to elections
- The Chief Executive and Section 151 Officer regular attend Lancashire Leaders and Lancashire Chief Finance Officer meetings
- The Chief Executive is responsible and accountable to the Authority for all aspects of operational management and has regular appraisals with the Leader
- The Section 151 Officer is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control
- There is an established pay and grading structure for employees referred to as the Job Evaluation system and a process for appeals
- There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a Protocol for Officer and Member relations
- Financial Regulations and Financial Procedure Rules are reviewed annually by the Audit Committee
- All new members receive a full corporate induction and have personal development plans in place
- A Landlord Forum and a Council Housing Tenants forums are in place to encourage public participation
- The Authority ensures that statutory officers have the skills, resources and support necessary to effectively perform their roles
- An induction programme is provided for all new staff and Members
- All staff have attended mandatory 'Our Values training' to ensure the council delivers top quality services
- Finance and Human Resources Business Partners work with Service Managers to ensure adequate succession planning takes place
- There is an established pay and grading structure in place for employees
- Approximately 85% of staff have had an annual performance appraisal which is linked to corporate and service priorities
- Internal Audit will regularly ensure implemented Human Resources policies are working as intended
- The council has a number of policies and incentives to support the Health and Wellbeing agenda e.g. Agile Working, Absence Management, Discounted Gym Membership and the Cycle to Work Scheme.

PRINCIPLE F

Managing risks and performance through robust internal control and strong financial management

- The council has a risk management policy in place which was approved by the Audit Committee in 2015. In addition, the council has recently drafted a Strategic risk register which was presented to the Audit Committee in February 2019
- Information asset registers and privacy notices are now in place and reviewed by Internal Audit as part of individual service reviews
- The council has an Overview and Scrutiny Committee and a Budget and Performance Panel which have been set clear roles and responsibilities
- Agreed Key Performance Indicators are reported quarterly to Cabinet and the Budget and Performance Panel and a 'Narrative Report' is published within the Statement of Accounts
- There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- There is a calendar of dates for submitting, publishing and distributing timely reports to the council's committees
- An effective Internal Audit Service is resourced and maintained and all Audit reviews are conducted under the Auditing Practices Board Guidelines and in line with Public Sector Internal Audit Standards (PSIAS)
- In accordance with the Accounts and Audit Regulations 2015, an annual assessment of the council's systems of internal audit is carried out each year using the PSIAS and the checklist provided in the Local Government Application Note published by CIPFA. A recent PSIAS peer review resulted in a full compliance opinion being given
- The Internal Audit and Assurance Manager has developed a Quality Assurance Improvement Programme to ensure the continual improvement of the Internal Audit Service
- An Audit Committee is in place, which is independent of the Executive and the Overview and Scrutiny function
- The Internal Audit and Assurance Manager is a certified and chartered auditor (CIA, CMIIA) and also holds a Qualification in Internal Audit Leadership (QIAL)
- The implementation of internal audit report recommendations is monitored by the Head of Internal Audit and Assurance and the Audit Committee
- The council has a number of counter-fraud policies in place which assist against fighting fraud and corruption
- The council has a Money Laundering Policy in place which is reviewed by the Audit Committee
- The council's Annual Governance Statement is prepared in compliance with CIPFA's 'delivering good governance in Local Government'
- The council uses an on-line e-learning portal to promote the General Data Protection Regulations (GDPR) and information security and is mandatory for all new starters
- The council has a designated Data Protection Officer and an up-to-date Data Protection Policy in place. The council continues to work towards ensuring it is fully compliant with GDPR
- Secure arrangements are in place for the transfer of sensitive data (SFTP and encryption tools available within Office 365)
- The council has both a records management policy and a confidential waste policy in place
- Key performance data is reviewed for accuracy by Internal Audit as part of individual service reviews

- The Revenue and Benefit software has been upgraded to re-inforce GDPR principles and automate a deletion process
- Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications
- Budget monitoring reports are issued to budget holders on a regular basis
- Financial Regulations and Financial Procedures Rules are regularly reviewed and any changes are presented to the Audit Committee for approval
- Registers of interests are maintained for both officers and elected Members
- The External Auditors issued an unqualified value for money conclusion for the 2018/19 financial year

PRINCIPLE G

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

- The council is compliant with the Local Government Transparency Code 2015
- A Narrative Report is published within the Statement of Accounts to reflect the council's key achievements
- The council's website is accurate and user friendly
- The council has an on-line Planning Application Policy
- Annual presentations are delivered for elected Members concerning the council's finances as part of the production of the Revenue Estimates, the Capital Programme and the update of the MTFS
- The council publishes a Funding the Future Strategy
- The Annual Governance Statement is collated by Internal Audit and is supported by relevant officers. An action plan is monitored by the Executive Team and the Audit Committee
- Executive update reports are prepared annually and the Leader of the council presents a report to every meeting of the Full Council
- An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion
- The council ensures that all audit recommendations are subject to a follow-up audit ensuring that recommendations are acted upon
- The council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2010)
- In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed annually
- The Audit Committee work programme provides the opportunity for the Head of Internal Audit and Assurance to have a private and confidential discussion with the Audit Committee Members
- The council has a RIPA Policy in place and officers who use social media to carry out surveillance have received relevant training
- Key partnerships are periodically reviewed through the Internal Audit Plan
- Arrangements for accountability when working with suppliers and partners are documented within the Procurement Strategy

3.0 REVIEW OF EFFECTIVENESS

- 3.1 The council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

Internal Audit Assurance

One of the key assurances the council receives is the Internal Audit Annual Report. In this report, the Internal Audit and Assurance Manager gives an opinion on the council's internal control, risk management and governance framework.

The 2018/19 Internal Audit Annual Report stated that the council has in place satisfactory controls to be able to maintain an adequate and effective internal control environment. The report did however make reference to the concerns around risk management and that significant work was still required to ensure risk management was embedded into working practices across the organisation.

External Audit Assurance

The council's external auditor provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. In the most recent External Audit report issued by KPMG in July 2018, the auditor issued an unqualified opinion on the council's financial statements for 2017/18 and reported that the council's Annual Governance Statement complied with the guidance issued by CIPFA/SOLACE 'Delivering Good Governance in Local Government' published in April 2016. They concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The external auditors made no priority recommendations as a result of their 2017/18 audit work.

A review of key performance indicators

The council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2018/19 is set out in the table below;

Indicator	Performance in 2018/19
Formal reports issued by the Section 151 Officer or Monitoring Officer	No formal reports have been issued by the Section 151 Officer or the Monitoring Officer.
Number of data incidents reported to the Data Protection Officer (DPO)	41 incidents were reported to the DPO in 2018/19
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of the 41 incidents reported to the DPA, only 2 were reported to the ICO
Outcomes from Standards Committee or Monitoring Officer investigations	5 breaches of the code of conduct were reported to the Standards Committee in 2018/19
Proven frauds carried out by councillors or members of staff	There has been no proven frauds carried out by councillors or members of staff in 2018/19
Objections received from local electors	There have been no objections to registrations received from local electors in 2018/19
Local Government Ombudsman (LGO) referrals upheld	No referrals have been upheld by the LGO or the Housing Ombudsman in 2018/19

4.0 CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES

- 4.1 Following the Annual Governance meetings it was identified that reasonable progress has been made during 2018/19 in relation to areas that were raised in the 2017/18 Annual Governance Statement (AGS), namely; Business Planning, Performance Management, Information Governance, Staffing Capacity and the council's Constitution and that any further work and actions will be monitored through the 'minor governance issues' reporting framework documented at paragraph 5.1.
- 4.2 In relation to risk management, there are a number of good examples across the organisation where it can be demonstrated that robust risk management has been applied to its decision making processes. In addition, The Executive Team have also drafted a Strategic Risks Register which has been presented to the Audit Committee. However, it is still felt that more work is required, to ensure risk management is embedded throughout the organisation. The Internal Audit and Assurance Manager will work with the Corporate Director to identify a number of key activities which will be documented and monitored through the Corporate Services plan.
- 4.3 In addition, areas of concern were raised during 2017/18 surrounding the council's decision making arrangements which lead to a member resolution being made to ensure that Section 151 and Monitoring Officer advice is sought at the appropriate time in all future decision making. Discussions with both the Section 151 Officer and the Monitoring Officer have confirmed that they no longer have any major concerns in this area.

5.0 MINOR GOVERNANCE ISSUES


- 5.1 A number of minor governance issues were identified following the Annual Governance meetings with key officers. These have been documented in an action plan which will be monitored by Internal Audit and reported to the Executive Team on a quarterly basis and the Audit Committee as part of the six monthly progress report.

6.0 REVIEWING AND REPORTING ARRANGEMENTS

- 6.1 The CIPFA/SOLACE guidance recommends that authorities should undertake annual reviews of their governance arrangements to ensure continuing compliance with best practice as set out in the framework.
- 6.2 Each year, prior to the publication of the Annual Governance Statement, a number of meetings are held with key officers of the council who have the most appropriate knowledge, expertise and levels of seniority to consider the extent to which the organisation complies with the principles set out in the good governance framework. The principles are discussed in length and evidence is put forward to demonstrate how the council is meeting each of the principles. It is also an opportunity to identify any issues or gaps that could lead to a weaker governance structure. Following these meetings, the AGS is submitted for consideration by the Leader and Chief Executive who then sign to certify they are aware of the governance issues within the council and of the measures that are required to improve the controls around the council's governance framework.

7.0 CERTIFICATION

As the Leader of the council, I am aware of the governance issues within this Authority and of the measures that are needed to improve the control environment. Overall, my assessment of the control environment as at 31 March 2019 is satisfactory.



Councillor Erica Lewis

Leader of Lancaster City Council

As the Chief Executive of the council, I am aware of the governance issues within this Authority and of the measures that are needed to improve the control environment. Overall, I assess the control environment as at 31 March 2019 as satisfactory.



Kieran Keane

Chief Executive of Lancaster City Council

Statement of Responsibilities for the Statement of Accounts

1 The council's Responsibilities

The council 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 line with statute, this is the Section 151 Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the audited Statement of Accounts

2 The Section 151 Officers Responsibilities

The Section 151 Officer is responsible for the preparation of the council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the council and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

In preparing this Statement of Accounts, the Section 151 Officer has:

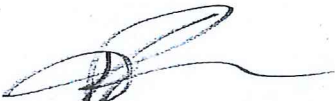
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

Section 151 Officer has also:

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

3 Section 151 Officer Certificate

I certify that the Statement of Accounts give a true and fair view of the financial position of the authority as at 31 March 2019 and the income and expenditure for the year then ended.



Paul Thompson LLB (Hons) CPFA
Chief Finance Officer and Section 151 Officer

Date 31 May 2019



Paul Thompson LLB (Hons) CPFA
Chief Finance Officer and Section 151 Officer

Date 26/02/20

4 Audit Committee Chairman's Certificate

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was considered and approved by Audit Committee on 19 February 2020



Cllr Paul Stubbins

Date 26.2.2020

Statement of Accounts

Movement in Reserves Statement

The Movement in Reserves Statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

- the increase or decrease in the net worth of the authority as a result of incurring expenses and generating income
- the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets
- movements between reserves to increase or reduce the resources available to the council according to statutory provisions.

2018/19	General Fund Balance £000	General Fund Earmarked Reserves £000	HRA Earmarked Reserves £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31/03/2018	5,067	11,869	2,017	10,561	-	-	103	29,617	143,424	173,041
Movements in 2018/19										
Total Comprehensive Income and Expenditure	(14,553)		(2,106)					(16,659)	6,614	(10,045)
Adjustments between accounting & funding basis under regulations (Note 8)	18,174	-	2,300					20,474	(20,474)	0
Net Increase/(Decrease) before transfers to earmarked reserves	3,621	-	194	-	-	-	-	3,815	(13,860)	(10,045)
Transfers (to)/from earmarked reserves (Note 9)	(2,974)	2,974	24	(24)				-	-	-
Increase/(decrease) in 2018/19	647	2,974	218	(24)	-	-	-	3,815	(13,860)	(10,045)
Balance at 31/03/2019	5,714	14,843	2,235	10,537	-	-	103	33,432	129,564	162,996

2017/18 restated	General Fund Balance £000	General Fund Earmarked Reserves £000	HRA Earmarked Reserves £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31/03/2017	4,725	6,510	1,937	10,709	-	-	103	23,984	134,940	158,924
Movements in 2017/18										
Total Comprehensive Income and Expenditure	(42)	-	(1,927)	-	-	-	-	(1,969)	16,086	14,117
Adjustments between accounting & funding basis under regulations	5,743	-	1,859	-	-	-	-	7,602	(7,602)	-
Net Increase/(Decrease) before transfers to earmarked reserves	5,701	-	(68)	-	-	-	-	5,633	8,484	14,117
Transfers (to)/from earmarked reserves	(5,359)	5,359	148	(148)	-	-	-	-	-	-
Increase/(decrease) in 2017/18	342	5,359	80	(148)	-	-	-	5,633	8,484	14,117
Balance at 31/03/2018	5,067	11,869	2,017	10,561	-	-	103	29,617	143,424	173,041

For further detail of restated balances, refer to Note 45 – Prior Period Adjustment

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) records all of the council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs. As the council does not have any equity in the Balance Sheet, these gains and losses should reconcile to the overall movement in net worth.

The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES.

The CIES has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the council as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

2017/18				2018/19			
Gross Exp	Gross Inc	NET		NOTES	Gross Exp	Gross Inc	NET
£000	£000	£000			£000	£000	£000
Restated							
Continuing Operations:							
416	-	416	Office of the Chief Executive		109	-	109
13,656	(8,560)	5,096	Environmental Services		14,861	(7,867)	6,994
2,741	(987)	1,754	Governance		2,380	(539)	1,841
9,854	(5,193)	4,661	Health & Housing		11,249	(6,979)	4,270
15,296	(15,372)	(76)	Housing Revenue Account		15,815	(15,464)	351
9,350	(2,356)	6,994	Regeneration & Planning		9,706	(2,724)	6,982
35,103	(33,644)	1,459	Resources		31,798	(30,446)	1,352
2,777	(645)	2,132	Central Services		2,090	(217)	1,873
89,193	(66,757)	22,436	Cost of Services		88,008	(64,236)	23,772
2,204	(1,540)	664	Other Operating Expenditure	10	1,995	(996)	999
6,747	(3,554)	3,193	Financing and Investment Income and Expenditure	11	14,485	(234)	14,251
-	-	-	(Surplus) / Deficit on discontinued operations	29	-	-	-
19,570	(43,894)	(24,324)	Taxation and Non Specific Grant Income and Expenditure	12	19,547	(41,910)	(22,363)
		1,969	(Surplus)/Deficit on Provision of Services				16,659
		(6,164)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets				(3,566)
		(9,922)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	41			(3,048)
		(16,086)	Other Comprehensive Income and Expenditure				(6,614)
		(14,117)	Comprehensive Income and Expenditure				10,045

The net expenditure of £10.045M in year corresponds to the movement between years in net worth on the Balance Sheet.

For further detail of restated balances, refer to Note 45 – Prior Period Adjustment.

Balance Sheet

The Balance Sheet summarises the council's financial position as at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As the council does not have equity, the bottom half is comprised of reserves that reflect the council's net worth, falling into two categories:

- Usable Reserves, which include the revenue and capital resources available to meet future expenditure (e.g. the General Fund Balance and the Capital Receipts Reserve), and
- Unusable Reserves, which include:
 - unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve)
 - adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pension Reserve).

31 March 2018 £000 Restated		NOTES	31 March 2019 £000
241,032	Property, Plant & Equipment	13	238,375
8,684	Heritage Assets	14	9,518
33,158	Investment Property	15	23,328
352	Intangible Assets	16	299
-	Assets Held for Sale	21	-
-	Long Term Debtors	17	-
283,226	Long Term Assets		271,520
25,100	Short Term Investments	17	16,000
412	Inventories	18	430
10,246	Short Term Debtors	19	9,526
3,494	Cash & Cash Equivalents	20	9,110
39,252	Current Assets		35,066
-	Bank Overdraft	20	(2,207)
(1,041)	Short Term Borrowing	17	(1,041)
(28,770)	Short Term Creditors	22	(16,561)
(29,811)	Current Liabilities		(19,809)
(225)	Long Term Creditors	17	(225)
(3,036)	Provisions	23	(4,043)
(63,167)	Long Term Borrowing	17	(63,239)
(53,198)	Other Long Term Liabilities	41	(56,274)
(119,626)	Long Term Liabilities		(123,781)
173,041	Net Assets		162,996
29,617	Usable Reserves	24	33,432
143,424	Unusable Reserves	25	129,564
173,041	Total Reserves		162,996

The net movement between years is £10.045M and corresponds to the balance on the Comprehensive Income and Expenditure Statement.

For further detail of restated balances, refer to Note 45 – Prior Period Adjustment

Cash Flow Statement

The Cash Flow Statement summarises the flows of cash that have taken place into and out of the council's bank accounts over the financial year. It separates the flows into:

- those that have occurred as a result of the council's operations
- those arising from the council's investing activities (including cash flows related to non-current assets), and
- those attributable to financing decisions.

2017/18 £000 Restated		NOTES	2018/19 £000
Cash (Out) / In			Cash (Out) / In
(1,969)	Net surplus or (deficit) on the provision of services		(16,659)
16,137	Adjustments to net surplus or deficit on the provision of services for non-cash movements		26,374
(1,996)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(5,752)
12,172	Net cash flows from Operating Activities		3,963
(5,842)	Investing Activities	27	5,064
548	Financing Activities	28	(5,617)
6,878	Net increase or (decrease) in cash and cash equivalents		3,410
(3,385)	Cash and cash equivalents at the beginning of the reporting period		3,493
3,493	Cash and cash equivalents at the end of the reporting period		6,903

For further detail of restated balances, refer to Note 45 – Prior Period Adjustment

Notes to the Accounts

The notes to the accounts have three significant roles:

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used
- disclosing the information required by the Code that is not presented elsewhere in the financial statements
- providing information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any of them.

A list of the notes provided is as follows:

Note 1	Accounting Policies
Note 2	Accounting Standards that have been issued but have not yet been adopted
Note 3	Critical Judgements in Applying Accounting Policies
Note 4	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
Note 5	Events After the Balance Sheet Date
Note 6	Notes to the Expenditure and Funding Analysis
Note 7	Expenditure and Income Analysed by Nature
Note 8	Adjustments between Accounting Basis and Funding Basis under Regulations
Note 9	Transfers to/from Earmarked Reserves
Note 10	Other Operating Expenditure
Note 11	Financing and Investment Income and Expenditure
Note 12	Taxation and Non-Specific Grant Income and Expenditure
Note 13	Property, Plant and Equipment
Note 14	Heritage Assets
Note 15	Investment Properties
Note 16	Intangible Assets
Note 17	Financial Instruments
Note 18	Inventories
Note 19	Short Term Debtors
Note 20	Cash and Cash Equivalents
Note 21	Assets Held for Sale
Note 22	Short Term Creditors
Note 23	Provisions
Note 24	Usable Reserves
Note 25	Unusable Reserves
Note 26	Operating Activities
Note 27	Investing Activities
Note 28	Financing Activities
Note 29	Acquired and Discontinued Operations
Note 30	Trading Operations
Note 31	Agency Services
Note 32	Members' Allowances
Note 33	Officers' Remuneration
Note 34	External Audit Costs
Note 35	Grant Income
Note 36	Related Parties
Note 37	Capital Expenditure and Capital Financing
Note 38	Leases
Note 39	Impairment Losses
Note 40	Termination Benefits
Note 41	Defined Benefit Pension Schemes
Note 42	Contingent Liabilities
Note 43	Contingent Assets
Note 44	Nature and Extent of Risks Arising from Financial Instruments
Note 45	Prior Period Adjustments

1. ACCOUNTING POLICIES

1.1 Basis Of Preparation

The Statement of Accounts summarises the council's transactions for the 2018/19 financial year and its position at 31 March 2019. The accounts of the council have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), taking account of the supplementary guidance notes issued by CIPFA on the application of the Code to local authorities, supported by International Financial Reporting Standards (IFRS).

The accounts are prepared on a going concern basis and the accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The purpose of this section is to explain the basis of the figures included in the accounts, as the view that they present can only be properly appreciated if these policies are explained fully and understood. Where estimation techniques are used they implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income has been recognised but cash has not been received, a debtor 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.
- 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 payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet.

1.3 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 investments that mature or are available for recall in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and 3 months or less term deposit and also instant access money market funds.

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.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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 corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 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 fixed assets during the year:

- 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 fixed assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement which is calculated on a prudent basis in accordance with statutory guidance. This contribution is known as the minimum revenue provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 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 (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.

Accounting for Council Tax and NDR

The council tax and 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 a 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 and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 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, bonuses and non-monetary benefits (e.g. cars) 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, as employees can carry this forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits 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. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 or pensioner 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 Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

The Local Government Pension Scheme

Generally, employees of the council are members of the Local Government Pension Scheme, which is administered on our behalf by Lancashire County Council. It is accounted for as a defined benefits scheme.

Defined benefit scheme - the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

The liabilities of the Lancashire 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 projected earnings for current employees.

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. Liabilities are discounted to their value at current prices using a discount rate.

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

Quoted securities	Current bid price
Unquoted securities	Professional estimate
Unitised securities	Current bid price
Property	Market value

The change in the net pension's liability is analysed into the following components:

Component	Description	Treatment
Service Costs		
Current service costs	Measures the future service cost to the employer estimated to have been generated in the year.	Charged to the comprehensive income and expenditure statement to the services for which employees worked.
Past service costs	The increase in liabilities as a result of a current year scheme amendment or curtailment whose effect relates to years of service earned in earlier years.	Charged to comprehensive income and expenditure statement as part of non-distributed costs.
Interest costs	The expected increase in the present value of liabilities as members of the plan are one year closer to receiving their pension. The provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.	Charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement.
Re-measurements		
Return on plan assets	This is a measure of the return on the investment assets held by the plan for the year.	Charged to the pensions reserve as other comprehensive income and expenditure.
Actuarial gains and losses	These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have been changed.	Charged to the pensions reserve as other comprehensive income and expenditure.
Contributions		

Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities.	These are not accounted for as an expense.
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In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the Pension Fund or directly to the pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners on any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

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

1.8 Events after the Balance Sheet Date

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 Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is 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.

1.9 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 by fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

Financial Assets measured at amortised cost

Where the council's business model is to hold investments to collect contractual cash flows, the financial assets are classified as amortised cost.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Annual credits to the financing and investment income and expenditure line in the 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. For most of the financial assets held by the council, this means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

There is no recognition of gains or losses on fair value until reclassification or derecognition of the asset.

Financial assets measured at fair value through other comprehensive income (FVOCI)

The council also holds investments with the objective of collecting contractual cash flows and selling assets in order to meet long term investments requirements while ensuring the council is not subject to a high degree of credit risk. These assets are measured at FVOCI.

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.

For these financial assets held by the council, this means that the amount presented in the balance sheet is the fair value of the financial instrument and the interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments –discounted cash flow analysis.

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

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

Any changes in the fair value of the assets are charged to other comprehensive income and expenditure in the comprehensive income and expenditure statement and balanced by an entry in the financial instruments revaluation reserve.

Any gains or losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any accumulated gains or losses previously recognised in the financial instruments revaluation reserve.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are measured at FVPL are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value gains and losses are recognised in the surplus or deficit on the provision of services as they arise.

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments - discounted cash flow analysis.

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

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

Expected credit loss model

The council recognises expected credit losses on its financial assets held at amortised cost or FVOCI (subject to materiality) either on a 12-month or lifetime basis.

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

Lifetime losses are recognised for trade receivables (debtors) held by the council.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

1.11 Business Improvement Districts

Business Improvement District (BID) schemes apply to Lancaster City Centre and Morecambe Town Centre. The Scheme is funded by a BID levy paid by non-domestic ratepayers. The council collects the levy in respect of the BID and pays this across to Lancaster BID Ltd and Morecambe BID Ltd CIC as managing bodies for the Scheme.

1.12 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The collection has an indeterminate life and is subject to appropriate conservation measures, therefore, depreciation is not charged on heritage assets.

The valuation of the council's heritage assets has included a degree of estimation. With respect to the museum's collection, those assets considered to have a value of £10,000 or over have been identified and valued as separate items. The rest of the collection involves a large quantity of small value items for which it is not considered to be economic to value each item separately. Therefore, a sample of items was valued by the museums staff. The resulting value was then used to give an estimated value of the whole collection. It is considered that the result provides a fair reflection of the value of the council's holding.

The council has a detailed acquisitions and disposal policy, further information on which can be obtained from the council. Disposals will not be made with the principal aim of generating funds. It is considered that the collection has a long term purpose and, therefore, there is a strong presumption against disposal. If any items are thought to be appropriate for rationalisation, the Museums Association Code of Practice for the review of collections is followed. This is a lengthy process that allows for efforts to find an alternative home/location for an item before any consideration of final disposal is made.

1.13 Intangible Assets

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services (which is the case in practice).

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

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

1.14 Inventories and Long term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is shown in the accounts at the latest replacement cost net of provision for obsolescence / reduction in value, as an estimation of the 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.

1.15 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be

received to sell such an asset in an orderly transaction between market participants at the measurement dated. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 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 or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down for lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairments losses are therefore substituted by revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the council grants a finance lease over a property or item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the

asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carry value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premium received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid on the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.17 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.

1.18 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 the 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 or Equipment is capitalised on an accruals basis, provided that 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Componentisation

Where a property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is

located.

Assets that are being constructed by the council will initially be recognised at cost. The council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

Category	Measurement Basis
Infrastructure and community assets	Depreciated historical cost
Dwellings	Current value, determined using the basis of existing use value for social housing (EUV-SH)
Council offices	Current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost which is used as an estimate of current value
Surplus assets	Fair value – highest and best
All other assets	Existing use value

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

Where non-property assets that have short useful lives or low values (or both), depreciated historic cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly (but as a minimum every three years) to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains, unless the gain reverses a loss previously charged to a service. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

The Revaluation Reserve contains revaluation gains recognised since 01 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Valuations are undertaken internally by Lancaster City Council's Property Service department in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).

1.19 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 any possible differences are estimated to be material, the recoverable amount of an 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 gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

1.20 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over the time of their useful lives.

Depreciation is calculated on the following basis:

Category	Method and period over which assets depreciated
Land	Not depreciated
Council Dwellings	Straight-line allocation on a componentised bases over the useful life of the property as estimated by the Valuer; (5 - 80 years)
Other buildings	Straight-line allocation on a componentised bases over the useful life of the property as estimated by the Valuer; (5 - 40 years)
Vehicles, plant and equipment	Straight-line allocation over 10 to 15 years depending on the type of asset;
Infrastructure	Straight-line allocation over 10 to 40 years depending on the type of asset.
Community Assets	Not depreciated
Assets under construction	Not depreciated
Assets held for sale	Not depreciated
Heritage assets	Not depreciated

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

Disposals and Non-current 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 continual 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 previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of:

- Their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale;
- Their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.21 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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.

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

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

Contingent Liabilities

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 control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

1.22 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council. These reserves are explained in the relevant notes.

1.23 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.24 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The codes require authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

There are several new standards that have been issued but will not be adopted by the Code until 01 April 2019. These are as follows:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- **IAS 40 Investment Property:** Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.
- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty.
- **IFRS 9 Financial instruments: prepayment features with negative compensation** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

It is not expected that these new standards will have any material impact on the information provided in the financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Local Government Funding

There is still a high degree of uncertainty about future levels of funding for local government, the full impact of the revisions to the Business Rate Retention scheme is unknown and also the impact of the decision to leave the European Union remains unclear. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Property Plant & Equipment

The council's non-current assets within its general fund are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors. The council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a three year cycle. All assets reviewed had a valuation date of 1 April 2018. Any material changes after the valuation date have been accounted for.

Council Dwellings

The council's Housing Stock is valued on the balance sheet at Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards January 2014. Council dwellings are formally revalued every 5 years in accordance with MHCLG's the "Beacon Principal" with desktop reviews in the intervening years.

Investment Properties

The council has reviewed all assets in accordance with the accounting policy for investment properties confirming they are being held for rental income or for capital appreciation. Properties have been assessed using this criteria, which is subject to interpretation to determine if there is an operational reason for holding the property, such as regeneration.

Provisions

The council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties and legal claims that may result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases, experience in previous years or in other local authorities.

Going Concern

Local Authorities are required by the Code of Practice on Local Authority Accounting 2018/19 to prepare their accounts on the going concern basis, that is that the functions of the council will continue in operational existence for the foreseeable future, as it can only be discontinued as a result of statutory prescription.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR 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, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31st March 2019 for which there is a significant risk of material adjustment in the next financial year are as follows: :

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment Valuations	The Code prescribes the detailed bases for measuring the different classes of property, plant and equipment (PPE). Valuations are undertaken by qualified valuers in accordance with Royal Institute of Chartered Surveyors Guidance on the basis of a five year rolling programme.	For those assets not valued this year, an increase of 1% in the average valuation of assets that have not been amended for a variation in building indices would have the effect of increasing the carrying value of these assets by £419K, with a

	<p>HRA assets are subject to a full revaluation every five years, following DCLG guidance, with a desktop review in the intervening years.</p> <p>Assets on which material capital work has been completed in year are also revalued, and an annual review is carried out to consider impairment of properties and to ensure that property valuations are not materially different to the carrying amount in the Balance Sheet.</p>	<p>corresponding increase in the level of unusable reserves.</p> <p>A fall in value of the council's Investment Properties would result in a charge to the CI&ES. A 10% fall in the total value could result in a charge to the CI&ES of £3.143M</p>
Property, plant and equipment Depreciation	<p>Assets are depreciated over their assessed useful lives, taking into account assumptions about the level of repairs and maintenance that will be undertaken. The current economic climate makes it uncertain that current spending on repairs and maintenance can be sustained, bringing into doubt the useful lives of its assets will be incurred in relation to individual assets.</p> <p>If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. However, due to capital regulations, there would be no impact on the general fund balance.</p>	<p>If the useful economic life (UEL) of assets is reduced, depreciation will increase and the carrying value of assets will decrease.</p> <p>Had the council assumed a UEL of one year less in 2018/19 for all assets with a UEL of 20 years or more, depreciation charges would have been higher.</p>
Pensions Liability	<p>Estimation of the liability to pay pensions within the Local Government Pension Scheme depends on a number of complex judgements relating to: the rate for discounting scheme liabilities; the rate at which salaries are projected to increase; changes in retirement ages and mortality rates; and expected returns on pension fund assets. A firm of actuaries is engaged by the Lancashire County Pension Fund to provide all the authorities within that fund with expert advice about the assumptions to be applied in calculating the IAS19 figures for accounting purposes.</p>	<p>A number of factors can impact on the valuation of the scheme liability. A sensitivity analysis of the factors is set out in more detail in Note 41 of these financial statements.</p>
Fair Value Measurements	<p>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.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions about rent growth, vacancy levels (for investment properties) and discount rates.</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Note 15.</p>
Provision for Business Rate Appeals	<p>Since the introduction of the Business Rates Retention Scheme from 01 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in proportion to their share.</p> <p>The Authority has made a provision of £3.701M, based on the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The</p>	<p>An increase in the estimated settlement rate of 10% would have the effect of adding £370K to the provision needed.</p>

	estimate has been calculated using data provided by an external software provider who utilises the Valuation Office Agency (VOA) ratings list of appeals and its own extensive property list and historic rating information.	
Debtors/ Arrears	<p>Note 19 shows non-public sector debtors of £3.78M</p> <p>The level of required provision is based on various assumptions and estimates, such as the national and local economic outlook and previous collection rates. Given the current economic climate, there is some uncertainty as to whether collection rates will be sustained and therefore as to the required level of bad debt provision.</p>	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 £378K to be set aside.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 31 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been agreed that there are no non-adjusting events after the Balance Sheet date

6 THE EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis demonstrates how the council has used available funding for the year (i.e. government grants, rents, council tax and business rates) in providing services, in comparison with those resources that the council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the council has allocated this expenditure for decision making purposes between the council's Executive Management Teams. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Restated			2018/19			
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£000	£000	£000	£000	£000	£000	
Continuing Operations:						
17	(139)	156	Office of the Chief Executive	(204)	(313)	109
2,807	(2,289)	5,096	Environmental Services	3,650	(3,344)	6,994
1,957	(57)	2,014	Governance	1,792	(49)	1,841
4,682	21	4,661	Health & Housing	3,022	(1,248)	4,270
(7,767)	(7,691)	(76)	Housing Revenue Account	(6,507)	(6,858)	351
4,050	(2,944)	6,994	Regeneration & Planning	4,777	(2,205)	6,982
(930)	(2,389)	1,459	Resources	462	(890)	1,352
2,035	(97)	2,132	Central Services	1,777	(96)	1,873
6,851	(15,585)	22,436	Net Cost of Services	8,769	(15,003)	23,772
(12,484)	7,983	(20,467)	Other Income and Expenditure	(12,583)	(5,470)	(7,113)
(5,633)	(7,602)	1,969	(Surplus) or Deficit	(3,814)	(20,473)	16,659
			Opening General Fund & HRA Balances & Reserves	29,514		
			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	3,814		
29,514			Closing General Fund and HRA Balance & Reserves at 31/3/2019	33,328		

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
£000	£000	£000	£000	£000
Office of the Chief Executive	(180)	(132)	(1)	(313)
Environmental Services	(2,668)	(674)	(2)	(3,344)
Governance	-	(49)	-	(49)
Health & Housing	(982)	(265)	(1)	(1,248)
Housing Revenue Account	(6,769)	(88)	(1)	(6,858)
Regeneration & Planning	(1,982)	(221)	(2)	(2,205)
Resources	(719)	(170)	(1)	(890)
Central Services	-	(96)	-	(96)
Net Cost of Services	(13,300)	(1,695)	(8)	(15,003)
Other income and expenditure from the Expenditure and Funding Analysis	(847)	(1,458)	(3,165)	(5,470)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(14,147)	(3,153)	(3,173)	(20,473)

Adjustments between Funding and Accounting Basis 2017/18 Restated				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Office of the Chief Executive	-	(144)	5	(139)
Environmental Services	(1,600)	(684)	(5)	(2,289)
Governance	-	(55)	(2)	(57)
Health & Housing	304	(270)	(12)	22
Housing Revenue Account	(7,616)	(70)	(5)	(7,691)
Regeneration & Planning	(2,723)	(215)	(6)	(2,944)
Resources	(2,206)	(182)	(1)	(2,389)
Central Services	-	(97)	-	(97)
Net Cost of Services	(13,841)	(1,717)	(26)	(15,584)
Other income and expenditure from the Expenditure and Funding Analysis	12,526	(1,639)	(2,904)	7,983
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,315)	(3,356)	(2,930)	(7,601)

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of *IAS19 Employee Benefits* pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other differences column recognizes adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR 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 forwards in future Surpluses or Deficits on the Collection Fund.

*For further detail, please refer to Note 45 – Prior Period Adjustment

7 EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2017/18 Restated £000	2018/19 £000
Employee benefits expenses	21,640	21,843
Other services expenses	60,996	58,638
Support service recharges	16,388	15,996
Depreciation, amortisation, impairment	13,630	13,252
Interest payments	3,016	2,977
Precepts and levies	1,566	1,318
Payments to Housing Capital Receipts Pool	603	603
Gain on the disposal of assets	(524)	(222)
Total Expenditure	117,315	114,405
Fees, charges and other service income	(51,080)	(51,893)
Interest and investment income	(1,323)	9,817
Income from council tax, non domestic rates, district rate income	(15,856)	(16,145)
Government grants and contributions	(47,087)	(39,525)
Total Income	(115,346)	(97,746)
Surplus or Deficit on the Provision of Services	1,969	16,659

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	2017/18 Comparative Figures							2018/19						
	Restated													
	Usable Reserves							Usable Reserves						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Earmarked Reserves £000	Capital Grants Unapplied £000		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Earmarked Reserves £000	Capital Grants Unapplied £000	
Adjustments to the Revenue Resources:														
Amounts by which income and expenditure included in the Comprehensive income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.														
Pensions costs (transferred to (or from) the Pensions Reserve)	(3,064)	(292)	-	-	-	-		(2,729)	(424)	-	-	-	-	
Financial instruments (transferred to the Financial instruments Adjustments Account)	-	-	-	-	-	-		-	-	-	-	-	-	
Council tax and NDR (transfers to or from Collection Fund)	(2,904)	-	-	-	-	-		(3,165)	-	-	-	-	-	
Holiday pay (transferred to the Accumulated Absences Reserve)	(22)	(5)	-	-	-	-		(7)	(1)	-	-	-	-	
Reversal of entries included in the Surplus or Deficit on the provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,876)	(7,196)	-	-	-	-		(14,170)	(7,482)	-	-	-	-	
Total Adjustments to Revenue Resources	(7,866)	(7,493)	-	-	-	-		(20,071)	(7,907)	-	-	-	-	
Adjustments between Revenue and Capital Resources														
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	473	1,067	(1,540)	-	-	-		39	955	(993)	-	-	-	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(27)	27	-	-	-		-	(18)	18	-	-	-	
Payments to the government housing receipts pool funded by a transfer from the Capital Receipts Reserve	(603)	-	603	-	-	-		(603)	-	603	-	-	-	
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,279	-	(3,279)	-	-		-	3,487	-	(3,487)	-	-	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,416	1,041	-	-	-	-		1,662	1,041	-	-	-	-	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	837	274	-	-	-	-		799	142	-	-	-	-	
Total Adjustments between Revenue and Capital Resources	2,123	5,634	(910)	(3,279)	-	-		1,897	5,607	(372)	(3,487)	-	-	
Adjustments to Capital Resources														
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,281	-	-	-		-	-	372	-	-	-	
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,279	-	-		-	-	-	3,487	-	-	
Application of capital grants to finance capital expenditure	-	-	-	-	-	-		-	-	-	-	-	-	
Cash payments in relation to deferred capital receipts	-	-	(371)	-	-	-		-	-	-	-	-	-	
Total Adjustments to Capital Resources	-	-	910	3,279	-	-		-	-	372	3,487	-	-	
Total Adjustments	(5,743)	(1,859)	-	-	-	-		(18,174)	(2,300)	-	-	-	-	

For further detail of restated balances, refer to Note 45 – Prior Period Adjustment

9 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

	Balance at 31 March 2017	Transfers Out	Transfers In	Balance at 31 March 2018	Transfers Out	Transfers In	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Corporate Property Reserve	418	(105)	99	412	(40)		372
Open Spaces Commuted Sums	82	(21)	-	61	(17)		44
Other Commuted Sums	564	(1)	569	1,132	(172)	143	1,103
Restructuring Reserve	550	(1)	17	566	(35)		531
Renewals	857	(889)	483	451	(606)	485	330
Capital Support	452	(12)	45	485	(223)		262
Canal Corridor	-	(186)	400	214	(163)	186	237
Budget Support	-	(289)	1,000	711	(845)	2,666	2,532
Economic Growth	-	(141)	500	359	(155)		204
Invest to Save Reserve	1,820	(314)	-	1,506	(56)		1,450
Business Rates Retention Reserve	381	(3,133)	7,354	4,602	(2,666)	4,348	6,284
Welfare Reforms Reserve	266	(172)	130	224	(29)	154	349
MAAP Implementation Reserve	29	(2)	-	27			27
Planning Fee Income	-			-	(78)	153	75
Revenue Grants Unapplied	694	-	50	744	(84)	34	694
Other Reserves £100K and under	354	(26)	47	375	(112)	86	349
Total	6,467	(5,292)	10,694	11,869	(5,281)	8,255	14,843
HRA:							
Hsg Mgt System Replacement	602	(36)	57	623	(105)	57	575
Flats Planned Maintenance	668	(215)	133	586	(107)	133	612
Sheltered Housing Reserves	964	(107)	124	981	(54)	119	1,046
Business Support Reserve	8,437	(105)	-	8,332	(67)		8,265
Other Reserves £100K and under	39	-	-	39			39
Total	10,710	(463)	314	10,561	(333)	309	10,537

General Fund Earmarked Reserves

Corporate Property

To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for.

Open Spaces Commuted Sums

This reserve receives all sums paid to the Council from third parties for the maintenance of open spaces adopted by the City Council.

Other Commuted Sums

This reserve receives all sums paid to the Council from third parties

Restructuring

To fund the costs associated with early termination of staff / Pay and Grading Review.

Renewals

Contributions are made into the fund to provide for the renewal of facilities and infrastructure needed for service delivery, such as vehicles, plant and equipment.

Capital Support

To cover contractual liabilities on West End properties and to provide cover for any revenue costs arising through shortfalls in capital financing.

Canal Corridor

To cover commissioning costs relating to external support and advice for the CCN development.

Budget Support

To provide resources to help finance capacity / feasibility / review and other development work in support of the overhaul of the Council's corporate planning and budgeting arrangements, including any transformation or modernisation plans etc.

Economic Growth

To support economic growth activities in the district.

Invest to Save

The reserve has been established to finance any Invest to Save initiatives

Business Rates Retention

This reserve has been established to support the budget in the event that Business Rates Income does not reach budgeted levels.

Welfare Reforms

To help manage the cost pressures of any welfare reforms (in particular, localisation of council tax support).

Morecambe Area Action Plan (MAAP)

To support implementation of the MAAP

Planning Fee Income

To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).

Revenue Grants Unapplied

This reserve holds the revenue grants income which have no claw-back conditions attached and are yet to be applied to matching expenditure.

Housing Revenue Account Earmarked Reserves**Housing Management System Replacement**

Established to fund future major IT systems replacement.

Flats – Planned Maintenance Reserve

Established to smooth the costs of major revenue and capital works to flats funded from Service Charge

Sheltered Housing Reserves

To fund purchases of equipment for sheltered schemes and to smooth the costs of major revenue and capital works to flats funded from Service Charges

Business Support Reserve

To support existing commitments over the lifetime of the 30-year business plan, and secondly to help fund any new build, subject to viability

10 OTHER OPERATING INCOME & EXPENDITURE

The council's various income streams have been assessed and classified in line with Chapter 2 of the 2018/19 Code of Practice and revenue has been recognised accordingly, with specific consideration given to:

- implied or stated contractual terms for exchange transactions.
- obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange.
- the significance of the income stream to the council.

Government grants and third party contributions are recognised when there is reasonable assurance that the council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until the conditions have been satisfied.

Other operating expenditure reported includes all levies payable, total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales within the Housing Revenue Account and gains/losses generated from in year disposals of non-current assets.

	2017/18	2018/19
	£000	£000
Parish council precepts	586	619
Payments to the Government Housing Capital Receipts Pool	603	603
(Gains)/losses on the disposal of non-current assets	(525)	(223)
	664	999

11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and investment income and expenditure includes interest receivable and payable on the council's investment portfolio. The council's net rental income on the properties it holds purely for investment purposes is also included. It also includes the interest element of the pension fund liability.

	2017/18	2018/19
	£000	£000
Interest payable and similar charges	3,016	2,976
Pensions interest cost and expected return on pensions	1,778	1,458
Interest receivable and similar income	(116)	(233)
Income and expenditure in relation to investment properties and changes in their fair value	(1,486)	10,049
Other investment income and expenditure	1	1
	3,193	14,251

12 TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

This note consolidates all non-specific grants and contributions receivable that cannot be identified with individual service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service-specific. The note also identifies the council's proportion of council tax and business rates used to fund in-year service activities.

	2017/18	2018/19
	Restated	
	£000	£000
Council tax income	(9,195)	(9,625)
Non domestic rates	(5,681)	(5,821)
Non-ringfenced government grants	(5,136)	(4,440)
Capital grants and contributions	(4,312)	(2,477)
	(24,324)	(22,363)

13 PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation								
Balance as at 1 April 2018	129,627	68,477	20,819	44,096	8,614	798	8,904	281,335
additions	3,987	564	1,015	2,387	-	-	533	8,486
revaluation increases/(decreases) recognised in the Revaluation Reserve	5,180	(4,937)	-	-	-	429	-	672
revaluation increases/(decreases) recognised on the Surplus/Deficit on the Provision of Services	(5,334)	(1,037)	-	-	-	(69)	-	(6,440)
derecognition - disposals	(729)	-	(543)	-	-	-	-	(1,272)
assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-	-
other transfers	-	-	-	8,892	-	-	(8,892)	-
Balance as at 31 March 2019	132,731	63,067	21,291	55,375	8,614	1,158	545	282,781
Accumulated Depreciation and Impairment								
Balance as at 1 April 2018	(2,769)	(4,389)	(13,139)	(19,951)	(24)	(31)	-	(40,303)
depreciation charge	(2,976)	(2,106)	(1,590)	(1,411)	(5)	(57)	-	(8,145)
depreciation on revaluations written back recognised in the Revaluation Reserve	1,392	639	-	-	-	31	-	2,062
depreciation on revaluations written back recognised in the Surplus/Deficit on Provision of Services	1,376	87	-	-	-	-	-	1,463
derecognition - disposals	16	-	501	-	-	-	-	517
Balance as at 31 March 2019	(2,961)	(5,769)	(14,228)	(21,362)	(29)	(57)	-	(44,406)
Net Book Value								
at 31 March 2018	126,858	64,088	7,680	24,145	8,590	767	8,904	241,032
at 31 March 2019	129,770	57,298	7,063	34,013	8,585	1,101	545	238,375

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
RESTATEd								
Cost/Valuation								
Balance as at 1 April 2017	126,414	71,880	18,508	43,226	8,533	2,074	5,462	276,097
additions	4,030	2,260	2,919	142	80	-	4,170	13,601
donations	-	-	-	-	-	-	-	-
revaluation increases/(decreases) recognised in the Revaluation Reserve	6,433	(665)	-	-	-	3	-	5,771
revaluation increases/(decreases) recognised on the Surplus/Deficit on the Provision of Services	(3,710)	(1,023)	-	-	(120)	(1,138)	-	(5,991)
depreciation on revaluations written back	(2,686)	(3,975)	-	-	-	(93)	-	(6,754)
derecognition - disposals	(854)	-	(608)	-	-	(105)	-	(1,567)
derecognition - other	-	-	-	-	-	-	-	-
assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	57	-	57
other transfers	-	-	-	728	121	-	(728)	121
Balance as at 31 March 2018	129,627	68,477	20,819	44,096	8,614	798	8,904	281,335
Accumulated Depreciation and Impairment								
Balance as at 1 April 2017	(2,705)	(6,317)	(12,172)	(18,575)	(19)	(93)	-	(39,881)
depreciation charge	(2,785)	(2,047)	(1,511)	(1,376)	(5)	(31)	-	(7,755)
depreciation on revaluations written back	2,686	3,975	-	-	-	93	-	6,754
derecognition - disposals	35	-	544	-	-	-	-	579
Balance as at 31 March 2018	(2,769)	(4,389)	(13,139)	(19,951)	(24)	(31)	-	(40,303)
Net Book Value								
at 31 March 2017	123,709	65,563	6,336	24,651	8,514	1,981	5,462	236,216
at 31 March 2018	126,858	64,088	7,680	24,145	8,590	767	8,904	241,032

During preparation for the production of the Financial Statements it was discovered that the Councils opening and closing gross book values and accumulated depreciation were both overstated. The net book values and movements disclosed in the property plant and equipment note were unaffected.

Depreciation

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

- Council Dwellings: depreciated on a componentised basis, ranging from 5 – 80 years;
- Other Land and Buildings: 5 - 40 years;
- Vehicles, Plant, Furniture and Equipment: 5 -15 years;
- Infrastructure: 10 - 40 years.

Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 anticipated to cost £0.904M. Similar commitments at 31 March 2018 were £3.610M. The major commitments are:

- | | |
|------------------------------|---------|
| ■ Sea and Flood Defence | £8.9K |
| ■ Disabled Facilities Grants | £746.7K |
| ■ Regeneration | £24.8K |
| ■ ICT Equipment & Software | £123.9K |

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every three years, with Investment property being revalued annually. All valuations were carried out internally by professionally qualified valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors by the council's Property Services Team. Carrying values of vehicles, plant, furniture and equipment are based on depreciated cost.

The significant assumptions applied in estimating the fair values are:

- Values are given as at 01 April for the given year.
- Existing Use Market values are used except where items are of a specialist nature when depreciated historic cost is used as a proxy, or for investment properties where the highest and best consideration is used.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant Furniture & £000	Surplus Assets £000	Total £000
Carried at historical cost			7,063		7,063
Valued at current value as at:					
31 March 2019	129,770	17,427	-	1,101	
31 March 2018	-	34,269	-	-	34,269
31 March 2017	-	5,602	-	-	5,602
31 March 2016	-	-	-	-	-
31 March 2015	-	-	-	-	-
Total Cost or Valuation		57,298	7,063	1,101	46,934

14 HERITAGE ASSETS

Reconciliation of transactions and carrying value of Heritage Assets held by the council.

	2017/18 £000	2018/19 £000
Opening Balance		
Civic Regalia and other donated items	607	832
Museum Collections	7,567	7,567
Public Art Works	100	100
Art Collection	17	185
	8,291	8,684
Disposals	-	-
Revaluations	393	833
Closing Balance		
Civic Regalia and other donated items	832	832
Museum Collections	7,567	8,400
Public Art Works	100	100
Art Collection	185	185
	8,684	9,517

Civic Regalia and other donated assets

There are over 80 pieces of civic regalia and other donated assets, with some of the more valuable items including the mayoral chains, and the Lancaster and Morecambe maces. In addition to these are numerous items of silverware, china and glassware. The majority of these items are held at Lancaster Town Hall and can be viewed at the annual Heritage Open Day held every September in addition to any guided town hall tours that may be held throughout the year.

Museums' Collections

The council owns over 3,500 items which are either on display or stored at the Maritime, Cottage and City museums in Lancaster. Some of the more valuable items include paintings of Sir Richard Owen dating back to the early 1800's, in addition to a Roman cavalry tombstone circa 80 AD which was discovered in an archaeological dig at Aldcliffe Road in 2005. The museum collections account for 90% of the value represented on the balance sheet.

The paintings in the museum collection were valued by Bonhams on 28 March 2019. The medals in the collection were valued by Chris Dixon during 2018/19. The remainder of the collection was valued for insurance purposes by the Museums' Curator, Carolyn Dalton during 2018/19. Carolyn holds an M.A. in Museums Studies together with a B.A (hons) in History and has 27 years' experience working as a curator at a variety of Councils in addition to Lancaster. These include Doncaster, Poole and Norfolk Councils.

Public Artwork

The council has commissioned numerous pieces of public art as part of the Tern and River Lune Millennium Park projects. The most famous and valuable of these is the Eric Morecambe statue which was sculpted by Graham Ibbeson and unveiled by HM Queen in July 1999, and is one of the centre pieces of the Tern project in Morecambe.

Art Collection

The council also owns over 50 pieces of artwork, the majority of which are held in the Ashton Memorial at Williamson Park. In addition, several pieces of artwork are on display at Lancaster Town Hall in various meeting and function rooms.

Further details of the nature and scale of the collections is available on the council's website within the 'History of Lancaster Town Hall' and Williamson Park sections, as well as via the county council museums service website.

The council is not actively seeking material additions to the collections; material additions would need to be considered on a case by case basis as part of the wider capital programme. The museums partnership makes additions in accordance with its development policy although these have been below de-minimis for recognition as non-current assets in recent years.

The records in relation to both the museum catalogues and town hall collections are in development; there is not currently a full listing of all heritage assets and their current values available. As such, the insurance valuations have been used as a proxy for the value of the collections.

The council also owns the Queen Victoria monument in Dalton Square and various items of ornate wooden furniture held in Lancaster Town Hall such as the oak Gillow table in the Mayor's parlour. Valuations for these items have not been obtained as the council does not deem it currently necessary to do so.

15 INVESTMENT PROPERTIES

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

	2017/18 £000	2018/19 £000
Rental income from investment property	(954)	(940)
Direct operating expenses arising from investment property	597	599
Net (gain)/loss	(357)	(341)

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2017/18 £000	2018/19 £000
Balance as at 1 April	31,200	33,158
Additions:		
- Construction	513	79
Disposals:		
Net gains/losses from fair value adjustments	1,565	(9,909)
Transfers:		
- to/from Property, Plant & Equipment	(120)	-
Balance as at 31 March	33,158	23,328

Fair Value Hierarchy

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

2018/19	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2019 £000
<i>Recurring fair value measurements using:</i>				
Office	-	-	3,955	3,955
Retail	-	-	2,767	2,767
Agriculture & Allotments	-	1,018	411	1,429
Commercial Land	-	1,511	3,204	4,715
Commercial Buildings	-	207	1,996	2,203
Mixed Commercial	-	-	8,259	8,259
Total	-	2,736	20,592	23,328

2017/18	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2018
	£000	£000	£000	£000
<i>Recurring fair value measurements using:</i>				
Office	-	-	3,952	3,952
Retail	-	-	2,769	2,769
Agriculture & Allotments	-	5,089	867	5,956
Commercial Land	-	7,031	3,050	10,081
Commercial Buildings	-	203	1,866	2,069
Mixed Commercial	-	-	8,331	8,331
Total	-	12,323	20,835	33,158

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the Commercial Land has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

The remainder of the Investment Properties located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs etc.

The properties are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions)

Highest and best use of Investment Properties

With the exception of a piece of Commercial Land at Burrow Beck Lancaster, Commercial Buildings on Dorrington Road and King George Playing Fields, Commercial Land on York Road, Blackberry Hall Lane, Lansil Estate and Agricultural Land on Ashford Road, in estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

If the properties were to be sold they have a potential alternative use as residential housing land. They have, therefore, been valued at £2.7M which is deemed to be the highest and best use value.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Reconciliation of Fair Value Measurement (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

	2018/19 £000
Balance as at 1 April	20,835
Transfers in	
Transfers out	-
Total gains/losses for the period included in Surplus or Deficit on the Provision of Services resulting from changes in fair value	(322)
Additions	79
Disposals	-
Balance as at 31 March	20,592

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

16 INTANGIBLE ASSETS

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is 5 years.

Key software licenses are held for the Salt Ayre income management system, Local Land and Property Gazetteer, Housing Rents and Repairs system, Cash Receipting system, National Non Domestic Rating system, Asset Management system, PC based software and Customer Relationship Management System.

	2017/18 £000	2018/19 £000
Balance at start of year:		
- Gross carrying amounts	688	849
- Accumulated amortisation	(383)	(497)
Net carrying amount at start of year	305	352
Additions:		
- Purchases	161	77
Amortisation for the period	(114)	(130)
Net carrying amount at the end of year	352	299
Comprising:		
- Gross carrying amounts	849	926
- Accumulated amortisation	(497)	(627)
Balance as at 31 March	352	299

In line with the Code, intangible assets are carried at amortised cost.

17 FINANCIAL INSTRUMENTS

Financial instruments are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cash flow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The value of debtors and creditors reported in the table opposite are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 19 and 22 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The following categories of financial instrument are carried in the Balance Sheet:

	Non Current		Current	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Investments				
Amortised Cost	0	0	25,100	16,000
Fair value through profit or loss	0	0	0	0
Fair value through other comprehensive income - designated equity	0	0	0	0
Fair value through other comprehensive income - other	0	0	0	0
Total investments	0	0	25,100	16,000
Debtors				
Amortised Cost	0	0	10,246	9,526
Fair value through profit or loss	0	0	0	0
Fair value through other comprehensive income - designated equity	0	0	0	0
Fair value through other comprehensive income - other	0	0	0	0
Total Debtors	0	0	10,246	9,526
Bank account	0	0	0	0
Total assets	0	0	35,346	25,526
Borrowings				
Amortised Cost	(63,167)	(63,239)	(1,041)	(1,041)
Fair value through profit or loss				
Lease liabilities	0	0	0	0
Total borrowings	(63,167)	(63,239)	(1,041)	(1,041)
Creditors				
Amortised Cost	(225)	(225)	(28,770)	(16,561)
Fair value through profit or loss				
Total Creditors	(225)	(225)	(28,770)	(16,561)
Bank (Overdraft) / Cash in Hand	0	0	3,494	6,903
Total liabilities	(63,392)	(63,464)	(26,317)	(10,699)

Income, Expenses, Gains and Losses

	2017/18					2018/19				
	Financial Assets measured at amortised cost £000	Financial Assets measured at Fair value through profit or loss £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Liabilities measured at Fair value through profit or loss £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest payable	3,016	-	-	-	3,016	2,976	-	-	-	2,976
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	3,016	-	-	-	3,016	2,976	-	-	-	2,976
Interest income	(116)	-	-	-	(116)	(233)	-	-	-	(233)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains and derecognition	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	(116)	-	-	-	(116)	(233)	-	-	-	(233)
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-
Net (gain)/loss for the year	2,900	-	-	-	2,900	2,743	-	-	-	2,743

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Carrying values are assumed to be equal to the fair value of short term assets and liabilities held. The value of long term creditors is reviewed at each balance sheet date based on the current values outstanding and best estimates of amounts required to settle liabilities of uncertain timing or amount. PWLB loans are the only financial instrument where the fair value is judged to be different from the carrying amount. The fair value is calculated based on premature repayment rates between 1.05% and 1.45%.

The fair values calculated are as follows:

	31 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	101,515	153,380	83,048	136,759
Long-term creditors & provisions	3,261	3,261	4,268	4,268
Total	104,776	156,641	87,316	141,027

The fair value of the liabilities is greater (a larger liability) than the carrying amount because the current repayment rates are below that of the council's existing debt. The fair value adjustment is estimated using the early repayment premia that would be applicable at the balance sheet date.

	31 March 2018		31 March 2019	
	Carrying amount Restated	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	38,840	38,840	34,636	34,636
Long-term debtors	-	-	-	-
Total	38,840	38,840	34,636	34,636

The amortised cost of assets is judged as a fair measure of their fair value, the vast majority of these being current assets.

18 INVENTORIES

	Consumable Stores		Maintenance Materials		Items for Resale		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April	33	62	247	260	89	90	369	412
Purchases	64	64	960	976	446	432	1,470	1,472
Recognised as an expense in the year	(35)	(68)	(925)	(934)	(445)	(419)	(1,405)	(1,421)
Written off balances	-	-	(22)	(33)	-	(1)	(22)	(34)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance as at 31 March	62	58	260	269	90	102	412	429

19 SHORT TERM DEBTORS

	31 March 2018	31 March 2019
	Restated	
	£000	£000
Council Taxpayers	727	746
Central Government Bodies	1,579	1,001
Housing Rents	585	554
Other Local Authorities	4,441	4,636
Commercial Ratepayers	434	516
Other entities and individuals	2,480	2,073
	10,246	9,526

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up purely of the council's bank current account balance. Investment balances are at their lowest at the year end and so any residual balances in short notice deposit accounts are assumed to be investing activities and not in support of short term cash management.

	31 March 2018	31 March 2019
	Restated	
	£000	£000
Bank current account	3,494	(2,207)
Investments < 3 months	-	9,110
	3,494	6,903

21 ASSETS HELD FOR SALE

	Current		Non Current	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Balance as at 1 April	-	-	57	-
Assets newly declassified as held for sale:				
- Property, plant and equipment	-	-	(57)	-
Impairment losses	-	-	-	-
Balance as at 31 March	-	-	-	-

22 SHORT TERM CREDITORS

	31 March 2018	31 March 2019
	Restated	
	£000	£000
Council Taxpayers	(156)	(161)
Central Government Bodies	(7,747)	(9,578)
Housing Rents	(218)	(289)
Other Local Authorities	(1,083)	(2,030)
Commercial Ratepayers	(9,212)	(145)
Other entities and individuals	(10,354)	(4,358)
	(28,770)	(16,561)

23 PROVISIONS

Provisions are recognised where the council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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.

	Business			Total £000
	Insurance £000	Rate Appeals £000	Back Pay £000	
Balance as at 1 April 2018	(478)	(2,458)	(100)	(3,036)
Contribution to Provision	(157)	(1,243)	-	(1,400)
Amounts Paid	341	-	51	392
Balance as at 31 March 2019	(294)	(3,701)	(49)	(4,044)

Insurance Provision

The closing balance on the provision is in respect of outstanding insurance claims to be settled by the council. The council provides an element of self-insurance whereby it pays varying levels of excess depending upon the type of insurance policy. The balance on the provision is assessed throughout the year to ensure it is sufficient to meet all anticipated claims.

Business Rates

Due to the localisation of Business Rates, which became effective from 1 April 2013, the council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated based on experience and analysis of the appeals listing from the VOA.

It is expected that the majority of appeals for the 2010 list will be settled by the VOA towards the end of 2019. However, the council cannot be certain as to when the lodged appeals will be resolved because the timing of resettlement depends on the VOA.

The Business Rates (NNDR) appeals provides cover for the council's share of estimated liabilities arising as a result of ratepayers appealing to the Valuation Office against the rateable values for their property; where successful, they will receive a refund backdated to the date the appeal was lodged.

Back Pay

A Back Pay provision was established in 2017/18, following a ruling by the Employment Appeal Tribunal in 2017 requiring employers to include overtime in the calculation for holiday pay. Some amounts are still outstanding however we expect these to be paid early in 2019/20 and the provision closed.

24 USABLE RESERVES

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and in the following tables. These include revenue and capital reserves available to meet future expenditure.

	31 March 2018 £000	31 March 2019 £000
General Fund Balance	5,067	5,714
HRA Balance	2,017	2,235
HRA Business Plan Reserve	8,332	8,265
Housing Mgt System Replacement Reserve	623	575
Flats Planned Maintenance	586	612
Sheltered Equipment	331	344
Sheltered Planned Maintenance	174	196
Sheltered Support Grant Maintenance	476	506
Renewals Reserve	293	183
Capital Support	485	262
Other Commuted Sums	1,132	1,103
Corporate Property Reserve	412	372
Restructuring Reserve	566	531
Welfare Reforms Reserve	224	349
Invest to Save Reserve	1,506	1,450
Capital Grants Unapplied	102	102
Business Rates Retention Reserve	4,602	6,283
Revenue Grants Unapplied	744	694
Budget Support Reserve	711	2,532
Canal Quarter Reserve	214	237
Economic Growth Reserve	359	204
Homelessness Support Reserve	102	101
City Council Election Reserve	80	109
Other Reserves under £100K	479	472
Total usable reserves	29,617	33,431

25 UNUSABLE RESERVES

	31 March 2018 Restated £000	31 March 2019 £000
Revaluation Reserve	73,531	74,412
Financial Instruments Adjustment Account	(143)	(143)
Capital Adjustment Account	125,686	114,223
Pensions Reserve	(59,197)	(59,302)
Deferred Credits	-	-
Accumulated Absences Account	(190)	(198)
Collection Fund Adjustment Account	3,737	572
Total unusable reserves	143,424	129,564

Revaluation Reserve

The Revaluation 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:

- revalued 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 are realised.

The Reserve contains only revaluation gains accumulated since 01 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

	2017/18 £000	2018/19 £000
Balance as at 1 April	69,897	73,531
Upwards revaluation of assets	7,206	4,211
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,042)	(646)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	6,164	3,565
Difference between fair value depreciation and historical cost depreciation.	(2,193)	(2,445)
Accumulated gains on assets sold or scrapped	(337)	(239)
Amount written off to the Capital Adjustment Account	(2,530)	(2,684)
Balance as at 31 March	73,531	74,412

Capital Adjustment Account

The Capital Adjustment 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 by the council as finance for the costs of acquisition, construction or enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 01 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £000	2018/19 £000
Balance as at 1 April	124,100	125,686
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non current assets	(7,737)	(8,126)
- Revaluation losses on Property, Plant and Equipment	(5,990)	(4,975)
- Amortisation of Intangible Assets	(114)	(130)
- Revenue Expenditure funded from Capital under statute.	(1,398)	(2,615)
- HRA self financing payment.	1,041	1,041
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(988)	(755)
Sub total	108,914	110,126
Adjusting amounts written out of the Revaluation Reserve	2,529	2,685
Net written out amount of the cost of non current assets consumed in the year.	111,443	112,811
Capital financing applied in the year:		
- Use of Capital Receipts Reserve	1,281	372
- Use of the Major Repairs Reserve	3,279	3,487
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement (including those in respect of donated assets)	5,591	4,859
- Application of grants to capital financing from the Capital Grants Unapplied Account.	-	-
- Statutory provision for the financing of capital investment charged against General Fund and HRA balances	1,416	1,662
- Capital expenditure charged against the General Fund and HRA balances	1,111	941
Sub total	124,121	124,132
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure statement	1,565	(9,909)
Balance as at 31 March	125,686	114,223

Financial Instruments Adjustment Account (FIAA)

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in line with statutory provisions. The council uses the Account to manage premiums and discounts paid on the early redemption of loans. Premiums and discounts are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund and HRA balance to the FIAA in the Movement in Reserves Statement. Over time, the expense and income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2017/18 £000	2018/19 £000
Balance as at 1 April	(143)	(143)
Premiums and discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements	-	-
Balance as at 31 March	(143)	(143)

Pensions Reserve

The Pensions 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, and changing assumptions and investment returns on any resources set aside to meet such costs. However, statutory arrangements require pensions to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the

council has 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.

	2017/18 £000	2018/19 £000
Balance as at 1 April	(65,763)	(59,197)
Actuarial gains or (losses) on pensions assets and liabilities	9,922	3,048
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(6,657)	(6,439)
Employer's pension contribution and direct payments to pensioners payable in the year	3,301	3,286
Balance as at 31 March	(59,197)	(59,302)

Collection Fund Adjustment Account

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

	2017/18 £000	2018/19 £000
Balance as at 1 April	6,641	3,737
Amount by which council tax and business rates income credited to Comprehensive Income and Expenditure statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(2,904)	(3,165)
Balance as at 31 March	3,737	572

Accumulated Absences Account

The Accumulated Absences 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 and flexible working hours credits carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £000	2018/19 £000
Balance as at 1 April	(163)	(190)
Settlement or cancellation of accrual made at the end of the preceding year	163	190
Amounts accrued at the end of the current year	(190)	(198)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(27)	(8)
Balance as at 31 March	(190)	(198)

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2017/18 £000	2018/19 £000
Interest received	(88)	246
Interest paid	3,021	(1,865)

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

	2017/18 £000 Restated	2018/19 £000
Depreciation	7,737	8,126
Impairment & downward valuations	6,008	4,994
Amortisation	114	130
Increase/(decrease) in creditors	1,964	(5,065)
(Increase)/decrease in debtors	3,115	413
(Increase)/decrease in inventories	(43)	(18)
Movement in pension liability	(2,643)	6,124
Carrying amount of non-current assets and assets held for sale sold or derecognised	988	755
Other non- cash items charged to the net surplus of deficit on the provision of services	(1,103)	10,915
	16,137	26,374

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

	2017/18 £000	2018/19 £000
Proceeds from short-term and long-term investments	5,181	100
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,586)	(993)
Any other items for which the cash effects are investing or financing cash flows	(5,591)	(4,859)
	(1,996)	(5,752)

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017/18 £000	2018/19 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(14,486)	(9,121)
Purchase of short-term and long-term investments	-	(15,000)
Receipts from sale of Property, Plant and Equipment, investment property and intangible assets	1,586	993
Other payments from investing activities	551	(584)
Proceeds from short-term and long-term investments	-	24,000
Other receipts from investing activities	6,507	4,776
Net cash flows from investing activities	(5,842)	5,064

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2017/18 £000 Restated	2018/19 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(38)	-
Repayment of short-term and long-term borrowing	(1,041)	(1,041)
Other payments for financing activities	1,628	(4,576)
Net cash flows from financing activities	549	(5,617)

29 ACQUIRED AND DISCONTINUED OPERATIONS

Museums Service

On 1 October 2018 the operation of the council's Museums service was brought back in house. Previously the service was managed on behalf of the council by Lancashire County Council at a cost of approximately £520K per annum. As this cost was reflected within the Regeneration Planning line within the CI&ES in previous years no further accounting adjustments are required.

There were no discontinued operations in 2018/19.

30 TRADING OPERATIONS

Trading services cover undertakings with the public or with other third parties, and include such activities as garden waste collection, trade waste collection, markets and the letting of commercial properties and industrial units. Details of these trading areas and their respective (surpluses) or deficits for the last five years is shown in the following table.

	2014/15	2015/16	2016/17	2017/18	2018/19
Highways	£000	£000	£000	£000	£000
Turnover	(1,178)	(1,043)	-	-	-
Expenditure	1,104	1,103	-	-	-
(Surplus)/Deficit	(74)	60	-	-	-
Trade Waste					
Turnover	(1,275)	(1,241)	(1,241)	(1,378)	(1,435)
Expenditure	824	929	1,104	1,124	1,275
(Surplus)/Deficit	(451)	(312)	(137)	(254)	(160)
Garden Waste					
Turnover	-	-	(258)	(990)	(911)
Expenditure	-	-	396	1,190	1,378
(Surplus)/Deficit	-	-	138	200	467
Markets					
Turnover	(394)	(404)	(419)	(414)	(397)
Expenditure	321	319	310	318	389
(Surplus)/Deficit	(73)	(85)	(109)	(96)	(8)
Commercial Properties / Industrial Units					
Turnover	(888)	(946)	(1,062)	(1,208)	(1,246)
Expenditure	729	797	872	898	923
(Surplus)/Deficit	(159)	(149)	(190)	(310)	(323)
Consolidated					
Turnover	(3,735)	(3,634)	(2,980)	(3,990)	(3,989)
Expenditure	2,978	3,148	2,682	3,530	3,965
(Surplus)/Deficit	(757)	(486)	(298)	(460)	(24)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement and form an integral part of the council's services to the public. No costs are recharged to the Net Operating Expenditure of Continuing Operations but are included within Financing and Investment Income and Expenditure.

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Net (surplus)/deficit on trading operations	(757)	(486)	(298)	(460)	(24)
Trading expenditure and income included within Surplus or Deficit on the Provision of Services	-	-	-	-	-
Net (surplus)/deficit	(757)	(486)	(298)	(460)	(24)

31 AGENCY SERVICES

The council provides highways grounds maintenance for Lancashire County Council for which it is reimbursed subject to defined limits. The net deficit represents the amount by which the council contributes to the agency.

	2017/18	2018/19
	£000	£000
Expenditure on agency arrangement	204	220
Income on agency arrangement	(153)	(162)
Net deficit arising on agency arrangements	51	58

32 MEMBERS' ALLOWANCES

The council paid the following amounts to members of the council during the year.

	2017/18	2018/19
	£000	£000
Basic Allowances	200	202
Special Responsibility Allowances	83	81
Expenses	2	2
Total	285	285

33 OFFICERS' REMUNERATION

The remuneration of senior employees, defined as those who are members of the Executive Team, those holding statutory posts, or those whose remuneration is £150,000 or more per year, was as set out below.

	Salary, Fees and allowances	Expenses & Benefits in Kind	Compensation for Loss of Office	Total Remuneration (excluding pension contributions)	Employer Pension contribution	Total Remuneration (including pension contributions)
2018/19	£000	£000	£000	£000	£000	£000
Chief Executive (to 24/3/19)	109	2	-	111	16	127
Assistant Chief Executive / Interim Chief Executive (from 3/3/19)	84	-	-	84	13	97
Chief Officer (Resources) / Section 151 Officer (to 31/8/18)	29	-	67	96	4	100
Section 151 Officer (1/9/18 to 14/10/18)	7	-	-	7	1	8
Section 151 Officer (15/10/18 to 28/02/19)	57	-	-	57	1	58
Section 151 Officer (from 1/3/19)	4	-	-	4	1	5
Director Corporate Services (from 1/3/19)	7	-	-	7	1	8
Chief Officer (Governance) / Monitoring Officer	115	-	-	115	-	115
Chief Officer (Economic Development) to 1/1/19	43	-	-	43	4	47
Chief Officer (Development Management) to 1/1/19	43	-	-	43	5	48
Chief Officer (Regeneration) to 5/8/18	20	-	-	20	2	22
Chief Officer (Regeneration) 28/8/18 to 1/1/19	47	-	-	47	-	47
Director for Economic Growth & Regeneration (from 2/1/19)	20	-	-	20	3	23
Chief Officer (Environmental Services) to 31/10/18	45	-	-	45	6	51
Director Communities & Environment (from 1/11/18)	37	-	-	37	6	43
Chief Officer (Health & Housing) to 31/10/18	45	-	-	45	7	52
Deputy Director Communities & Environment (from 1/11/18)	32	-	-	32	5	37
Human Resources Manager	110	-	-	110	-	110

	Salary, Fees and Allowances	Expenses & Benefits in Kind	Redundancy Payments	Total Remuneration (excluding pension contributions)	Employer Pension Contribution	Total Remuneration (including pension contributions)
2017/18						
Chief Executive	109	-	-	109	14	123
Assistant Chief Executive (New from 31/07/17)	55	-	-	55	7	62
Chief Officer (Environmental)	67	-	-	67	9	76
Chief Officer (Resources)	67	-	-	67	9	76
Legal Services Manager (Interim to 24/09/17)	62	-	-	62	-	62
Chief Officer (Legal & Governance (07/09/17 to 23/02/18)	32	-	-	32	4	36
Legal Services Manager (Interim from 15/02/18)	15	-	-	15	-	15
Chief Officer (Health & Housing)	67	-	-	67	9	76
Chief Officer (Regeneration & Planning)	66	1	35	102	9	111

Following the resignation of the Chief Officer (Legal and Governance), the post was held by an external consultant who was appointed from February 2018 on an interim basis to cover some of the duties of the former Chief Officer post including the role of Monitoring Officer and reported directly to the Head of Paid Service. Payments totalling £114,500 excluding VAT were paid to Venn Group Limited.

The post of Human Resources Manager was also held by an external consultant who was appointed January 2018 and also reported directly to the Head of Paid Service. Payments totalling £110,391 excluding VAT were made to Hays Office Support in 2018/19.

The Section 151 Officer role was covered by a consultant for the period 15 October 2018 to 28 February 2019 and payments totalling £57,163.75 were made to Penna PLC.

Further to the above the Chief Officer (Regeneration) post was covered by a consultant for the period 28th August 2018 to 1 January 2019 and payments totalling £47,385 were made to Hays Office Support.

There were no other employees, who are not classed as senior officers, who received remuneration above £50,000 (excluding employer's pension contributions).

The numbers of exit packages with total costs (redundancy and pension strain) per band are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0 - £20,000	-	-	8	5	8	10	36,673	64,382
£20,001 - £40,000	-	-	2	1	2	1	72,906	35,000
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	1	-	1	-	65,940
£80,001 - £100,000	-	-	-	1	-	1	-	87,659
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	-	-	10	8	10	13	109,579	252,981

Termination benefits are payable following a decision by the council to terminate an officer's employment before their normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of the benefits or when the council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Entries are made in the Movement in Reserves Statement to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the pension fund.

34 EXTERNAL AUDIT COSTS

The following costs relate to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors.

	2017/18	2018/19
	£000	£000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	58	45
Fees payable in respect of other services provided by external auditors for the year	4	10
Total	62	55

In 2017/18 KPMG performed the main audit and provided other services. In 2018/19 Deloitte performed the main audit and KPMG provided other services.

35 GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

	2017/18 Restated	2018/19
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,605	941
New Homes Bonus	1,867	1,650
S31 Business Rates Grants	1,642	1,736
DCLG Levy Account Surplus	-	87
Environment Agency Wave Reflection Wall Construction	4,170	2,359
Other Grants Under £50K	164	143
Total	9,448	6,916

	2017/18	2018/19
	£000	£000
Credited to Services		
MHCLG (formerly DCLG) Disabled Facilities Grant	1,240	2,369
Morecambe TH12 Heritage Lottery Grant	29	12
Discretionary Housing Payments	187	183
Supporting People	201	235
Active Lives: Other Grants	189	176
Parliamentary/European/Police/Individual Elections	410	-
Armside & Silverdale AONB Grants	138	140
Benefits DWP grant	751	566
DCLG Local Council Tax Support Grant	179	171
Storm Relief	455	32
Transformation Change	99	333
Lancashire County Council - Syrian Refugees	158	155
Homes & Communities Agency - Bailrigg Garden Village	88	190
Standard Rent Allowances: Government Grants	22,608	20,199
EA Flood Management - Caton Road	71	626
MHCLG Community Housing	61	74
MHCLG Homelessness	27	85
Rent Rebates - Council Housing: Government Grants	7,146	6,599
NNDR Administration: Government Grants	350	215
Other Grants Under £50K	334	249
Total	34,721	32,609

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2017/18	2018/19
	£000	£000
Capital Grants Receipts in Advance		
DFG Grant	1,440	1,026
Environment Agency	247	-
Other Grants Under £50K	127	204
Total	1,814	1,230

36 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. Disclosure of these transactions allows 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 effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its 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 bills, housing benefits). Grants received from government departments are set out in Note 7 on expenditure and income analysed by nature. Grant receipts outstanding at 31 March 2019 are contained within debtors Note 19.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 32. There are no other material transactions to disclose in respect of elected members.

Officers

Senior officer remuneration is disclosed in Note 33, and there are no other material transactions to disclose in respect of officers.

Members of the Families and Households of Members and Officers

There are no material transactions to disclose in respect of members of the families and households of Members and Officers.

Entities Controlled or Significantly Influenced by the Authority

The council previously nominated four of its City Councillor's as trustees of the Dukes Playhouse Ltd, however as there was no trustee representation made by the council during 2018/19 there is no further disclosure requirement for the Dukes.

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the adjacent table, together with the resources that have been used to finance it.

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 (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18	2018/19
	£000	£000
Opening Capital Financing Requirement	82,072	84,009
<i>Capital investment:</i>		
Property, Plant and Equipment	13,855	8,485
Investment Properties	259	79
Intangible Assets	161	77
Revenue Expenditure Funded from Capital Under Statute	1,398	2,615
<i>Sources of financing:</i>		
Capital receipts	(1,280)	(372)
Government Grants and other contributions	(5,591)	(4,858)
Direct revenue contributions	(1,604)	(1,450)
Minimum Revenue Provision	(2,458)	(2,703)
Depreciation of HRA non dwellings	(18)	(19)
Major Repairs Reserve	(2,785)	(2,978)
Closing Capital Financing Requirement	84,009	82,885
<i>Explanation of movements in year:</i>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	1,937	(1,124)
Increase/(decrease) in Capital Financing Requirement	1,937	(1,124)

38 LEASES

Finance Leases

The council has no finance lease obligations

Operating Leases

The council does act as lessor for a number of operating leases on land and buildings in the district. The minimum future lease payments under these agreements are summarised below:

	Minimum lease payments	
	31 March 2018	31 March 2019
	£000	£000
Not later than 1 year	622	542
Later than 1 year and not later than 5 years	1,273	1,199
Later than 5 years	2,103	1,866
Minimum lease payments	3,998	3,607

39 IMPAIRMENT LOSSES

During 2018/19 the council has not recognised any impairment losses in relation to non-current asset valuations.

40 TERMINATION BENEFITS

The council terminated the contracts of 13 employees in 2018/19 incurring liabilities of £252,981 (£110k in 2017/18). Of this total £67,253 (£38k in 2017/18) was payable in enhanced pension benefits.

41 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments (for those benefits) and to disclose them at the time employees earn their future entitlement.

The council participates in one employment scheme. The Local Government Pension Scheme for civilian employees, administered by Lancashire County Council – this is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, those contributions being calculated at a level intended to balance the pensions liabilities with investment assets.

Early Payment of 3 Years LGPS Deficit Lump Sum and Annual Contributions

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid, as well as the required percentage to be applied for on-going contributions and their value. As part of the 2016 Valuation, employers were offered the opportunity to make these payments in one discounted lump sum in 2017/18 rather than paying each year. The benefit to the council was that the value of the lump sum was less than the on-going annual cost even after allowing for potential interest losses by prepaying and as a result the offer was taken up by the council.

The value of the lump sum is greater to the Pension Fund as it can make great returns on its investments than the council can make on its deposits. For council investments, as dictated by the Prudential Code, the primary driver is capital preservation while for the Pension Fund, which has a much longer time horizon and therefore relatively higher risk tolerance, the drivers are financial return and diversification.

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 required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement 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 General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
	2017/18	2018/19
Comprehensive Income and Expenditure Statement	£000	£000
<i>Cost of services:</i>		
Current service cost	4,944	4,885
Past Service cost	-	-
Administration expenses	72	76
Settlements and curtailments	97	96
<i>Financing & Investment Income & Expenditure:</i>		
Interest costs	5,488	5,613
Expected return on scheme assets	(3,944)	(4,231)
Total Post Employment Benefit Charged to Provision of Services	6,657	6,439
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>		
Actuarial gains and losses	(9,922)	(3,048)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,265)	3,391
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for net Provision of Services for post employment benefits in accordance with the Code	(6,657)	(6,439) *
Reversal of actuarial gains and losses recognised in other Comprehensive Income and Expenditure	9,922	3,048 *
Net charge in relation to pension adjustments	-	-
Actual amount charged against Funds for pensions in the year - employers contributions	3,301	3,286 *
* Net Movement on Pension Fund Reserve	6,566	(105)

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:

	Funded Liabilities		Unfunded Liabilities	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Present value of the defined benefit obligation	215,117	230,913	3,798	3,772
Fair value of plan assets	(165,717)	(178,411)	-	-
Net liability arising from defined benefit obligation	49,400	52,502	3,798	3,772

The difference between the council's net liability £56.274M (£52.502M + £3.772M) and the Pensions Reserve £59.302M is a result of timing differences associated with the unwinding of the final year of the 3 year pension prepayment

Reconciliation of the Movements in the Fair Value of Scheme Assets:

	Local Government Pension Scheme	
	2017/18	2018/19
	£000	£000
Opening fair value of scheme assets	156,667	165,717
Interest income	3,944	4,231
Remeasurement gain/(loss)	1,722	14,351
Administration expenses	(72)	(76)
Employer contributions	9,300	315
Contributions by scheme participants	924	980
Benefits paid	(6,768)	(7,107)
Closing fair value of scheme assets	165,717	178,411

Reconciliation of Present Value of the Scheme Liabilities:

	Funded Liabilities		Unfunded Liabilities	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Opening balance at 1 April	218,391	215,117	4,039	3,798
Current service cost	4,944	4,885	-	-
Interest cost	5,390	5,517	98	96
Contributions from scheme participants	924	980	-	-
Remeasurement (gains) and losses	(8,113)	11,177	(87)	126
Past service cost	-	-	-	-
Curtailments	97	96	-	-
Benefits paid	(6,516)	(6,859)	(252)	(248)
Closing balance at 31 March	215,117	230,913	3,798	3,772

Local Government Pension Scheme assets comprised

	2017/18	2018/19
	£000	£000
Bonds:		
UK corporate	945	1,211
Overseas corporate	1,968	881
UK Fixed gilts	-	-
UK index linked	3,954	6,271
Overseas Fixed Interest	160	-
Property:		
Offices	3,218	3,488
Offices/Warehouse	347	461
Industrial/Warehouse	4,596	5,390
Shops	1,342	1,288
Retail Warehouse	2,577	2,402
Shopping Centre	638	605
Multi let Commercial Building	2,866	2,996
Alternatives:		
UK private equity	-	-
Overseas private equity	12,030	13,712
Infrastructure	21,001	25,220
Credit funds	30,535	12,668
Pooled Fixed Income	4,089	19,406
Indirect Property Funds	2,517	2,730
Overseas Pooled Equity Funds	73,627	78,645
Cash:	-	-
Cash and cash equivalents	(4,006)	-
Cash accounts	6,993	910
Net current assets	(3,680)	127
Closing fair value of scheme assets	165,717	178,411

The estimation of the defined benefit obligations is sensitive to actuarial assumptions set out in the table above. The sensitivity analysis below has 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 other assumptions remain constant. The assumptions in longevity, for example, assume the life expectancy increases or decreases for men or women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

		+0.1% p.a. discount rate	+0.1% p.a. inflation	+0.1% p.a. pay growth	+1 year life expectancy
	£000	£000	£000	£000	£000
Liabilities	234,685	230,821	238,613	235,224	239,382
Assets	(175,383)	(175,383)	(175,383)	(175,383)	(175,383)
Deficit/(Surplus)	59,302	55,438	63,230	59,841	63,999
Projected Service Cost for next year	5,322	5,174	5,476	5,322	5,432
Projected Net Interest Cost for next year	1,381	1,342	1,478	1,397	1,496

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Lancashire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. The most recent valuation carried out was at 31 March 2016 which determines contribution rates effective from 01 April 2017 to 31 March 2020.

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 in England and Wales and the other main existing public service schemes 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 earning schemes to pay pensions and other benefits to certain public servants.

The council anticipated paying £3.286M expected contributions to the scheme in 2018/19 (£3.301M in 2017/18). The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2018/19, (17 years 2017/18).

42 CONTINGENT LIABILITIES

The following material contingent liabilities existed as at 31 March 2019:

Luneside East Regeneration Scheme – In assembling the land for this project, the council used compulsory purchase order (CPO) powers and protracted legal action followed. In January 2017, the council was informed that the company concerned had been placed into Administration. The Administrator's latest progress report dated December 2017 states that they are considering assigning the Company's claim to a third party for a nominal fee. It is unclear whether or not the Administrators will assign the Company's claim and whether a third party will pursue any claim against the council, although it is considered unlikely.

Furthermore the council has accounted for European Regional Development Funding of £2.5M in connection with this project to date, for which clawback liabilities may arise if the scheme does not achieve the set outcomes, in particular concerning 'Business Space' created. The council transferred Phase 1 land to its development partner (Luneside East Limited) on 02 April 2012 and the developer has recently received planning permission and board approval to develop out the student element, which will include around 1,000 metres of commercial floor space, expected to be complete by September 2020. It is still uncertain as at 31 March 2019 whether all outputs will be achieved, however, and whether any subsequent clawback will fall upon the council. No provision has been made for any such clawback liabilities arising.

NNDR Appeals – The council has made provision for NNDR appeals based on its best estimate of the actual liability as at 31 March 2019. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the council that national and local appeals may have a future impact on the accounts. Appeals have been made by NHS Trusts across the country to be recognised as charities and therefore not be liable for business rates. This is an ongoing major national issue and has been taken up by the Local Government Association on behalf of councils. As the legality of such a claim is complex, no provision has been made.

Local Government Pension Scheme - The Sargent & McCloud Cases

In December 2018 the Court of Appeal delivered a judgement in respect of claims of possible age discrimination within the arrangements for protecting certain members of the Firefighters' and Judges' Pension Funds from the impact of introducing new pensions arrangements (the McCloud judgement). In June 2019 the Government was refused permission to appeal the judgement of the Court of Appeal at the Supreme Court. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is considered likely to extend to the Scheme.

As yet the Government has made no announcements about the remedies that would be required and the extent to which resulting additional costs would fall on the Council. The Council is therefore unable at this stage to make a reliable estimate of the net financial implications of the McCloud judgement and has not reflected any consequences in its pensions liabilities in the Balance Sheet or the accompanying note 42. Based upon the information currently available the Council's actuaries have advised that the judgement could have impact of:

- a potential increase in the present value of scheme liabilities included in note 42 of £1.239m (0.5% of net present scheme liabilities currently in the Balance Sheet at 31 March 2019); and
- an increase in the projected service cost for 2019/20 of £226k (4.5% of the service cost before consideration of the McCloud judgement)

43 CONTINGENT ASSETS

There are no material contingent assets as at 31 March 2019.

44 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the council
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team, under policies approved by council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with

financial institutions unless they meet identified minimum credit criteria, as laid down by Standard and Poor, Moody's and Fitch. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

As per the 2018/19 approved Treasury Management Policy, the credit criteria in respect of financial assets held by the council are as detailed in the following table:

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour
		Colour (and long term rating where applicable)		Money Limit		Time Limit		
Banks /UK Govt. backed instruments*		yellow		£12M		≤1 year		
Banks		purple		£6M		≤1 year		
Banks		orange		£6M		≤1 year		
Banks – part nationalised		blue		£12M		≤1 year		
Banks		red		£6M		≤6 mths		
Banks		green		£3M		≤100 days		
Banks		No colour		Not to be used				
Limit 3 category – council's banker (for non-specified investments)		n/a		£500K		1 day		
DMADF		AAA		unlimited		≤6 months		
Local authorities**		n/a		£13M		≤1 year		
		Fund rating		Money and/or % Limit		Time Limit		
Money market funds		AAA		£6M		liquid		
Enhanced money market funds with a credit score of 1.25		Dark pink / AAA		£6M		liquid		
Enhanced money market funds with a credit score of 1.5		Light pink / AAA		£6M		liquid		

The council's maximum exposure to credit risk in relation to its investments of £25.110M cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, but not impossible, for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the council's deposits, but for the £25.110M, there was no evidence at 31 March 2019 that this was likely to materialise.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on past experience of default and non-collectability, adjusted to reflect current market conditions.

	Balance 31/03/19	Historical experience of default	Exposure at 31/03/19	Exposure at 31/03/18
	£000	%	£000	£000
	(a)	(b)	(a * b)	
AAA rated counterparties	16,000	0%	0%	0
Trade debtors	2,073	Bad debt provision	2,467	2,547
Total	18,073		2,467	2,547

No credit limits were exceeded during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

With regard to other financial instruments, such as sundry debtors, the council does not generally allow credit for customers, such that £2.114M of the £2.467M sundry debt balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Aged debt analysis

	31/03/18	31/03/19
	£000	£000
Current, < 28 Days	834	633
28-59 Days	129	80
60-91 Days	97	66
92-183 Days	195	188
184-364 Days	390	217
365+ Days	1,578	1,563
Total	3,223	2,747

Liquidity Risk

The council manages its liquidity position through the risk management procedures above as well as through a cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All deposits in year were held on either instant access or terms of less than 6 months with the Debt Management Office (DMO) and part-nationalised banks.

Liquidity risk loan maturity

	31/03/18	31/03/19
	£000	£000
Less than 1 Year	1,041	1,041
1-2 Years	1,041	1,041
3-5 Years	3,124	3,124
6-10 Years	5,207	5,207
11-20 Years	10,414	10,414
21-30 Years	4,166	3,124
More than 30 Years	39,215	39,215
Total	64,208	63,167

Market Risk

Interest Rate Risk

The council has a small exposure to interest rate risk on its borrowings as all borrowings are taken at fixed interest rates and mostly over long periods. No new long or short term loans were taken out during 2018/19.

The council's investments held within instant access Call accounts are affected by movements in interest rates.

The prevailing bank rate at the balance sheet date was 0.50%, meaning that returns have remained at very low levels during the year. Had the prevailing rates been higher, it would have seen a corresponding increase in income. The overall rate of return on the council's portfolio was 0.61%, an increase of 1% on interest rates during 2018/19 would have had the following marginal effect:

	Actual £000	+1% £000
New or variable investments:		
Call accounts	211	347
Total	211	347

This highlights that investments are very sensitive and given that current rates on the council's investments are below 1%, an increase of 1% would result in a significant increase in returns.

45 Prior Year Adjustments

A review of the councils accounting policies and closedown procedures identified a number of issues requiring restatement of prior periods.

1. Collection Fund & Business Rates Retention Scheme

An in year review indicated that there were a number of overstated creditors and debtors in respect of the non-domestic rating income elements of the Collection Fund and the Business Rates Retention Scheme. This necessitated a £2.9M adjustment to Central Government debtors an adjustment of £3.8M in creditors and £5.5M in cash. In addition Income disclosed in the Collection Fund revenue account had been overstated with a compensating understatement in expenditure, this has resulted in a minor £6.7K adjustment to the relative shares of business rates income between the major precepting bodies,

The prior year Balance Sheet, prior year Collection Fund Revenue Account, prior year Cash Flow Statement and corresponding notes have been restated.

Effect on line items in the Balance Sheet

	31 March 2018 £000	Adjustment £000	31 March 2018 Restated £000
Short Term Debtors	13,193	(2,947)	10,246
Cash & Cash Equivalents	9,084	(5,590)	3,494
Current Assets	47,789	(8,537)	39,252
Short Term Creditors	(37,307)	8,537	(28,770)
Current Liabilities	(38,348)	8,537	(29,811)

Effect on line items in the Collection Fund Revenue Account

	31 March 2018 £000	Adjustment £000	31 March 2018 £000
Income from Business Ratepayers	(66,898)	2,232	(64,666)
Transitional Protection Payments	4,904	(3,078)	1,826
Renewable Energy Disregard	-	961	961
Write-offs of uncollectable amounts	107	(107)	-
Allowance for Impairment	894	(969)	(75)
Adjustment to Provision for alteration of lists & appeals	-	969	969
Surplus/Deficit on the Fund relating to Business Rates	(11,121)	7	(11,114)
Movement on the Fund	(11,121)	7	(11,114)

Effect on line items in the Cash Flow Statement

	31 March 2018 £000	Adjustment £000	31 March 2018 Restated £000
Net surplus or (deficit) on the provision of services	(96)	(1,873)	(1,969)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	15,400	1,847	17,247
Net cash flows from Operating Activities	13,308	(13)	13,282
Financing Activities	5,003	(5,565)	(562)
Net increase or (decrease) in cash and cash equivalents	12,469	(5,590)	6,879
Cash and cash equivalents at the end of the reporting period	9,084	(5,590)	3,494

2. Pensions Current and Past Service Costs

An adjustment £1.873M relating to current and past service costs was omitted from the 2017/18 Statement of Accounts. This resulted in the 2017/18 CI&ES, Movement in Reserves, Balance Sheet, Expenditure & Funding Analysis and Housing Revenue Account adjustment. In addition to the adjustment to the pension current and past service cost adjustment noted above, a review of the prior year pension disclosures also noted a small number of errors and discrepancies which have been corrected to ensure consistency with the primary statements.

3. Management Restructure

During 2018/19 the council revised its service reporting structure replacing its Management Team with the Office of the Chief Executive. The new Office of the Chief Executive include services previously reported under Management Team and Governance. The Comprehensive Income & Expenditure Statement comparators for 2017/18 have therefore been restated.

4. Internal Recharges Between Segments

CIPFA Code of Practice confirms that as the service segments in the Comprehensive Income and Expenditure Statement are not intended to cover the reporting requirements of IFRS 8 then transactions between services are not permitted to be shown as income and expenditure in the service analysis of the Comprehensive Income and Expenditure Statement. Internal recharges have, therefore, been removed from the gross income and gross expenditure comparators in the Comprehensive Income & Expenditure Statement. This has no impact on the net expenditure of each segment.

5. Waste Collection Holding Account

Income and expenditure recorded on the Waste Collection Holding account was included in the Comprehensive Income and Expenditure Statement in error in 2017/18. This has been removed from the Gross Income and Expenditure figures for that year. There is no impact on net expenditure.

6. Business Rates Income

A presentational change has been made to Income and expenditure recorded in Taxation and Non Specific Grant Income and expenditure so that all accounting adjustments required to derive the retained business rates income figure are all combined together.

The effect of adjustments 2 – 6 are set out in the tables below:-

Effect on line items in the Comprehensive Income and Expenditure Statement

	2017/18			(2)		(3)		(4)		(5)		(6)		2017/18		
				Pensions		Restructure		Recharges		Waste Collection		Business Rates Income		Restated		
	Gross Exp £000	Gross Inc £000	NET £000	Gross Exp £000	Gross Inc £000	Gross Exp £000	Gross Inc £000	Gross Exp £000	Gross Inc £000	Gross Exp £000	Gross Inc £000	Gross Exp £000	Gross Inc £000	Gross Exp £000	Gross Inc £000	NET £000
Office of the Chief Executive	923	(923)	-	156	-	260	-	(923)	923					416	-	416
Environmental Services	28,825	(24,512)	4,313	783	-			(11,870)	11,870	(4,082)	4,082			13,656	(8,560)	5,096
Governance	2,938	(987)	1,951	63	-	(260)	-	-	-					2,741	(987)	1,754
Health & Housing	9,577	(5,208)	4,369	292	-			(15)	15					9,854	(5,193)	4,661
Housing Revenue Account	16,818	(16,997)	(179)	103	-			(1,625)	1,625					15,296	(15,372)	(76)
Regeneration & Planning	9,617	(2,639)	6,978	16	-			(283)	283					9,350	(2,356)	6,994
Resources	38,724	(37,510)	1,214	245	-			(3,642)	3,642					35,327	(33,868)	1,459
Central Services	4,845	(2,928)	1,917	215	-			(2,283)	2,283					2,777	(645)	2,132
Cost of Services	112,267	(91,704)	20,563	1,873	-	-	-	(20,641)	20,641	(4,082)	4,082	-	-	89,417	(66,981)	22,436
Taxation and Non Specific Grant Income and Expenditure	21,642	(45,966)	(24,324)	-	-	-	-	-	-	-	-	(2,072)	2,072	21,642	(45,966)	(24,324)
(Surplus)/Deficit on Provision of Services			96	1,873	-	-	-	-	-	-	-	-	-	-	-	1,969

Effect on line items in the Movement In Reserves Statement

	Total Unusable Reserves 31 March 2018 £000	Pensions Adjustment £000	31 March 2018 Restated £000
Adjustments between accounting & funding basis under regulations	(5,729)	(1,873)	(7,602)
Net Increase/(Decrease) before transfers to earmarked reserves	10,357	(1,873)	8,484
Balance at 31/03/2018	145,297	(1,873)	143,424

Effect on line items in the Balance Sheet

	31 March 2018 £000	Pensions Adjustment £000	31 March 2018 Restated £000
Other Long Term Liabilities	(51,325)	(1,873)	(53,198)
Net Assets	174,914	(1,873)	173,041
Unusable Reserves	145,297	(1,873)	143,424
Total Reserves	174,914	(1,873)	173,041

Effect on line items in the Expenditure & Funding Analysis

	Adjustments between the Funding and Accounting Basis 2017/18 £000	Pensions Adjustment £000	Adjustments between the Funding and Accounting Basis Restated £000
Office of the Chief Executive	17	(156)	(139)
Environmental Services	(1,506)	(783)	(2,289)
Governance	6	(63)	(57)
Health & Housing	330	(308)	22
Housing Revenue Account	(7,588)	(103)	(7,691)
Regeneration & Planning	(2,699)	(245)	(2,944)
Resources	(2,174)	(215)	(2,389)
Central Services	(97)		(97)
Net Cost of Services	(13,711)	(1,873)	(15,584)

Effect on line items in the Housing Revenue Account

	31 March 2018 £000	Pensions Adjustment £000	31 March 2018 Restated £000
Supervision and management	2,872	103	2,975
Total Expenditure	15,070	103	15,173
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(179)	103	(76)
(Surplus) or Deficit for the year on HRA Services	1,824	103	1,927

Effect on line items in the Movement on the Housing Revenue Account Statement

	31 March 2018 £000	Pensions Adjustment £000	31 March 2018 Restated £000
(Surplus) or Deficit for the year on HRA Services	1,824	103	1,927
Adjustments between accounting basis and funding basis under statute	311	(103)	208

Effect on Note 41

	31 March 2018 £000	Adjustment	31 March 2018 Restated £000
Pensions Assets and Liabilities Recognised in the Balance Sheet			
Fair value of plan assets	-	(165,717)	(165,717)
Net Liability arising from defined benefit obligation	215,117	(165,717)	52,502
Reconciliation of the Movements in the Fair Value of Scheme Asset			
Employer Contributions	5,174	4,126	9,300
Fair Value of Scheme Assets	161,591	4,126	165,717

7. Financing and Investment Income & Expenditure

A change has been made to Income and expenditure recorded in Financing and Investment income and expenditure within the Comprehensive Income and Expenditure Statement to remove double-counting of income and expenditure.

	31 March 2018 £000	Adjustment	31 March 2018 Restated £000
Pensions Assets and Liabilities Recognised in the Balance Sheet			
Fair value of plan assets	-	(165,717)	(165,717)
Net Liability arising from defined benefit obligation	215,117	(165,717)	52,502
Reconciliation of the Movements in the Fair Value of Scheme Asset			
Employer Contributions	5,174	4,126	9,300
Fair Value of Scheme Assets	161,591	4,126	165,717

Housing Revenue Account

THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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 government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2017/18		NOTES	2018/19	
£000			£000	£000
RESTATE				
Expenditure				
5,394	Repairs and maintenance		5,192	
2,975	Supervision and management		3,436	
191	Rent, rates, taxes and other charges		179	
6,435	Depreciation and impairment of non-current assets	4&5	6,812	
1	Debt management costs		-	
177	Movement in the allowance for bad debts	8	75	
-	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP	9		
15,173	Total Expenditure			15,694
Income				
(13,409)	Dwelling rents		(13,480)	
(254)	Non-dwelling rents		(255)	
(1,470)	Charges for services and facilities		(1,497)	
(8)	Contributions towards expenditure		(8)	
(108)	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP		(104)	
(15,249)	Total Income			(15,344)
(76)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			350
-	HRA services' share of Corporate and Democratic Core			-
-	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services			-
(76)	Net Cost for HRA Services			350
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement				
(221)	Gain or Loss on sale of HRA non-current assets		(223)	
1,916	Interest payable and similar charges		1,878	
(36)	Interest and investment income		(70)	
384	Pension interest cost and expected return on pension assets	7	196	
(40)	Capital grants and contributions receivable		(25)	
1,927	(Surplus) or deficit for the year on HRA Services			2,106

MOVEMENT ON THE HRA STATEMENT

The overall objective for the movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2017/18		2018/19
£000		£000
Restated		
(1,937)	Balance on the HRA at the end of the previous year	(2,017)
1,927	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	2,106
208	Adjustments between accounting basis and funding basis under statute	(2,300)
2,135	Net (increase) or decrease before transfers to or from reserves	(194)
(2,215)	Transfers to or (from) reserves	(24)
(80)	(Increase) or decrease in year on the HRA	(218)
(2,017)	Balance on the HRA at the end of the year	(2,235)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 NUMBER AND VALUES OF DWELLINGS

As at 31 March 2019 the council held the following number of dwellings, noting that during the year 14 properties were disposed of under the Right to Buy Scheme and 2 flats were combined to form one house. Also, there was some minor re-classification of property types:

	2017/18	2018/19
Bedsits	93	77
1 Bedroom		
Houses & Bungalows	654	654
Flats & Maisonettes	533	547
2 Bedroom		
Houses & Bungalows	487	483
Flats & Maisonettes	669	669
3 Bedroom		
Houses & Bungalows	1,186	1,178
Flats & Maisonettes	8	7
4 or more bedroomed dwellings	87	87
TOTAL DWELLINGS	3,717	3,702



The Balance Sheet value of assets held in the Housing Revenue Account was as follows:

	Value as at 1 April 2018	Value as at 31 March 2019
	£000	£000
Operational Assets:		
Council Dwellings	126,858	129,770
Other land and buildings	82	94
	126,940	129,864
Non-operational Assets	1,525	1,665
TOTAL	128,465	131,529



Dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This basis was first introduced on 01 April 2001, following the introduction of Resource Accounting in the HRA, with values then being rebased annually, with periodic full revaluation exercises every 5 years, the fourth of which has now updated all values to 01 April 2015. This has resulted in a net increase in asset values of £6.601M in the year, which forms part of the net movement in asset values shown above in the recent full revaluation. Non-dwelling assets were also revalued as at 01 April 2015.

The vacant possession value of dwellings held on 01 April 2018 was £313.902M. The difference between this and the EUV-SH valuation of £132.746M (i.e. the update figure after the valuation exercise effective as of 01 April 2018 but before depreciation, disposals etc.) represents the economic cost to the Government of providing Council Housing at less than open market rents.

2 MOVEMENT ON THE MAJOR REPAIRS RESERVE

Movements on the Major Repairs Reserve for the year were as follows:

	2017/18 £000	2018/19 £000
Opening Balance 01 April	-	-
Transfer to HRA – Depreciation	2,804	2,995
Transfer to HRA - Depreciation Adjustment	(18)	(19)
Transfer to HRA - Additional Capital Financing	493	509
Capital Expenditure - Houses	(3,279)	(3,485)
Closing Balance 31 March	-	-

3 CAPITAL EXPENDITURE

Capital expenditure of £3.986M was incurred during the year relating to works on improvements to dwellings. This was financed as follows:

	2017/18 £000	2018/19 £000
Usable Capital Receipts	437	334
Earmarked Reserves	274	142
Majors Repairs Reserve	3,279	3,485
Grants and Contributions	40	25
Total Capital Financing	4,030	3,986

Capital receipts totalling £0.955M were received during the year from the following sources:

	2017/18 £000	2018/19 £000
Sale of dwellings	1,067	955
Repayment of Principal on Mortgages	1	-
Total Capital Receipts	1,068	955

The above amounts are shown gross, before deducting administration fees. Previously under the Local Government and Housing Act 1989, 75% of council house sales were to be set aside for debt redemption, however the Local Government Act 2003 (section 11(2)(b)) now requires all or part of the receipt to be paid over to the Secretary of State. The aim is to preserve and strengthen the principle of redistributing the spending power generated by the sale of such assets.

4 DEPRECIATION

Total depreciation charges for the year were as follows:

	2017/18	2018/19
	£000	£000
Council Dwellings	2,785	2,976
Other land and buildings	-	-
Non-operational Assets	18	19
Deferred Charges on Intangible Assets	-	-
TOTAL	2,803	2,995

5 IMPAIRMENT CHARGES

No impairment charges were made to the HRA for the financial year 2018/19. There was, however, a revaluation downwards of £3.987M in respect of non-enhancing capital expenditure on Council Housing stock. This was offset by £0.169M upward revaluation as a result of the full revaluation exercise.

6 INTANGIBLE ASSETS

No material charge was made during the year in respect of intangible assets.

7 CONTRIBUTIONS TO/FROM PENSIONS RESERVE

In accordance with the requirements of International Accounting Standard 19, the current service cost has been included within the Net Cost of Services and the net of the interest cost and the expected return on assets included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Movements in the HRA balance.

8 RENT ARREARS

Total arrears of rent at 31 March 2019 amounted to £906K (£939K for 2017/18). An amount of £630K (£555K for 2017/18) was held as provision for bad debts; this covers rent arrears and all other debts outstanding to the Housing Revenue Account. The provision gives cover of 95% for arrears from former tenants and 25% for arrears from current tenants and leaseholders, in addition to 95% of other outstanding debts.

9 TRANSFERS TO/FROM GENERAL FUND AS DIRECTED BY SECRETARY OF STATE

There have been no transfers to or from the General Fund as directed by the Secretary of State.

10 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There are no exceptional or extraordinary items. There is a prior year adjustment of £103k relating to current and past service pension costs further detail of this is given at Note 45 of the consolidated financial statements.

11 NOTES TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

Statement of Movement on the HRA Balance

	2017/18 £000 RESTATE	2018/19 £000
Adjustments between accounting basis and funding basis under statute		
Difference between interest payable and similar charges including amortisation of premiums & discounts determined in accordance with the Code & those determined in accordance with statute.	-	-
Difference between any other item of income & expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements.	5	1
Gain or loss on sale of HRA non-current assets.	221	223
HRA share of contributions to or from the Pension Reserve.	(292)	(424)
Capital Expenditure funded by the Housing Revenue Account	274	142
Transfer to/(from) Major Repairs Reserve	493	509
Transfer to/(from) the Capital Adjustment Account	(2,560)	(2,751)
	(1,859)	(2,300)
Transfers to or (from) reserves		
Transfer to/(from) Earmarked Reserves	(148)	(24)
	(2,007)	(2,324)

Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from local taxpayers, and its subsequent distribution to local authorities and the Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies concerned (i.e. major preceptors, the billing authority and the Government). The council's share of council tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the Code. Income due from council tax and business ratepayers is recognised in full at 1 April i.e. the start of the financial year.

The council's share of council tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an agency basis in line with the Code. However, the amount to be reflected in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

2017/18			NOTES	2018/19	
Business Rates	Council Tax	Business Rates		Council Tax	
£000	£000	£000		£000	
Restated					
INCOME					
	(68,330)	Income from Council Tax	1		(72,777)
(64,666)	-	Income from Business Ratepayers	2	(66,113)	
(6,964)	-	Contributions towards previous year's estimated Collection Fund deficit			
(71,630)	(68,330)	TOTAL INCOME		(66,113)	(72,777)
EXPENDITURE					
Precepts and Demands					
	49,236	Lancashire County Council	3		53,351
	9,209	Lancaster City Council (including parish precepts)			9,697
	6,668	Lancashire Police Authority			7,311
	2,639	Lancashire Fire Authority			2,779
28,309		Shares of non-domestic rating income to major preceptors and the billing authority	2	34,397	
28,309		Payments made to central government in respect of central share		34,397	
1,826		Transitional Protection Payments		379	
961		Renewable Energy Disregard		997	
217		Cost of Collection Allowance		214	
-	144	Write-offs of uncollectable amounts		154	216
(75)	332	Allowance for Impairment	2	300	(17)
969		Adjustment to Provision for alteration of lists & appeals		3,107	
	-	Contribution towards previous year's estimated Collection Fund surplus			
60,516	68,228	TOTAL EXPENDITURE		73,945	73,337
(11,114)	(102)	(SURPLUS) / DEFICIT ON FUND		7,832	560
MOVEMENT ON THE FUND					
1,785	197	Opening Balances		(9,329)	94
(9,329)	94	Closing Balances		(1,497)	654
(11,114)	(103)	TOTAL MOVEMENT ON FUND		7,832	560

NOTES TO THE COLLECTION FUND

The following notes are intended to explain figures contained in the Collection Fund Statement.

1 COUNCIL TAX

Council Tax is charged based on the value of residential properties as determined by the VOA; these are classified into eight valuation bands estimating 01 April 1991 values for charging purposes. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lancashire County Council, Lancaster City Council, Lancashire Fire and Rescue Authority and the Police and Crime Commissioner for Lancashire for the forthcoming year and dividing this by the Council Tax base.

The Council Tax base represents the number of chargeable dwellings in each banding (i.e. the number of properties, adjusted for discounts etc.) multiplied by a set proportion to give the number of Band D equivalents. The estimated collection rate is then applied to the Band D equivalent total, to give the council's Tax Base for that year. For 2018/19 the numbers are as follows:-

	Chargeable Dwellings	Band D Equivalents
Band A	16,142	8,804
Band B	13,805	9,634
Band C	11,096	9,074
Band D	6,109	5,829
Band E	3,800	4,430
Band F	1,911	2,615
Band G	799	1,271
Band H	48	94
Total	53,710	41,751
<i>Collection Rate</i>		98.68%
Council Tax Base		41,200

2 BUSINESS RATES

The council collects National Non-Domestic Rates (NNDR) for its area based on rateable values set by the Valuation Office Agency (VOA), multiplied by a uniform business rate set by Central Government. For most businesses, this was set at 49.3p per £ for 2018/19 (47.9p for 2017/18). For local businesses with a rateable value of less than £18,000, a discount of 1.3p was allowed giving a rate of 48.0p per £. The total rateable value for the district at 31 March 2019 was £157,030,163 (£156,523,011 for 2017/18).

In 2013/14, the administration of NNDR changed following the introduction of the Business Rates Retention Scheme. This aims to give councils a greater incentive to grow businesses but also increases the financial risks associated with volatility, appeals and non-collection rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the total collectable rates due. For Lancaster City Council the local share is 40%. The remainder is distributed to Central Government (50%), Lancashire County Council (9%) and Lancashire Fire and Rescue Authority (1%).

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates, allowing for any top up amount to ensure that all authorities receive their baseline income. Tariffs payable to Government are used to finance such top ups to those authorities who do not achieve their targeted baseline funding. The tariff payable by the council during 2018/19 was £18.848M (£18.589M in 2017/18).

In addition to tariffs, a 'safety net' is calculated at 92.5% of the baseline amount, which ensures that authorities are protected to this level of Business Rate income. For the council no safety net was required for 2018/19. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and Small Business Rate Relief.

In addition to the local management of business rates, authorities are expected to finance appeals in respect of rateable values, as determined by the VOA. As such, authorities are required to make a provision for business rate appeals outstanding as at 31 March 2019. Appeals are charged and provided for in proportion to the precepting shares. The total provision as at 31 March 2019 has been estimated at £9.253M (£6.145M in 2017/18), the council's share of which is £3.701M (as shown in Note 23). It should be noted that since the 2017 Revaluation came into effect on 01 April 2017 there have been no appeals made in respect of Lancaster hereditaments. As such it has been necessary to base the estimated value of potential appeals in accordance with Government allowable rate of 4.7% of Net Rates Payable rather than on a property by property basis.

3 MAJOR PRECEPTORS

The major preceptors on the fund are set out in the following table, together with the distributed share of surpluses and deficits.

Major Preceptors

	Council Tax		Business Rates		Total
	Precept	Surplus Allocation	Precept	Surplus Allocation	
	£000	£000	£000	£000	
Lancashire County Council	53,351	-	5,523	668	59,542
Lancashire Police Authority	7,311	-	-	-	7,311
Lancashire Fire Authority	2,779	-	614	74	3,467
Lancaster City Council	9,697	-	24,546	2,972	37,215
	73,138	-	30,683	3,714	107,535

Bequests, Endowments and Trust Funds

The council is responsible for the administration of a number of trust funds on behalf of their specified trustees. These funds do not represent assets of the council and are therefore not included in the council's Balance Sheet.

At 31 March 2019 the council was responsible for 12 of these Trust Funds, the balances of which are shown in the tables below:

Revenue Accounts	Balance b/f 01/04/18 £	Income £	Transfers Out £	Expenditure £	Balance c/f 31/03/19 £
Bequests and Endowments					
(a) Council sole trustee	(4,553)	(3,814)	3,787	-	(4,580)
(b) Council not sole trustee	(137)	-	-	-	(137)
School etc. Prize Funds					
(a) Council sole trustee	(4,540)	(26)	-	-	(4,566)
(b) Council not sole trustee	-	-	-	-	-
TOTAL	(9,230)	(3,840)	3,787	-	(9,283)

	2017/18 £	2018/19 £
Bequests and Endowments		
(a) Council sole trustee		
Capital	-	-
Revenue	-	-
Cash and Debtors	52,452	52,480
(b) Council not sole trustee		
Capital	-	-
Revenue	646	646
Cash and Debtors	492	492
School etc. Prize Funds		
(a) Council sole trustee		
Capital	-	-
Revenue	4,540	4,565
Cash and Debtors	-	-
(b) Council not sole trustee		
Capital	-	-
Revenue	-	-
Cash and Debtors	-	-
TOTAL	58,130	58,183

It is a requirement of the Charity Commission for all Bequests, Endowments and Trust funds, for which the council is responsible for, that an Income and Expenditure account is produced for those Trusts with an income under £10,000. This must also be accompanied by a Balance sheet.

The council consolidates all the Bequests, Endowments and Trusts into one account; these are shown in the following table.

Income & Expenditure Account	2017/18	2018/19
	£	£
Income		
Interest	(4,213)	(3,840)
Capital	-	-
	(4,213)	(3,840)
Expenditure		
Ashton Memorial	1,076	1,093
William Smith Festival	151	157
Whalley Playground	658	658
Lune Bank Gardens	7	13
Williamson Park	1,860	1,864
War Memorial Fund	1	2
Crook of Lune	-	-
William Briggs	-	-
Transfers Out	-	-
	3,753	3,787
Excess (Income)/Expenditure	(460)	(53)

Balance Sheet	2017/18	2018/19
	£	£
Assets		
Investments	5,186	5,211
Debtors	2,021	2,021
Bank	50,923	50,951
TOTAL ASSETS	58,130	58,183

Represented by:		
Reserves as at 31st March	57,670	58,130
Income in year	460	53
TOTAL FINANCING	58,130	58,183

Below is a list and description of Bequests & Endowments where the Capital value exceeds £1,000.

Ashton Memorial

The Ashton Memorial, a historic folly, was built in 1907 and given to the City of Lancaster by Lord Ashton. The building is open to the public on 362 days a year and has free access.

Williamson Park

The annual interest is used for the cutting, pruning, trimming, hedging and the general upkeep of the grounds within Williamson Park.

William Smith Festival

The annual interest is used to provide prizes etc. at the Annual Easter Festival for schoolchildren.

Whalley Playground

The annual interest is used for the upkeep, maintenance and supervision of the Whalley Playground.

Lune Bank Gardens

The annual interest is available for the upkeep of Lune Bank Gardens.

Crook of Lune

The interest is passed to Lancashire County Council contributing towards the Hermitage Field Access for all and environmental enhancement works.

Glossary of Terms used in the Accounting Statements

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- recognising
- selecting measurement bases for, and
- presenting

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

Acquired Operations

Acquired operations are those operations of the local authority that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Class of Tangible Fixed Assets

The classes of tangible fixed assets required to be included in the accounting statements are:

Property, plant and equipment
Investment property
Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Constructive Obligation

An obligation that derives from an authority's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and
- (b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

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.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (b) termination, or amendment to the terms, of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Defined benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met: Operations not satisfying all these conditions are classified as continuing.

- (a) The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- (b) The activities related to the operation have ceased permanently.
- (c) The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- (d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- (a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period
- (b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole, rather than individual balances.

Events After the balance Sheet Date

Events after the Balance Sheet date are those 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.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a 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.

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.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed 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.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

Assets in the form of materials or supplies to be consumed in the production process, distributed in the provision of services, held for sale or distribution in the ordinary course of operations or in the process of production for sale or distribution.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Net book value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the 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 Debt

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Non-operational Assets

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.

Operating Leases

A lease other than a finance lease.

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 improvement to, retirement benefits.

Prior Period Adjustments

Those material adjustments applicable to prior years 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. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- (b) The accrued benefits for members in service on the valuation date.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party, or
- (ii) the parties are subject to common control from the same source, or
- (iii) one party has significant 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 interests, or

- (iv) 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.

Examples of related parties of an authority include:

- (i) central government
- (ii) local authorities and other bodies precepting or levying demands on the council tax
- (iii) its subsidiary and associated companies
- (iv) its joint ventures and joint venture partners
- (v) its members
- (vi) its chief officers
- (vii) its other key management personnel, and
- (viii) its pension fund.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family, or the same household, and
- (ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Related Party Transaction

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. Examples of related party transactions include:

- (i) the purchase, sale, lease, rental or hire of assets between related parties
- (ii) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party
- (iv) the provision of services to a related party, including the provision of pension fund administration services
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Remuneration

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 the employer are excluded.

Residual value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

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 employees.

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.

Settlement (re pension matters)

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.

Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

Tangible Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.

Vested Rights

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- (b) for deferred pensioners, their preserved benefits
- (c) for pensioners, pensions to which they are entitled.