

DRAFT
Statement of Accounts
For the year ended 31 March 2023
(Subject to Audit)





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Statement of Accounts

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Narrative Report of the Chief Financial Officer

INTRODUCTION

As the Council's Chief Financial Officer, I have pleasure in presenting Lancaster City Council's Statement of Accounts for 2022/23. As Chief Financial Officer and the Council's statutory Section 151 Officer, I am required to prepare a narrative report to accompany the Statement of Accounts. This report and the notes that follow give you a clear picture of the figures making up our Statement of Accounts and show how the money paid became the services received. The Statement of Accounts is required by law and the format prescribed and follows the requirements as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), and the Service Reporting Code of Practice for Local Authorities 2022/23 (SeRCOP), supported by International Financial Reporting Standards (IFRS). covers various statutory requirements and other relevant information.

The recovery from the Coronavirus pandemic has presented an operational and financial challenge for the Council and will continue to do so in the medium term as people's behaviours and approaches have changed in many ways. The current economic uncertainty and cost of living pressures have made the movement towards a "new normal" approach to service delivery all the more challenging. However, we will continue to maintain our responsive and adaptive approach to support our local residents and businesses, as well as manage our finances during this continued period of uncertainty.

The Council are responding to the ongoing economic challenges by ensuring we regularly review our Medium Term Financial Strategy (MTFS) and that our forecasts of future income and expenditure, anticipated pressures and new developments are both robust and prudent. The MTFS report advises Members of the key financial challenges and issues which will be faced by the Council over the forecast period together with updated budget gap estimates for 2024/25 to 2027/28. We will continue adapting to maximise value for money for our residents and aim to mitigate the impact on front-line service provision.

The work of the Council's finance team is critical in ensuring proper protection and stewardship of public funds is conducted efficiently and effectively. The work that the team does in collaboration with colleagues to challenge spend and to help improve and deliver value for money is critical in ensuring high quality services continue to be delivered to our residents. and I would like to take this opportunity to thank them all for their hard work, effort and selfless commitment throughout this challenging time which has seen them deliver not only these financial statements but key financial documents such as Medium Term Financial Strategy (MTFS), Annual Revenue and Capital budget preparation, performance management and reporting, as well as a number of key documents including the Treasury Management and Capital strategies.

LANCASTER CITY COUNCIL PRIORITIES AND PERFORMANCE

The emphasis of the Statement of Accounts which follow this narrative report is upon the financial performance of the Council. Our financial performance, however, needs to be considered in conjunction with our ability as a Council to provide a sustainable comprehensive range of value for money services that meet both our statutory obligations and the needs of our area. This narrative seeks to outline some of the services and projects which the Council has delivered during the course of 2022/23, linking these to our strategic objectives and plans for the future.

The Council's agreed priorities are for-












- A Sustainable District
- An Inclusive and Prosperous Local Economy
- Health and Happy Communities
- A Cooperative, Kind and Responsible Council


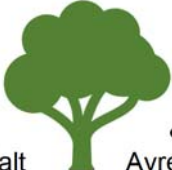









Three key themes are:

- Climate Change
- Community Wealth Building
- Community Engagement

Below is a summary categorising our achievements and activities in relation to each of the new priorities, plus three cross-cutting themes:

- The Salt Ayre Decarbonisation project won the APSE award for Best Decarbonisation Initiative. The project has decreased the overall energy usage of the site from 4.3GWh (gas and electricity) to 2.7GWh of green electricity.
- LCC has purchased 28 electric vans in 22/23 to replace diesel vehicles. These EV's are going to grounds maintenance, cleansing, RMS, environmental projection / health and refuse collection teams. CO2 savings are expected to be in the region of 49 tonnes p/a. 25% of the council's fleet are now EV.
- Mini review of street sweeping schedules and methodology to improve performance, with plan to do route optimisation work when resources are available.
- The LGA/PAS peer review on planning service contained some pleasing outcomes. The local planning authority was considered to be "performing very well in many areas". The Peer Reviewers noted that the Council is recognised nationally as a good example of producing local plan policy; that it maintains good planning decision-making; and that staff are highly regarded inside and outside the Council.
- Over the winter the HIA have delivered over £0.136M of winter warmth / energy efficiency measures into vulnerable and elderly residents homes linked to funding from Lancashire County Council and the Household Support Fund.
- The Council's Housing Company – Morehomes for the Bay saw its inaugural business plan approved helping to set the direction and ambitions of the company moving forward.
- Supported vulnerable households by awarding additional Council Tax Support from the governments Additional Council Tax Support Fund.
- Launch of Video Appointments: A service for residents to engage with a Customer Service advisor live on MS Teams.
- Bespoke Mobile Service: We continue to provide this service to our most in need residents, visiting them in their homes if they require tailored one to one support. Over £0.045M of income has been generated.

A Sustainable District	An Inclusive and Prosperous Local Economy	Healthy and Happy Communities	A Co-operative, Kind and Responsible Council
<ul style="list-style-type: none"> Initiated further building improvement works to continue improving energy efficiency in at least 10 council buildings, potentially saving upto around 133 tonnes of CO2 every year and reduce electricity consumed by 231,000 kWh  <ul style="list-style-type: none"> The council has expanded use of Co – Wheels Electric cars to the public at 3 locations: Salt Ayre Leisure Centre, Dallas Road Car Park (Lancaster), Carnforth  <ul style="list-style-type: none"> Seen reduction in air pollution in the district from 12.2 cubic metres to 9.5 cubic metres which is mainly due to people travelling less to work due to hybrid 	<ul style="list-style-type: none"> Retained five Green Flag awards and one Green Heritage Site award for local parks  <ul style="list-style-type: none"> Hosted third annual Lancaster Grand Prix cycle race which was hailed as a success  <ul style="list-style-type: none"> Received seaside awards for Morecambe's north and south beaches  <ul style="list-style-type: none"> Delivered first round of UK Shared Prosperity Fund (UKSPF) awards to local projects that will help to improve the lives of local people and the economy 	<ul style="list-style-type: none"> Received almost £3M in government grants to enable new affordable housing in Canal Quarter  <ul style="list-style-type: none"> Awarded £50M for Eden Project Morecambe from government's Levelling Up Fund  <ul style="list-style-type: none"> A total of 371 properties improved throughout the year by removing category 1 hazards. This an increase from 227 the previous year of 2021/22  <ul style="list-style-type: none"> Average relet time to turn around empty council houses were below the target of 30 days for 2022/23 	<ul style="list-style-type: none"> The council invited people to get involved and have their say on where it should spend its share of council tax over the coming years  <ul style="list-style-type: none"> Achieved Gold Employer Recognition Award from MoD for its commitment to the employment of the Armed Forces Community  <ul style="list-style-type: none"> Public and local businesses were invited to have their say on how the council can deliver services differently and efficiently.  <ul style="list-style-type: none"> Administered the Household Support Grant: (rounds 2 and 3) £1.295M of funding has supported nearly 3,000

<p>working, and using the option of public transport</p>  <ul style="list-style-type: none"> Queen's Trees planted in Lancaster and Morecambe as a thank you to volunteers  <p>Salt</p> <ul style="list-style-type: none"> Completed Ayre Leisure Centre decarbonisation project and won 'Best Climate Action or Decarbonisation Initiative' at APSE awards 	 <ul style="list-style-type: none"> Supported more than 120 events on Council land, including the new Baylight event which attracted more than 25,000 visitors to Morecambe over three evenings  <ul style="list-style-type: none"> There has been significant activity on the Canal Quarter Programme during 2022/23, including the completion of a masterplan for the area following extensive consultation 	 <ul style="list-style-type: none"> Total number of Disabled Facilities Grants completed in 2022/23 is 362 compared to 340 grants in 2021/22  <ul style="list-style-type: none"> Launched consultation for local Fair Work Charter that will reduce inequalities within the local labour market 	<p>households in our district with food and other essentials.</p>  <ul style="list-style-type: none"> Home Improvement Agency scooped two prestigious awards <ul style="list-style-type: none"> 1- 'Sustainability in Home Adaptations' category at the National Healthy Homes Awards 2- 'Innovator of the Year' at the UK Housing Awards 
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The Council collects and monitors a wide range of key performance indicators to measure its delivery. Many of these are of a statutory nature and need to be reported to central Government. There are also many local indicators developed by services to allow them to measure the delivery of Council services

An Inclusive and Prosperous Local Economy (Economy)												
				2021-22				2022-23				
Measure				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Comments
I			% of minor planning applications determined within 8 weeks or agreed time	80.77%	67.41%	77.64%	83.33%	86.57%	87.69%	89.93%	91.61%	Nearly 200 minor applications have been determined during this time frame.
I			% of other planning applications determined within 8 weeks or agreed time	81.43%	73.75%	82.75%	89.43%	95.07%	95.08%	88.14%	88.40%	The figures for Q3 and Q4 are slightly lower than Q1 and Q2. A higher number than usual of applications in this category were refused this quarter, which results in an applicant less amenable to entering into an agreed extension of time.
I			% of major planning applications determined within 13 weeks or agreed time	81.82%	66.67%	81.81%	64.70%	91.67%	100%	83.33%	100%	Performance here is exceptional given resources, and 11 applications that constitute majors have been determined during this period

A Sustainable District (Environmental)

A Sustainable District (Environmental)													
				2021-22				2022-23					
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Comments	
S				% of household waste recycled (quarter behind)	34.3%	40.5%	39.2%	38.5%	35.4%	39%	38.3%	38.3%	Recycling figure in line with annual expectations. Increases in this figure are limited due to County Council stipulation on kerbside recycle rate.
S				Kg of residual waste per household (quarter behind)	84.0kg	91.8kg	90.1kg	84.2kg	82.1 kg	90.2kg	90.5kg	94.3kg	Figure is slightly increased given the change in reporting of "Schedule 2" waste from educational facilities including Lancaster University. This was previously designated under trade waste.
				(Annual) - Number of parks and cemeteries achieving the Green Flag award	5				5				Public Realm continues to boast that 5 of its parks and open spaces are nationally recognised through the Green Flag accreditation. This is a sign of well managed and maintained facilities. Williamson Park also holds the Green Flag Heritage accreditation for excellent management of heritage parks.
				(Annual) - Number of volunteer groups supporting parks and open spaces	30				28				We continue to see a strong community presence in the delivery and improvements of our parks and open spaces. The support of these Friends Groups have seen c.£250,000 of external funding secured to improve these spaces.

		Exposure to air pollution away from roads (nitrogen dioxide per cubic metre)	12.2				9.5				The indicators continue to show improvement in local air quality (a decline in nitrogen dioxide levels). The general decline reflects the gradual transition to newer, less polluting road vehicles. The impacts of persons travelling less when working from home, choosing active travel modes or possibly travelling less due to the cost of living will also be relevant factors in the level of improvement shown in 2022.
		Exposure to pollution at roadside (nitrogen dioxide per cubic metre)	26.2				24.1				
S		Diesel consumption of council vehicle fleet (ltrs)	115,733	119,277	107,342	114,612	119,000	117,736	104,184	113,298	
S		Cost/m2 energy across corporate buildings (quarter behind)	£2.37	£1.76	£1.78	£2.04	£2.40	£3.63	£3.07	£4.98	Significant unit costs for energy have contributed to a marked increase in total costs. Further increases are anticipated for the 23/24 financial year
S		Gas KWH usage in council buildings (quarter behind)	2,318,793	1,413,180	550,956	1,660,809	1,462,224	536,965	180,681	1,131,705	Improvements in data collection have taken place which have allowed for a revisiting of historical data. This demonstrates that the consumption for Q4, and the 2022/23 year as a whole, show a significant reduction over the previous years.
S		Electricity KWH usage in council buildings (quarter behind)	593,000	551,000	760,759	1,068,133	1,422,016	854,328	964,752	813,295	There is a reduction in previous quarters figures. This data covers some of the period when decarb works have been completed so illustrates some positive improvements. It is also noted that there are currently problems with invoicing (including data accuracy) from the energy supplier which are

being addressed so figures are subject to change.

Healthy & Happy Communities (Social)

Healthy & Happy Communities (Social)												
				2021-22				2022-23				
Measure				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Comments
		H	Number of people statutorily homeless	12	7	10	13	10	7	15	24	The increase in number of people statutorily homeless is due to lack of affordable and move-on housing normally accessed via private rented sector or social housing route, with rents rising due to cost-of-living crisis, and some private landlords are leaving the sector due to high interest rates. 2021 was a disproportionately low year however due to the knock-on impact of the evictions ban across England as part of the pandemic.
		H	Number of Disabled Facilities Grants completed	76	76	101	88	117	89	84	75	Total number of Disabled Facilities Grants completed in 2022/23 is 365 compared to 341 grants in 2021/22.
		H	Number of properties improved	59	59	63	46	93	126	89	63	Total for 21-22 = 227 properties Total for 22-23 = 371 properties
I		H	% of premises scoring 4 or higher on the food hygiene rating scheme	90.5%	96.96%	90.5%	90%	90%	89.8%	90.4%	91.1%	98.5% of premises scored 3 or higher (3 = satisfactory, 4 = good)
		H	Number of admissions to Salt Ayre Leisure Centre	118,854	164,301	179,275	232,307	225,442	225,949	217,166	263,320	We saw an increase in visitors to the Spa and the Swimming Pool as Salt Ayre Leisure Centre hosted several Gala events during Quarter 4.

		H	Average time taken to re-let Council houses (days)	51.80	53.89	59.08	62.85	25.4	27.2	26.36	27.92	Performance has met internal target of <30 calendar days.
			Number of people recorded sleeping rough	4				3				

A Co-operative, Kind and Responsible Council (Governance)

A Co-operative, Kind and Responsible Council (Governance)													
				2021-22				2022-23					
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Comments	
				Measure									
			R	Average social media engagement rate	0.72	0.67	0.65	0.48	0.46	1.05			
			R	Total digital audience	388,690	424,508	472,483	430,485	455,324	428,981			
			R	Average number of days' sickness per full-time employee	1.85	1.7	1.86	1.46	1.47	1	2.24	3.17	The recent rise in sickness absence for Q3 and Q4 can be attributed to several factors, including: a greater number of colleagues on long term sick, more accuracy in our sickness reporting, fewer staff working from home when sick and taking sick days to aid their recovery.
			R	Occupancy rates for commercial properties	96.65%	97.02%	97.08%	97.18%	96.61%	98.37%	98.53%	98.53%	Occupancy rates have remained the same as previously reported. The occupation of our commercial properties continues at an exceptionally high level.
		H	R	Average time taken to process new Housing Benefit claims	20.41 days	19.91 days	24.13 days	25.95 days	30.16 days	21.23 days	16.08 days	16.8 days	

FINANCIAL PERFORMANCE

Financial Summary 2022/23

Much has changed over the last twelve months with global events having played a significant part in shaping our financial year. The lasting effects of Covid19, the war in the Ukraine and Brexit have all impacted on global and national economies, creating disruption to global supply chains and commodity markets, elevating energy prices, exacerbating food shortages and critically forcing inflation to its highest level in 40 years.

The impact of these events has driven up the cost of goods and services, which in turn has put a financial strain on local government, and the Council itself. The past twelve months have seen the Council face mounting cost pressures arising from soaring energy prices, nationally agreed pay agreements and escalating contractual costs.

In addition, these global events and their specific impact on inflation has driven a national cost of living crisis in the UK. This in turn creates a growing demand for some of our key services from those more vulnerable in the District. These unforeseen and unavoidable cost pressures seriously impacted on the assumptions that underpinned our 2022/23 budget. As a result of which, when reporting the forecast position at the end of the first two quarters of the year, both the General Fund and Housing Revenue Account were forecasting significant cost pressures. In response to this, we took swift action and implemented a range of mitigation actions, as part of a financial recovery programme to ensure we retained a sustainable financial position in 2022/23, and also in the medium term.

Despite the challenges of an increasing cost base and rising demand for services as well as the capacity required to implement the mitigating actions, we have continued to ensure that our limited resources are directed and used in support of the Council's Priorities. During 2022/23, we have invested in local services and projects to support the Districts economy, business and residents and, in addition, we have prioritised support for those feeling the effects of the cost-of-living crisis. We have continued to fully fund our Local Council Tax Support Scheme and distributed support from the Household Support Fund, Council Tax Energy Rebate and Energy Bills Support Schemes.

Although both the General Fund and Housing Revenue Account were able to respond to the financial challenges in 2022/23 and maintain balanced budget positions, this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget pressures were addressed.

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, except for council housing. On 23 February 2022 Council approved a General Fund Revenue Budget for 2022/23 of £21.254M (£17.774M 2021/22).

On 6 December 2022 Cabinet approved the use of latest projected outturn figures to provide a mid-year reviewed budget position which was to form the basis of noting any variance at year-end. At this position a net overspend of £2.965M was predicted.

The actual net overspend on the General Fund for the year has reduced to £0.267M, which has been funded from the General Fund unallocated reserve.

The table below provides details of the General Fund revenue income and expenditure for 2022/23 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension adjustments and capital charges initially charged to service.

	2022/23			Remove Reserve Funded Variances	Variance from Working Budget	Note
	Original Budget	Working Budget	Actual			
	£000	£000	£000	£000	£000	
Expenditure:						
Central Services	871	1,061	918	(116)	27	
Communities and Environment	7,997	10,892	10,769	115	238	1
Corporate Services	6,461	7,566	6,294	(193)	1,079	2
Economic Growth and Regeneration	7,301	8,668	7,875	(241)	552	3
Other Corporate Income & Expenditure Items	(1,410)	(3,968)	(4,335)	435	802	4
Contribution to/(from) General Fund Balance	34	(2,965)	(267)	-	(2,698)	5
NET REVENUE EXPENDITURE	21,254	21,254	21,254	-	-	

A core element of the Council's budget is salary driven and the relative variances since the mid-year review are summarised in the table below with further discussion in the following notes.

Service/Section	SALARIES VARIANCE	AGENCY VARIANCE	OTHER VARIANCE	TOTAL VARIANCE	Note
	£000	£000	£000	£000	
Central Services	21	-	-	21	
Communities and Environment	125	(54)	20	91	1
Corporate Services	89	5	-	94	2
Economic Growth & Regeneration	312	(12)	26	326	3
TOTAL VARIANCE FAVOURABLE / (ADVERSE)	547	(61)	46	532	

The following table highlights the significant variances between the mid-year review and the outturn position :-

	2022/23	Note
	£000	
Mid-Year Review Position	(2,965)	
<u>Quarter 3 Variances</u>		
Salary Savings	469	1,2,3
Energy Costs	163	1,3
SALC Income	(72)	1
Minimum Revenue Provision	1,500	4
Investment Interest Received	179	4
Other Variances	(51)	
Quarter 3 Reported Position	(777)	
<u>Quarter 4 & Outturn Variances</u>		
Pensions Top Up	591	1,2,3
Energy Costs	266	1,3
Minimum Revenue Provision	504	4
Investment Interest Received	76	4
Non-specific Government Grants	198	4
Contribution to Restructure Reserve	(400)	4
Business Rates	(1,249)	4
Bad Debt Provision	476	4
Other Variances	48	
Contribution to/(from) General Fund Balance	(267)	5

Further explanations for variances including salaries are detailed in the notes below.

Note 1 Communities & Environment

Salaries (£0.091M underspend)

Further salary savings across the directorate offset by the use of casual staffing and overtime plus a reduction in agency staffing requirement to address shortfalls. This is largely due to non-recruitment to vacant posts; however, increased casual staffing has been needed at Salt Ayre Leisure Centre to cover necessary training to fill lifeguard vacancies due to a national recruitment crisis.

Energy Costs (£0.158M underspend)

Since the mid-year review energy costs have dropped considerably. It is expected that this will continue throughout 2023/24 and further underspends will be built into future projections as part of the monitoring

process. Two other significant issues have, however, contributed to the outturn position :-

- Following challenge from officers, refunds totalling £0.088M were received relating to Castle Car Park due to being incorrectly charged a higher electricity tariff during 2021/22.
- Following an independent review, the heating system at Salt Ayre Leisure Centre has been found to be under-performing. Whilst there was an overspend at the centre on energy of £0.071M against the mid-year projection, it is estimated that this issue has cost in the region of £0.100M in 2022/23 and further financial pressure will continue into 2023/24 should the issue not be addressed. Officers are currently working on various options and the ongoing position will be included in future monitoring reports.

Note 2 Corporate Services

Salaries (£0.094M underspend)

Further salary savings across directorate mainly relating to Accountancy and ICT.

Pensions Top-Up (£0.591M saving)

During 2021/22, a requirement for top-up pension payments to be made into the Lancashire County Pension Fund was notified to the City Council following a review of actual pensionable pay compared to that estimated for the 3-year prepayment arrangement entered into in 2020/21. Part of the top up payment accrued for and relating to 2021/22 was inadvertently budgeted for in 2022/23 in line with the cash payment. The saving generated will be partially offset by a further top-up payment of £0.131M in respect of 2022/23 notified after the IAS19 schedule prepared by the actuary. This will be recognised in 2023/24 in line with the IAS19 schedule for that year.

Bad Debt Provision (£0.476M reduced contribution)

There has been an in-year change in the profile of aged debt, in particular a reduction in debt that is between 184-364 days old and to a lesser degree that which is over 365 days old. As a result, it has not been necessary to make the budgeted contribution of £0.250M to the provision and a further £0.226M has been released.

Note 3 Economic Growth & Regeneration

Salaries (£0.326M underspend)

Further salary savings across the directorate largely due to the recruitment freeze in place in the latter half of the year. The service is currently holding a significant number of vacant positions.

Energy Costs (£0.276M underspend)

As per Note 1 energy costs have dropped considerably in relation to the mid-year review forecast.

Note 4 Other Items

Minimum Revenue Provision (£2.004M saving)

An external review of the Council's minimum revenue provision (MRP) policy has been undertaken. The review was completed after the mid-year budget review and the Council has saved £2.004M by changing the methodology for calculating MRP and making some retrospective adjustments. The change in policy was included in the Treasury Management Strategy presented to budget Council meaning that it has been possible to realise the savings within the 2022/23 financial year.

Investment Interest Received (£0.255M increase)

When the mid-year review position was undertaken, the Bank of England base rate was 2.25%. There have been 4 incremental rises between then and 31st March 2023 bringing the bank rate to 4.25%. Whilst some allowance was made for future rate rises in line with our Treasury Management advisers forecasts, continued rising inflation has meant that these have exceeded the expectations at that time.

Non-specific Governments Grants (£0.198M increase)

Unexpected additional grant income was received in March 2023. This is non-ringfenced new burden income and has been used to contribute towards net general fund expenditure.

Contribution to Restructuring Reserve (£0.400M contribution)

The S151 Officer has recommended a contribution to the reserve to help finance future expected restructuring costs in relation to the Outcomes Based Resourcing project.

Business Rates (£1.249M expenditure)

£1.062M relates to the unanticipated impact of Covid Additional Relief Fund grant (CARF) on the business rates levy charged for the year. The remaining £0.187M relates to Section 31 grant in respect of business rate reliefs which is paid on account based on an estimated figure. On outturn more grant than was due had been received on account and is repayable to Central Government.

Note 5 Contribution from General Fund Balance (£0.267M contribution)

Balances are fundamental in protecting the Council's financial standing, as well as being key in helping to address financial challenges and establish a sustainable budget, through their appropriate use. As part of the 2022/23 General Fund budget setting process, the Council approved the contribution of £0.034M towards unallocated reserves to deliver its strategic priorities and stated outcomes within a balanced budget. This position was revised to a contribution of £2.965M in year as part of the mid-year review forecast. As detailed in the previous notes, the General Fund performance was better than expected since the review. Whilst the overall outturn position still required a contribution from the unallocated reserve, this was reduced to £0.267M. At 31 March 2023, the General Fund's unallocated reserve balance stands at £11.678M which is £6.678M above the minimum recommended level.

Housing Revenue Account

At the end of the financial year, the Council owned 3,630 homes generating rental income of c.£14.3M. 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 are included within these accounts.

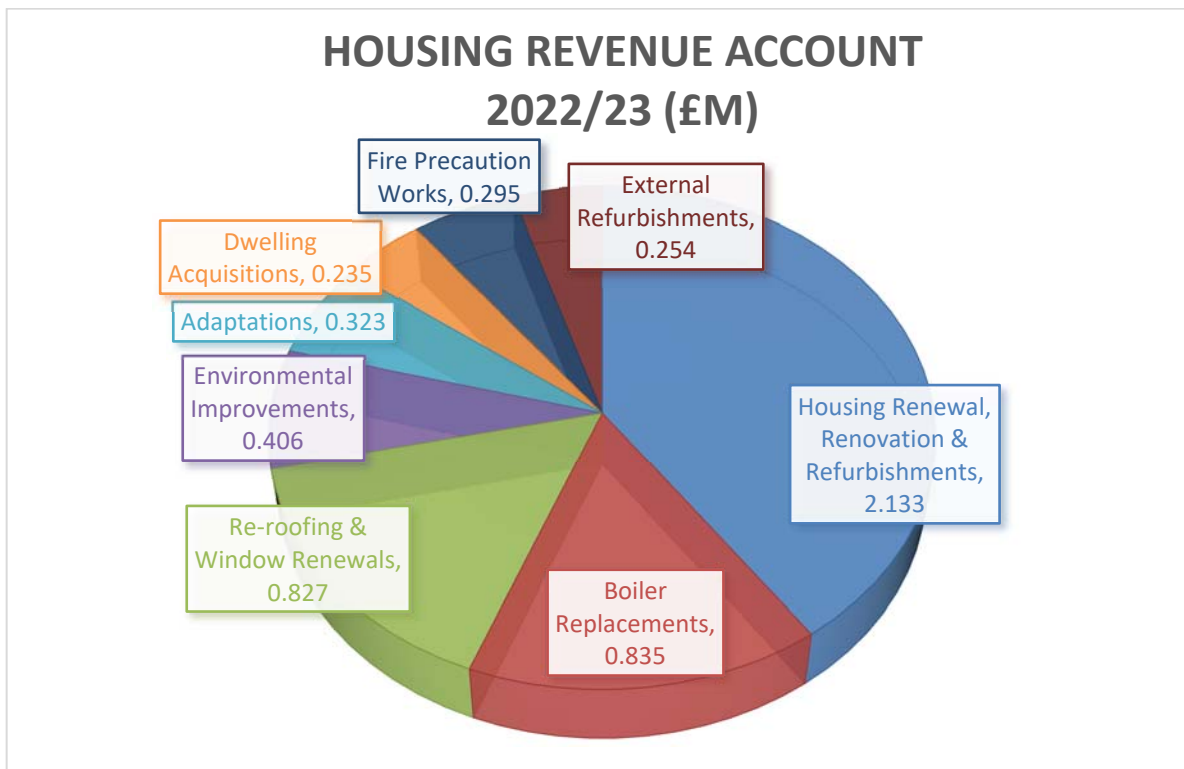
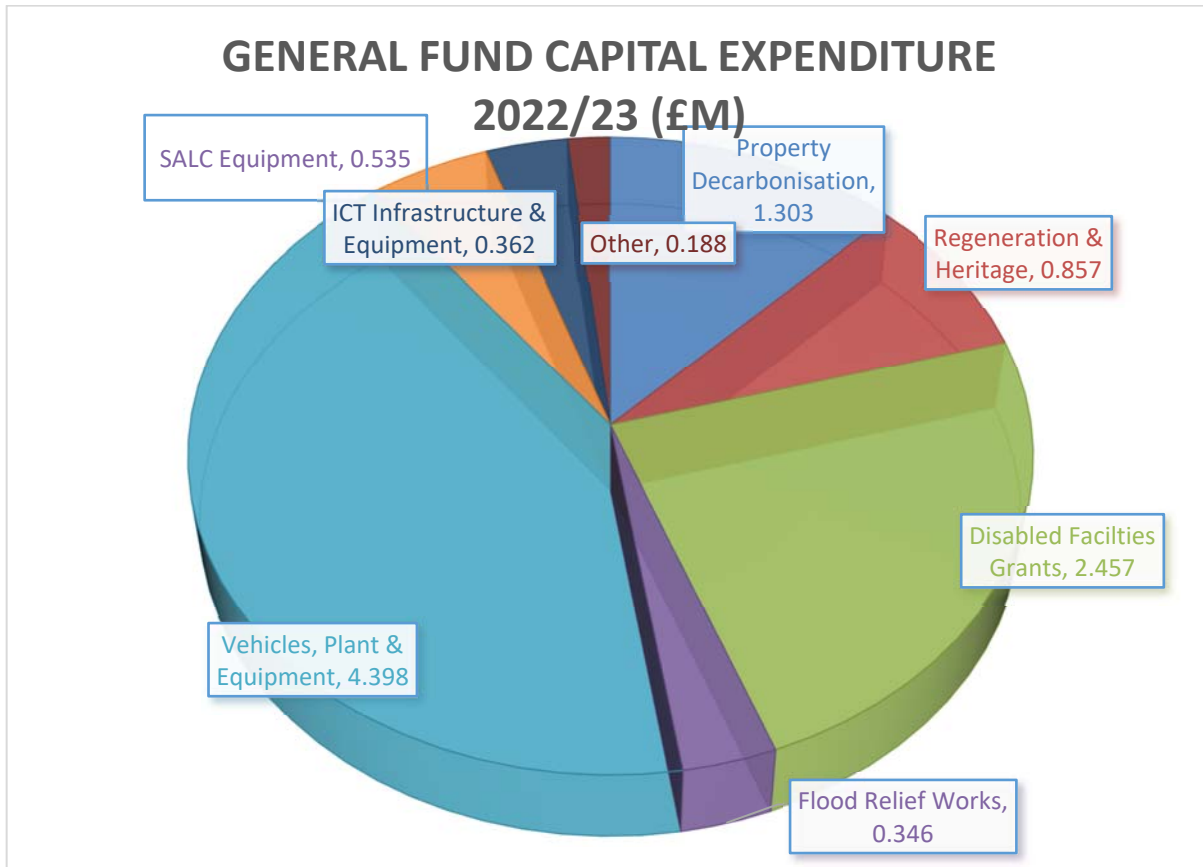
	£000
Repairs & Maintenance costs	364
Interest from Investments	107
Net pension adjustment re IAS19	328
Reduced use of Reserves	(890)
Net decrease in Capital funded from Revenue	85
Other minor variances	112
	106

As part of the 2022/23 budget setting process, the Council approved the use of £1.404M (revised to £2.034M in year) of unallocated reserves to deliver its strategic priorities and stated outcomes within a balanced budget. The outturn position was favourable resulting in a reduction of £0.106M being required from the reserve. At 31 March 2023, the HRA's unallocated reserve balance stands at £0.624M which is £0.124M above the minimum recommended level for 2022/23. Expenditure within the HRA is supported by a 30-year business plan and the Council is planning significant investment over a number of years to improve its social housing stock.

Capital Investment

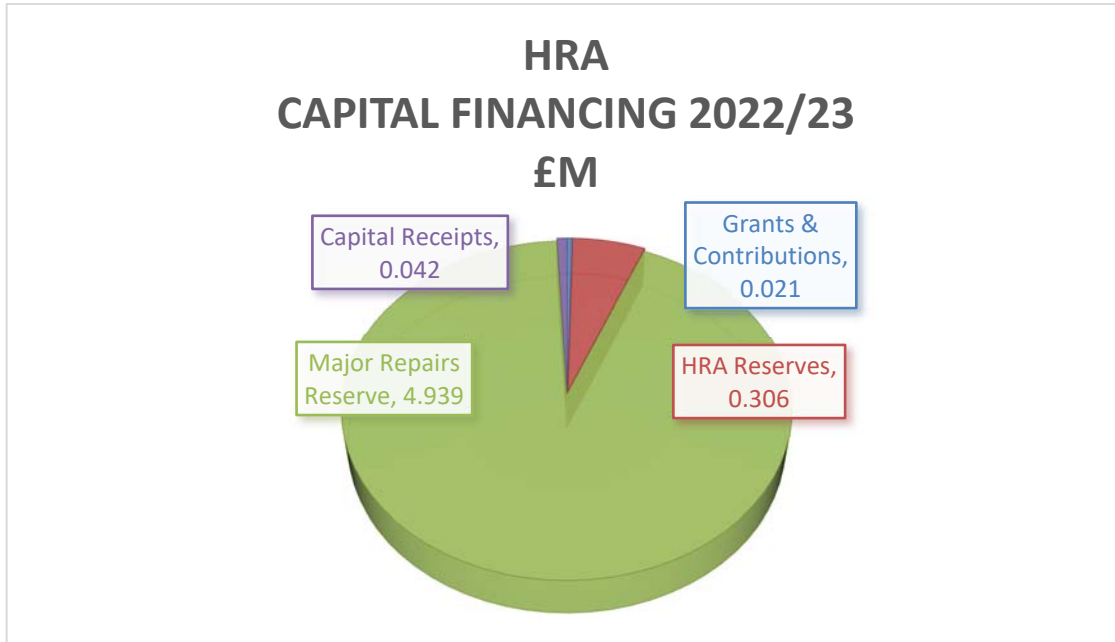
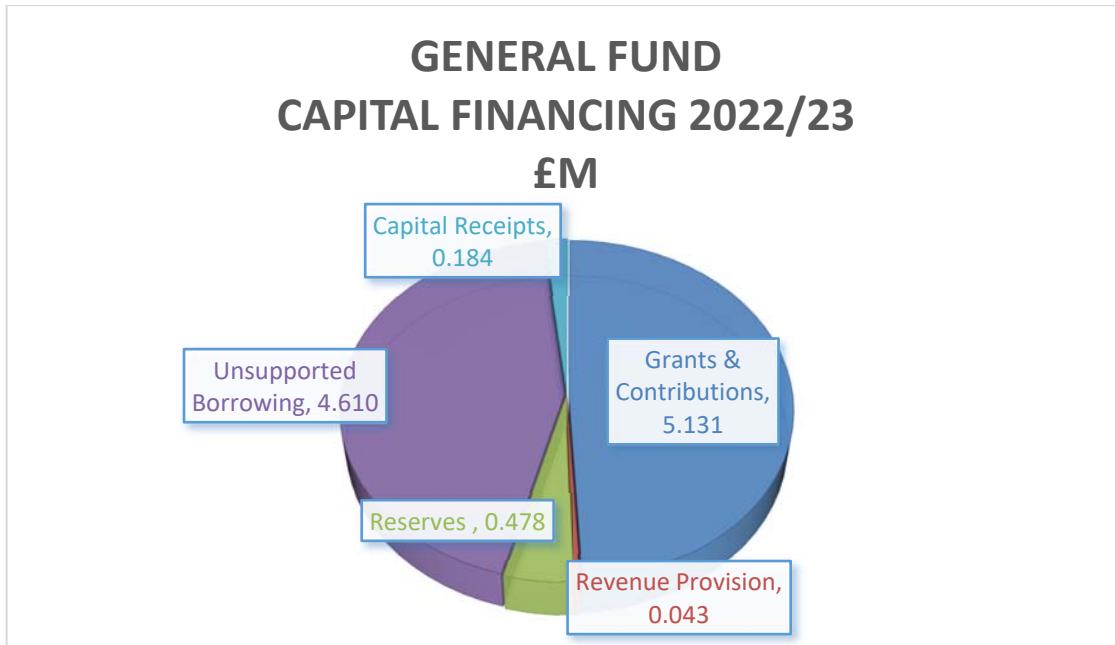
In 2022/23 the Council spent £15.754M in total on capital schemes (£22.068M 2021/22). Total spend on the General Fund was £10.724M against a revised budget estimate £13.903M, with the HRA spending being £5.308M against a revised budget estimate of £7.063M.

The charts 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:



TREASURY MANAGEMENT

The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council 23 February 2022. 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

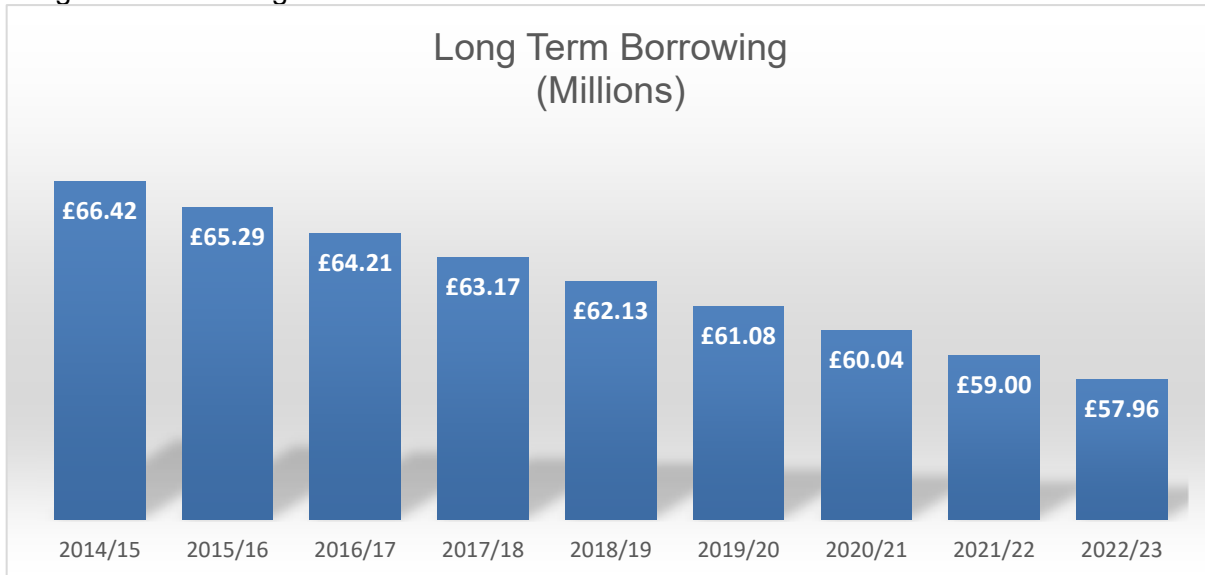
In 2022/23 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested reduced to £44.46M (£45.00M 2021/22) with short term investments on 31 March 2023 (all held in the balance sheet as cash and cash equivalents) totalling £24.00M (£42.70M 2021/22). The overall return on investments was £0.962M at an average interest rate of 2.16% (£0.03M and 0.07% 2021/22).

Borrowing

The Council undertook short-term borrowing of £2M in 2022/23 (£0M 2021/22).

Total long-term debt at 31 March 2023 amounted to £57.96M (£59.00M 2021/22) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months. The table below provides historic analysis of the levels of long-term borrowing.

Long Term Borrowing

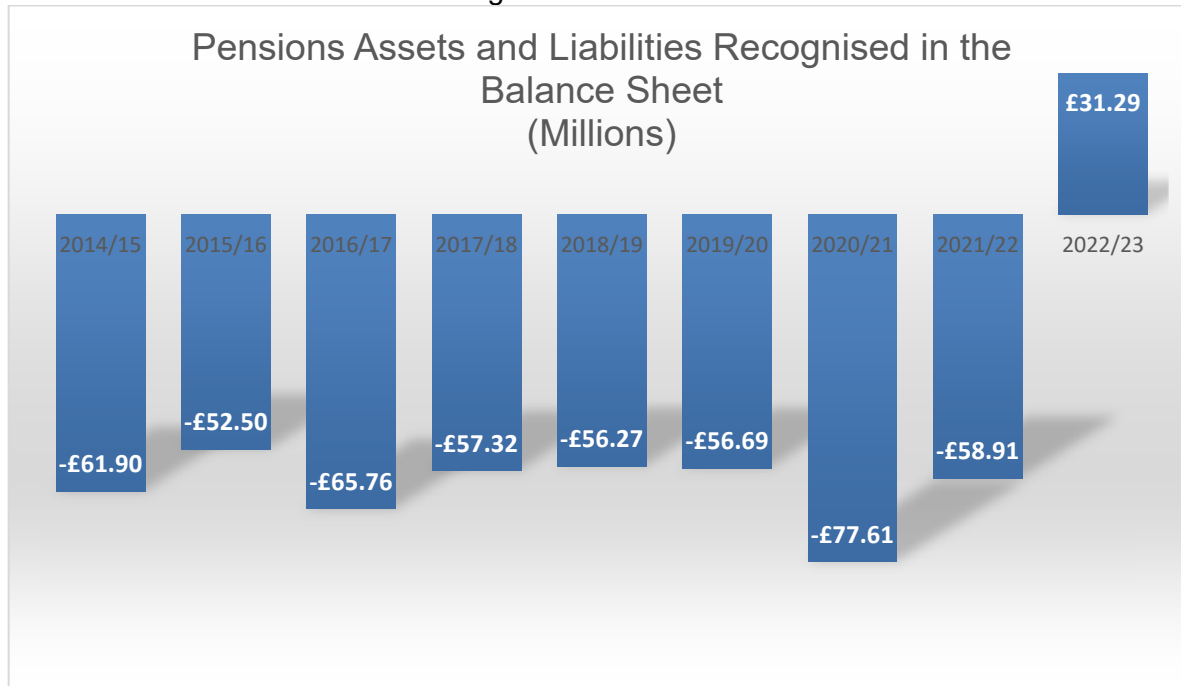


In determining its Council Tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2023 the Councils CFR was £98.69M (£95.24M 2021/22) an increase of £3.45M. The amount of MRP charged in 2022/23 totalled £1.146M (GF 0.105M HRA £1.041M (£3.199M 2021/22)).

PENSION FUND

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 2019. Interim information provided annually in the intervening years, with the latest full revaluation taking place during 2022. Given the financial instabilities over the recent years the Council's share of the surplus or deficit has fluctuated wildly. The movement in net liabilities is attributable to several changes to the assumptions applied by the actuary, Mercer Ltd over the financial year. The Council's share of the Pension Fund has increased by £90.20M from a deficit position of £58.91M in 2021/22 to a surplus of £31.29M this year.

Pensions Assets and Liabilities Recognised in the Balance Sheet



The figure is very much an estimate and will not be realised 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.

Under the International Accounting Standard (IAS 19) the Council must disclose the lower of the actuarial valuation or Asset Ceiling calculation.

IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. At the time of finalising the financial statements, we have not received details of the Actuaries calculation of the Council's Asset Ceiling.

In April 2020, the Council prepaid an amount of £8.459M to Lancashire County Council Pension Fund. The prepayment covers estimated employee contributions for the period 2020/21 – 2022/23 and was done to secure a discount from the pension fund which outweighed the equivalent investment income that could be generated from investing the money elsewhere.

In line with the Council's accounting policies, the amounts relating to 2022/23 are offset against the pension liability on the balance sheet. These amounts were then reflected in the pension reserve in the years to which they related. For further details see Note 41 Defined Benefit Pension Schemes.

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 £88.163M (£84.432M 2021/22) and Business Rates £61.154M (£60.260M 2021/22) 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 used to support the Council's revenue budget. In 2022/23 Council Tax was increased by £5 the maximum amount allowable by the Government to £241.95 for a Band D equivalent property.

On 31 March 2023 there was an in-year deficit of £0.682M (Surplus £0.591M 2021/22) in relation to Council Tax. This represents the actual tax base being lower than estimated. As the Council retains approximately 12% of any surplus this would mean a potential debit of £0.082M against the 2023/24 revenue budget relating to movements in 2022/23.

Business Rates

The Council also benefited from £3.045M (£3.037M for 2021/22) 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.

Appeals arising from challenges to the 2010 and 2017 valuation lists have been reduced by £3.895M. The provision is calculated using both analysis of historical data and external professional advice with the Councils "share" of the reduction amounting to £1.558M.

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

Collection Rates

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Council Tax	96.40%	96.10%	96.40%	95.90%	94.60%	94.10%	95.00%
Business Rates	99.00%	98.70%	98.40%	98.90%	97.20%	98.30%	98.00%

RISKS AND OPPORTUNITIES

The Council has a process to manage risks and assist in the achievement of its objectives, alongside national and local performance targets. The Council refreshed its Risk Management Strategy and Framework in March 2022. Risk Management is incorporated into the Business Planning Process with all risks reviewed and monitored quarterly. The Corporate Risk Register, which is refreshed quarterly and subject to regular review by the Audit Committee.

The risk management approach, both in the identification of risks and the action taken to address the risks, is flexible and has the ability to respond to change. National policies, service delivery arrangements, national and local circumstances, together with Council priorities have and will continue to change and evolve over time.

Although the Council can do much to manage the risks it faces, it does need to be recognised that some of the major strategic risks are only partially within its direct influence.

Key risks included in the Strategic Risk Register at present include the following:

- Central Government funding is insufficient to provide the current level of service leaving the Council unable to deliver the financial resilience initiative and achieve financial stability.
- The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.
- The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver.
- The use of council assets is not maximised leading to insufficient funding to meet the funding gap and deliver capital projects.
- The Council fails to reduce its direct CO2 emissions to 'net zero' by 2030.
- The Council's services are disrupted by a cybersecurity issue.
- International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses, and communities.
- Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.
- The Council's infrastructure and assets fail to meet the future needs of the organisation and the residents of the district.
- The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses.

To facilitate the effective identification of risk there is a culture of risk management in place across the Council. This will help mitigate the threat that those risks which materialise will prevent the achievement of Strategic Aims/ Priorities or Key Targets.

The note on Contingent Liabilities (note 42 to this Statement of Accounts) outlines a number of potential future risks that may arise, but which have not yet materialised.

Political Structure in 2022/23

The Council is made up of 60 councillors for 27 wards. The political make-up of the Council as at 31st March 2023 was:

Labour Party	16 Councillors
The Green Party	15 Councillors
Conservative Party	9 Councillors
Morecambe Bay Independents	6 Councillors
Bay Independent Group	4 Councillors
Independent Group	4 Councillors
Liberal Democrats	4 Councillors
Vacant Seats	2

The Council elected a new leader in May 2020 – Cllr Caroline Jackson, who subsequently appointed Cabinet Members for various portfolios and the delegation of executive functions.

The Lancaster District is represented by 2 MP's, Cat Smith (Lancaster & Fleetwood) and David Morris (Morecambe & Luneside).

CHIEF OFFICER STRUCTURE

During 2022/23 Councillors were supported by the Executive Management Team, which was headed by the Council's Chief Executive, Mark Davies. Executive Management Team are responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Along with the Chief Executive, the team was made up of, Suzanne Lodge, Assistant Director for Communities and the Environment, Jason Syers, Director for Economic Growth and Regeneration, Luke Gorst, Head of Legal Services and Monitoring Officer and Paul Thompson Head of Financial Services and s151 Officer.

STRATEGIC AND TRANSFORMATIONAL INITIATIVES

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. As part of its priorities the Council recognised that addressing the climate emergency was a central theme.

- Moving to an electric pool car fleet and encouraging staff to move away from using their own vehicles
- Taking delivery of its first Switching its refuse collection vehicle fleet from diesel to electric powered
- Implementation of route optimisation software

In addition to these, work has recently been concluded on decarbonising its Salt Ayre Leisure Centre and other projects.

To support the wider ambition of decarbonising the whole district, the council was successful in a bid for external funding to produce a Local Area Energy Plan (LAEP) and has now appointed Energy Systems Catapult to undertake the work.

Among the issues that will be investigated are renewable energy generation, energy network changes/upgrades, electric vehicle charge points, building improvements, and heating/cooling systems.

Salt Ayre Leisure Centre Decarbonisation Project

In September 2020, officers conducted options appraisal to decarbonise Salt Ayre Leisure Centre and settled on a combination of building fabric and LED lighting upgrades, combined with two stage heat pumps to take the centre off gas and a 1.3MW solar array on a nearby landfill site, to power the site via direct wire. On 30th September BEIS, supported by Salix, announced wave one of Public Sector Decarbonisation Funding. Officers submitted an application for the scheme and in late February 2021 was awarded £6.8M to deliver the project with a delivery date of March 2022.

In February 2021 Cabinet approved the acceptance of the funding and provided delegated authority to expedite decision making. To substitute known knowledge gaps, specialist consultancy was procured to support with the delivery of the project. This involved grid specialists, Geotech engineers (energy management and planning consultants).

With any project of this size and nature a number of challenges were presented such as:

- Unexpected Grid Restrictions limited the size of the solar generation to 1MW (at the inverters) and could only facilitate a 500KVA export
- Planning Consent - for the solar array and heat pumps was approved (with conditions) in April 2021
- Lease Negotiations - to amend the current plans with the permit holder and carve out the solar site
- Environment Agency - consents, settlement assessments, construction environmental management plans required to construct on the landfill site
- Leisure Centre - project was delivered whilst maintaining an open and operational leisure centre. Disruptive work was scheduled overnight
- Supply Chains - lead times and supplies during a national pandemic
- Storm Arwen - solar construction led to challenging working conditions over winter, with some disruption and damage

Natural gas has been eliminated from site, generating a CO2 saving of over 640 tonnes p/a, reducing the Council's net CO2 emissions by 12%. The project also delivered £0.156M of social value through local contractors and supply chains.

Since going live, the solar generated over 550MWh of electricity. Enough to power around 150 homes for a year. As the graph below demonstrates, during peak times this has powered the leisure centre completely from 7.30am – 7.30pm. Due to the recent and unexpected hike in gas and electricity costs, it is expected that the project will save the council over £0.100M p/a over the previous heating system, with the solar providing around 30% of the centre's annual energy needs. The rest coming from a REGO-backed green energy tariff creating what the Council believe to be one of the first carbon neutral leisure centres in the UK.

Decarbonisation of the Council's Wider Estate

In September 2021 the Council was successful in receiving £0.120M of Low Carbon Skills Funding to develop a Heat Decarbonisation Plan for individual buildings across the corporate estate. The report, which was completed on 30th March 2022, included fully-costed options for heat pumps, fabric upgrades, LED and roof-mounted solar PV and will be utilised for future rounds of PSDS funding.

In March 2022, the Council received approval to invest £1M of the underspend from the Salt Ayre Leisure Centre project into completing some of these measures. This has resulted in:

- 3,600 LED lights being installed across 12 key sites
- Secondary glazing to improve thermal efficiency of 6 buildings
- Installation of solar PV on City Lab
- BMS upgrades across 6 buildings

Future Opportunities

The significant increase in energy costs over the last six months strengthens the business cases for renewable energy, providing further opportunity to reduce emissions, costs and in some cases generate attractive income streams from sales to grid through available Power Purchase Agreements, some of which are as high as £300 per MWh. Officers are undertaking feasibility and developing business cases for:

- <1MW of solar PV on a tenanted building which could provide a ROI of as little as 5 years
- Roof mounted PV systems on Palatine Hall & the Storey, combined with decarb heating solutions in preparation for the PSDS 3b announcement in September 2022.

The council has been carrying out a review of land holdings to determine which parcels could accommodate renewable energy.

The council currently consumes 5 GWh (giga-watt hours) of electricity per annum, and this is expected to rise considerably by 2030 as we transition from fossil fuels to electric heat pumps and vehicles.

Burrow Beck has been identified as a site that could accommodate solar photovoltaics and the Council has been developing a proposal to deliver a 4MW (mega-watt) plant consisting of approximately 10,500 solar panels.

The delivery of the scheme would enable the council to generate around 4GWh of renewable energy per annum, which is equivalent to the electrical usage of around 1,300 homes. This will initially offset around 80% of the council's electricity consumption, saving in the region of 800 tCO₂e (tonnes carbon dioxide equivalent) per annum.

The delivery of the scheme is subject to planning permission being granted, and also to securing final Cabinet approval. It is anticipated that this will be provided by the end of Autumn 2023. Should planning permission and related approvals be provided, the council would aim to start implementing the project in approximately 12-months' time, aiming to complete before the end of summer 2024.

Eden Project North

In January 2023 Eden Project Morecambe was awarded £50M in the second round of the UK Government's Levelling Up Fund. The funding allows the project to move into its next phase and begin the process of finalising the remaining funds required from private and philanthropic sources identified as part of the bidding process.

The multi-million-pound project will deliver a world class internationally recognised cultural destination and tourism experience drawing visitors from a national and international stage. The attraction will combine indoor and outdoor experiences, connecting people with the natural environment of Morecambe Bay whilst also enhancing well-being. Initial estimates suggest that, once up and running, the Eden Project North could attract between 500,000 and one million visitors a year. This will not only provide a catalyst for the new vision and regeneration of Morecambe but will also contribute significantly to the local and regional visitor economies.



Regeneration of the Mainway estate

MyMainway is an exciting and ambitious project to improve the Mainway estate in Lancaster.

Built back in the 1960s, and refurbished in the 1990s, the 257 council homes on Mainway are reaching the point where they need significant investment to address maintenance issues and make them safe and secure for the future. In July 2022, Social housing specialists Place Capital Group (PCG) were commissioned to lead on a detailed masterplan of the site.

Phase one will include redevelopment of the Skerton High School site, which the council recently acquired from Lancashire County Council, and will see the building of approximately 130 new affordable homes to rent.

A full planning application is expected to be submitted during the autumn of 2023. Proposals are in the process of being put together but are expected to include:

- Three blocks of new, energy efficient flats, making use of the excellent views
- Indoor community space/facilities on the ground floor of one of the blocks
- Three rows of houses, sited on “playable” or pedestrian friendly streets
- Retention of the playing fields and the cherry trees
- Creation of children’s play park
- Routes into and through the estate forming links between Ryelands Park and the riverside

Morehomes for the Bay

In May 2021, the Council formed two Local Authority Trading Companies (LATCo)

- Morehomes for the Bay Investments Ltd and Morehomes for the Bay Developments Ltd. Schemes such as the Canal Quarter will consist of the development and construction of new homes which would be delivered through Morehomes for the Bay Developments Ltd (DevCo) with a strong expectation that this would include market sale units.
- Morehomes for the Bay Investments Ltd (Invest Co) will hold completed residential assets as landlord, either through direct acquisition by the InvestCo or which would be transferred from the DevCo, to be let as rented accommodation.

Governance arrangements for both companies consist of

- A Board of Directors comprising of the four existing Executive Team officers. However, it is envisaged that additional Directors may be identified from external sources so that this achieves the optimum level of knowledge and expertise in terms of development and financial competencies.
- A Shareholder Committee whose membership solely comprise of Cabinet members.
- The Articles of Association which set out the regulations for its operational activities, the purpose and scope of activities of the subsidiary companies, decision making and voting rights, the appointment of and role of the Directors and operational matters such as frequency of meetings.

Both the DevCo and InvestCo have considered a number of opportunities however these remain at the early stages of development. Note 45 Group Accounts to this Statement of Accounts provides some additional information.

Canal Quarter

The Canal Quarter masterplan was formally adopted by full council in July 2023.

The aim of the masterplan is to bring back into use many of Lancaster’s important buildings and derelict sites to create a vibrant, sustainable, and active place which is integrated with the city centre and the Lancaster Canal.

It envisages the creation of a new sustainable mixed-use neighbourhood with approximately 580 new homes that cater for families and individuals.

It is envisaged that the delivery of the whole master plan will take around 10 years, with the target of starting the initial phases at the end of 2024.

One early phase, for the site known as Coopers Fields on the upper and lower St Leonardgate car parks, will see the building of 139 new affordable homes.

Frontierland

The council purchased Frontierland in 2021 to kick start its regeneration following years of failed re-development attempts by the private sector.

Initial Expressions of Interest for proposals to develop the site were issued in late 2022, with 10 submissions being received providing a range of different options. Following the announcement of the Eden Levelling Up Fund award it was felt that there may be further interest from investors and a second Expression of Interest was issued.

A total of 14 different proposals have been received and these are in the process of being considered.

Morecambe Summit

In March 2023 a special Morecambe summit took place at the Winter Gardens in response to widespread interest in the town's future, following the announcement of the successful funding bid for Eden Project Morecambe.

Residents, local organisations and businesses had the chance to have their say on issues from transport, housing to the economy, the environment, education, regeneration and culture.

From ways to improve skills to keep young people in the area, to ideas on how the economy can grow from the 'Eden effect', all the hopes and concerns at the sell-out event were collated and will help to inform change made in the future.

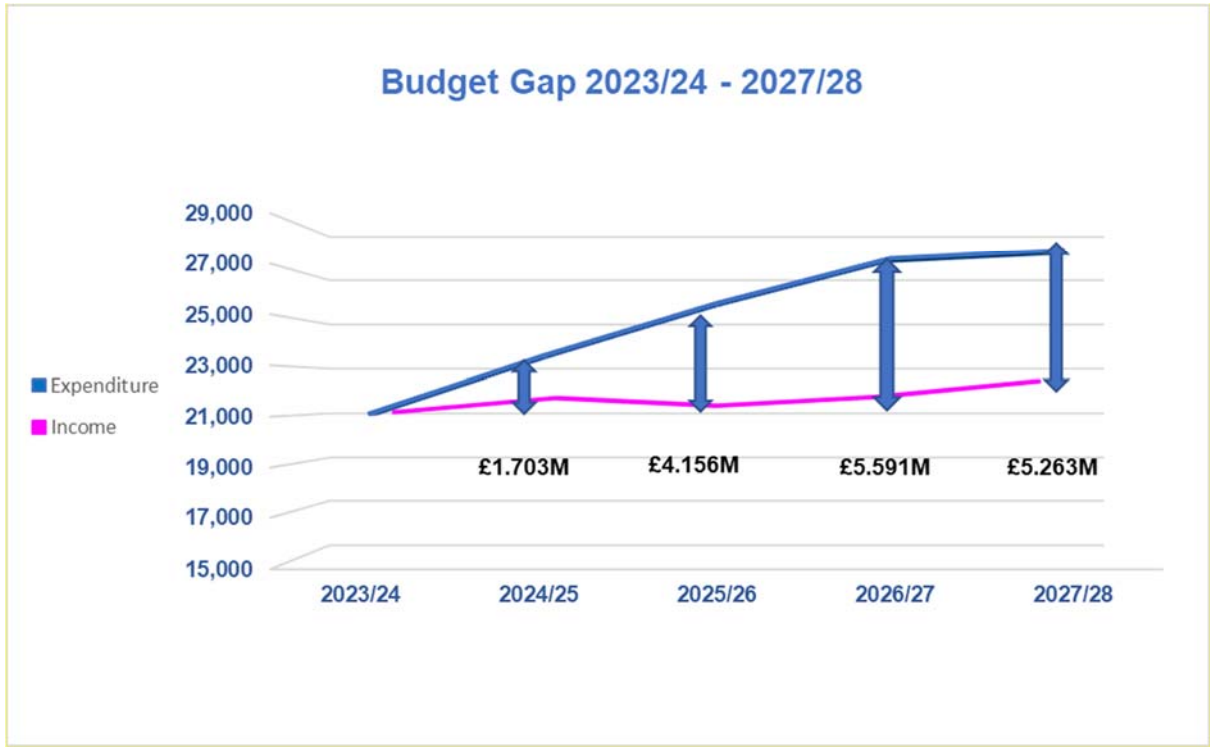
MEDIUM TERM FINANCIAL STRATEGY AND SUSTAINABILITY

The financial challenges that the Council faces as a result of the current economic conditions and national cost-of-living crisis come at a time when we are still recovering from the financial effects of Covid19 and after a decade of austerity measures. These unforeseen and unavoidable pressures are even more severe than the impacts of the pandemic, as they are not temporary pressure spikes that will reduce as the economy stabilises, they represent structural changes in the Council's ongoing net cost base and have required budgets to be reset as part of this Medium-Term Financial Strategy (MTFS).

Despite this significant level of uncertainty, based on current assumptions, the General Fund continues to face a significant and widening gap between its spending requirements and the level of resources it estimates to receive, with the underlying need to reduce the net cost base exceeding £5M by 2027/28 if the Council is to remain sustainable in the medium term.

The tables below outline the forecast budgetary position for 2023/24 to 2027/28 in line with the MTFS presented to Council 23rd February 2023.

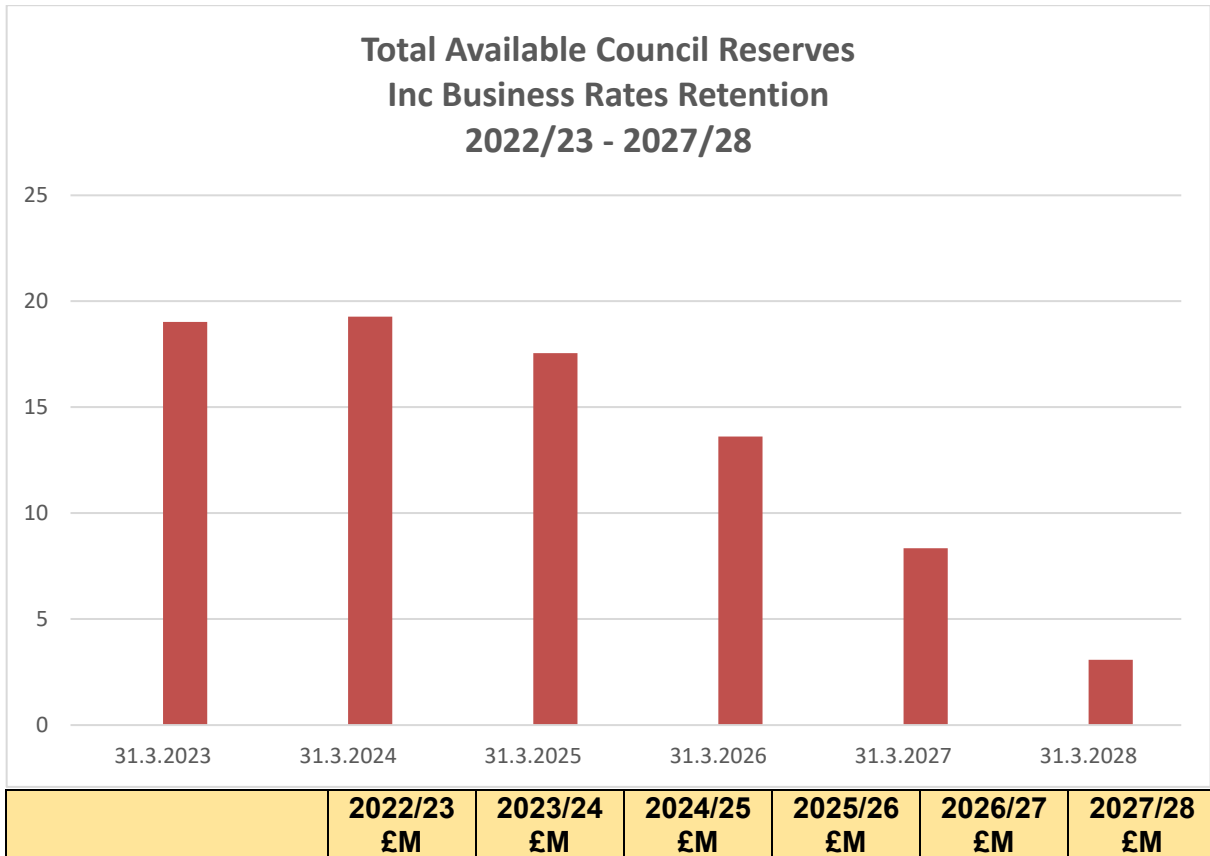
	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Revenue Budget (Estimate 7 February 2023)	21,091	23,407	25,253	27,342	27,690
<i>Budget Gap (Incremental)</i>	0	1,703	4,156	5,591	5,263
Percentage of Net Revenue Budget (Incremental)	0%	7%	16%	20%	19%



Although there are many variables contained within the calculation of the deficits, funding purely from the Council’s reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit.

The Council’s forecast level of reserves is impacted by historic as well as current decisions.

The graph and the tables below provide details of our current forecast level of reserves including the impact of funding the forecast deficit from reserves.



Balance brought forward	(27.421)	(19.020)	(19.268)	(17.548)	(13.612)	(8.341)
Impact of 2023/24 budget decisions	0.000	0.577	0.000	0.000	0.000	0.000
Impact of other decisions & outturn	8.401	(0.825)	0.017	(0.220)	(0.320)	0.000
Forecast Overspend	0.000	0.000	1.703	4.156	5.591	5.263
Balance carried forward	(19.020)	(19.268)	(17.548)	(13.612)	(8.341)	(3.078)

Whilst addressing the financial challenges in the forthcoming years the Council will continue to maintain the balance between these challenges and ensuring that our limited resources are directed towards the Council's strategic priorities. This has already involved us having to take difficult and unpalatable decisions in terms of which services we can continue to provide, whilst minimising the impact on services most needed by local residents and businesses.

The Councils longer-term approach to closing the funding gap is through prudent management of its cost base involving the increased use of technology, more effective use of its assets and continuing service reviews. As well as through economic growth and measured investment in areas such as Canal Quarter, Frontierland, Mainway Housing development as well as positioning ourselves to maximise the benefits arising from the Eden Project. This is ever more critical in light of the effects Covid19 and now the current economic factors have on the local economy.

The delivery of these benefits from economic development cannot however be realised in the short to medium term and will not directly contribute towards the required reductions in the net cost base in the Medium-Term Financial Strategy.

In order to deliver the level of savings required over the period of the Medium-Term Financial Strategy, we will continue to adopt a range of options, but given the scale of the financial challenge, we have little choice but to face some difficult decisions about the size and scope of the essential services we can continue to provide. We will need to review and revisit our investment priorities, and will be forced to look closely at the services we provide and will inevitably have to stop some of these to balance the books

ACCOUNTING POLICY CHANGES

This set of Accounts is prepared under International Financial Reporting Standards (IFRS) as set out in the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The IFRS requires that accounting policies be applied retrospectively.

Accounting policies are defined by the Code of Practice as "the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements". The starting premise is that accounting policies prescribed by the Code should be followed but need not be applied if the effect of applying them is not material.

Changes in accounting policies are only permitted if the change is required by the Code or where the change results in the financial statements providing more reliable and relevant information. A change in circumstances or adoption of policies for "new" transactions, events or conditions that did not occur or were not material previously are not classed as changes in accounting policies.

The accounting policies have been reviewed for ongoing compliance with IFRS and amended as required. Approved by the Council's Audit Committee 23 March 2023.

There have been no significant changes in accounting policies for the 2022/23 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. The Council's reserves total £36.242M (£43.875M 2021/22).

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services in the year for which the Council is responsible. It demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Cost of Service analysis is by Directorate and reflects the structure used for setting the 2022/23 budget. The surplus/deficit on the provision of services totalled £4.831M (£11.559M surplus/deficit 2021/22)

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. The Council's Net Worth is £293.079M (£185.662M 2021/22).

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. This statement shows a decrease in cash and cash equivalents of £19.524M

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.

In May 2021, the Council formed two Local Authority Trading Companies, More Homes for the Bay one

for investment, and one for Development. The company is currently not trading and does not hold any assets and as such, there are no Group Accounts included in the Statement.

Annual Governance Statement

The annual governance statement sets out the governance structures of the council and its key internal controls.

FURTHER INFORMATION

Further information about the accounts is available on request from the Chief Finance Officer, Town Hall, Dalton Square, Lancaster LA1 1TH. In addition, local electors have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website.

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

Independent Auditor's Report to Members of Lancaster City Council

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Annual Governance Statement 2022/2023

INTRODUCTION AND ACKNOWLEDGEMENT OF RESPONSIBILITY

Lancaster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used efficiently, effectively and economically.

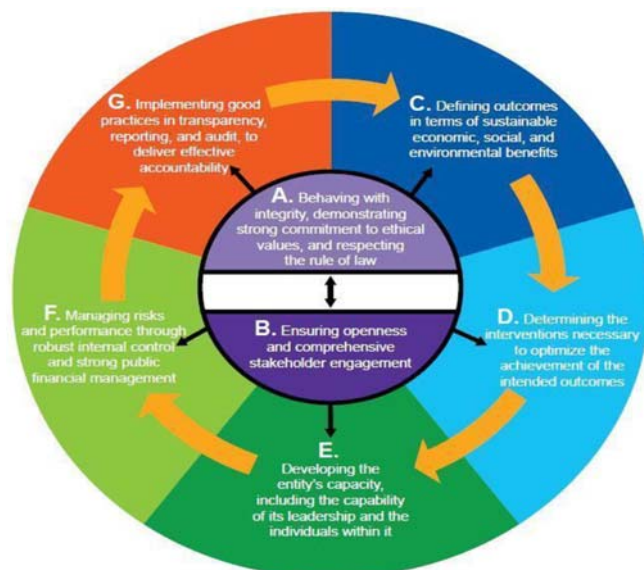
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

The Council has recently reviewed and adopted an amended Code of Corporate Governance (dated April 2022). The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework). The Framework contains seven core interlinked principles detailed in table 1 below

Table 1. Principles for Delivering Good Governance in Local Government



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.

Table 2. Overview of the key elements of the Council’s Governance Framework

<p><u>The Council, Cabinet and Leader</u></p> <ul style="list-style-type: none"> • Provide leadership, develop strategy, and set policy • Engage with and support the Council’s communities and neighbourhoods to thrive and succeed 	<p><u>Scrutiny and Review</u></p> <ul style="list-style-type: none"> • The Overview and Scrutiny Committee reviews Council policy and can scrutinize and challenge decisions • The Budget and Performance panel reviews operational and financial performance • The Audit Committee reviews internal control, fraud, risk management and governance
<p><u>Decision Making</u></p> <ul style="list-style-type: none"> • Meetings are held in public • Agendas, minutes and decisions are recorded on the Council’s website 	<p><u>Risk Management</u></p> <ul style="list-style-type: none"> • Risk management strategy ensures proper management of risks • Risk registers identify both strategic and operational risk
<p><u>Paid Service and Statutory Officers</u></p> <ul style="list-style-type: none"> • 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 to deliver the strategies within the policy framework set by Elected Members • The Council’s Section 151 Officer is responsible for safeguarding the Council’s financial position and ensuring value for money • The Chief Officer (Governance) is the Council’s Monitoring Officer, who is responsible for ensuring legality and promoting high standards of public conduct 	

HOW WE COMPLY WITH THE CIPFA / SOLACE FRAMEWORK

Set out below is how the Council has specifically complied with the seven core principles set out in the CIPFA / SOLACE framework during 2022/23.

Table 3: Summary of Compliance against the Local Code of Corporate Governance

<p>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	
<p>Compliance Overview</p>	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • Code of Conduct for both members and staff • The Council’s ‘values and behaviours framework’ • Registers of interest policies for both staff and members • Council and Committee minutes show any declarations made at meetings are viewable on each Councillor’s record on the website • An electronic Gifts and Hospitality register for both staff and Members • Both Standards and Overview and Scrutiny Committees • There are policies and procedures in place for dealing with unacceptable behaviours for both officers and Members

	<ul style="list-style-type: none"> • Effective monitoring and review of counter fraud policies are in place and are monitored and reviewed annually by the Corporate Enquiry Team to ensure they are applied consistently. • A 'Raising Concerns' Policy (amended January 2023) is in place and sits with the Council's Monitoring Officer • The Council complies with CIPFA's Role of the Chief Financial Officer and the role of the Head of Audit in Local Government (provided by MIAA) • Training is provided for regulatory committees on a regular basis. • Compliance with specific legislation, law or guidance is documented in decision making documents • Council housing are in the process of creating a breaches policy with regards to Regulatory Standards • Council housing also produces an annual compliance statement and has a self-assessment process for Consumer Standards. • The Constitution includes terms of references, defines decision making powers and describes roles and functions • The Constitution is regularly reviewed and kept up to date
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Principle B: Ensuring openness and comprehensive stakeholder engagement	
Compliance Overview	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • The Council's Corporate 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 Officer publishes annual accounts within statutory deadlines to the community to report on the organisation's activities, achievements and its financial position and performance • The Council publishes information in accordance with the Local Government Transparency Code 2015 and continues to monitor effective compliance with the Code. • 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 • The Council ensures that appropriate consultation and engagement takes place • The Council publishes all current and closed consultations on its website • Customer feedback forms are in place in key outlets e.g. Salt-Ayre Leisure Centre • The Council has subscribed to the Engagement HQ Platform, Keep Connected. The platform is an easy and secure way for the public to participate in projects (https://keepconnected.lancaster.gov.uk) • Participative democracy (People's Jury) has been used to inform the Council's strategy for dealing with climate change and this approach continues to be developed. • Council Housing have a District Wide Tenants forum (Tenant Voice) with annual reporting. • Housing Options has a monthly stakeholders meetings with stakeholders through homeless advisory group/homelessness forum. • The Council has a Community Connector team whose role is to engage and connect with partners, communities and elected members. • During the year virtual meetings and events for stakeholders and residents were held. Officers have been able to arrange meetings via Microsoft Teams when concerns arise, increasing the Council's partnership working • The Council has several 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 'forthcoming' decisions list (forward plan) • Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team • The Budget and Performance Panel was fully consulted in relation to the Council's budget

	<ul style="list-style-type: none"> • The Council's vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders • Online publication of Councillors' interest in accordance with the Localism Act 2011
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Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits

Compliance Overview	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • Corporate key performance indicators (revised as and when appropriate) 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, Revenue Budget 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 (where applicable) the impact on Climate, Equality, Wellbeing & Social Value, Health & Safety and Community Safety. This includes consideration of fair access to services • The Council has an adopted local plan which is up-to-date i.e. adopted within the last five years (July 2020). • The Council has commenced a Climate Emergency Local Plan review which seeks to make amendments to the Local Plan following the Council's Climate Emergency. The Examination process is ongoing and is currently in the stage of consulting on proposed modifications. • Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers. • The Council has declared a climate change emergency and has committed to becoming net carbon zero by 2030. A strategy has been developed to deliver on this, and work on a Local Area Energy Plan is about to be started. • Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision
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Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Compliance Overview	<p>The key arrangements for managing performance and delivery, to inform interventions, continued to operate throughout the year. These included</p> <ul style="list-style-type: none"> • Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based • Member and Officer briefings took place for more complex areas of decision making • The MTFS, Revenue Estimates and Capital Programme are 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 • Corporate Key Performance Indicators are in place and are reported quarterly to Cabinet and the Budget and Performance Panel • Both Capital and Revenue bids consider 'social value'. • Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making
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	<ul style="list-style-type: none"> The Council considers public surveys, demographic information and public health reports when developing the Council Plan
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Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it	
Compliance Overview	<p>The key arrangements for building our capacity and capability continued to operate throughout the year. Leadership forums, including Wider Leadership Forum were maintained</p> <ul style="list-style-type: none"> The Council is an active member of both the Local Government Association and District Council Network and has senior Members and Chief Executive in national representative roles. The Council is member of APSE and regularly benchmarks several key Council services e.g. Street Cleansing, Council Housing, Internal Audit, Waste Management, Pest Control and Leisure The Council has received both blue and green flag status for its clean beaches and parks and open spaces The Leader, Chief Executive and Section 151 Officer regularly attend Lancashire Leaders, Lancaster Chief Executives 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 meetings/1-1’s with the Leader, Cabinet and the Senior Leadership Team. The Senior Leadership Team meet regularly with portfolio holders and Cabinet as a whole. 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 and attends Senior Leadership Team meetings on invitation. 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 All new members receive a full corporate induction, ongoing support and role-specific training An Accreditation review for Investors in People was carried out in January 2021, resulting in an upgrade to Silver accreditation (valid for 3 years) and an additional Health and Wellbeing Good Practice Award An induction programme is provided for all new staff and Members The Council has several 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. The process for employee annual appraisal was paused early in the pandemic. The process was reviewed and revised in late 2022 and early 2023 leading to a new process of employees’ annual conversations being commenced in April 2023.

Principle F: Managing risks and performance through robust internal control and strong financial management	
Compliance Review	<ul style="list-style-type: none"> The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied through the year for the Council. Examples of these include The Council has a Risk Management Policy (last updated March 2023) All services have Information asset registers and privacy notices are now in place for most of the Council’s service areas. The Council has an Overview and Scrutiny Committee and a Budget and Performance Panel which have been set clear roles and responsibilities

	<ul style="list-style-type: none"> • 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. • 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 • The Council has an effective Internal Audit Service and all current Audit reviews are conducted under the Auditing Practices Board Guidelines and in line with Public Sector Internal Audit Standards (PSIAS) • An Audit Committee is in place, which is independent of the Executive and the Overview and Scrutiny function • The Head of Internal Audit and Assurance (Louise Cobain of MIAA) is Consultative Committee of Accountancy Bodies (CCAB), Chartered Public Finance Accountant (CPFA) 2005 qualified and also holds a Chartered Management Institute Level 5 Leadership and Management Programme (2018). • The implementation of internal audit report recommendations is monitored by the Council's Head of Internal Audit and Audit Service and Assurance (provided by MIAA) and the Audit Committee. MIAA has External Quality Accreditation (which is required every five years. This was undertaken in 2020 by CIPFA which confirms MIAA's full compliance with the Public Sector Internal Audit Standards. MIAA also undertakes annual self-assessments against standards which again confirms full compliance. • The Council has several counter-fraud policies in place which assist against fighting fraud and corruption • The Council has an Anti Money Laundering Policy in place which is reviewed by the Audit Committee. A revised Anti Money Laundering Policy was approved by Audit Committee in March 2023 • The Council has an Anti Money Laundering Reporting Officer • 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 continues to work towards ensuring it is fully compliant with GDPR. Progress is being made on a recent DP Audit and Action Plan. There are still areas for improvement including work on the creation of an Information Governance Framework, an awareness campaign, data flow mapping and , work on Privacy Notices and work around GDPR and contracts. • 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. The records management and detention policy was last updated February 2023. • 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
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Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Compliance Review	<p>The Council endeavors always to be open and transparent. The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied throughout the year for the Council and can be accessed here:</p> <ul style="list-style-type: none"> • The Council endeavors to publishes information in accordance with the Local Government Transparency Code 2015. • Each year we publish information on our website outlining how we spend Council Tax income. • A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements • The Council's website is comprehensive, accurate and user friendly • The Council has an on-line Planning Application Policy

	<ul style="list-style-type: none"> • 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 • An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion • The Council ensures that there is a process in place for the follow up of audit recommendations • The Council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2019) • 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 members are able to have private and confidential discussions with the Head of Internal Audit and Assurance. This is safeguarded by the functions and responsibilities of the Audit Committee in the Council's Constitution. • In accordance with the Public Sector Internal Audit Standards (PSIAs) the Head of Audit & Assurance developed an Internal Audit Plan (2022/2023). This was approved by Audit Committee in March 2023. • The Council has a RIPA Policy in place and officers who use social media to carry out surveillance have received relevant training. The RIPA Policy was reviewed by the Audit Committee in March 2022 and is currently under review. • Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules
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Financial Management Code

The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. The implementation of the FM Code is mandatory from 2021-22, and the Council has assessed compliance with the Code, against each of the seven standards. This concluded that the current working practice and noted planned improvements (subject to works set out in the table below) will meet the expectations of the Code of Practice against each of the standards:

- Responsibilities of the Chief Finance Officer and Leadership Team.
- Governance and Financial Management Style.
- Long to Medium Term Financial Management.
- The Annual Budget.
- Stakeholder Engagement and Business Plans.
- Monitoring Financial Performance; and
- External Financial Reporting

Table

Standard	Action Required	Responsible Officers	Timescale
Responsibilities of the Leadership Team and Chief Financial officer (CFO)	Increased use of benchmarking data and peer review for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.	Senior Leadership Team	February 2024 - To be incorporated as part of 2024/25 budget process
	Recruitment to address the capacity issues within finance function	Chief Finance Officer	September 2023

Governance and Financial Management Style	Re-establishment of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	March 2024
	Review of Financial procedure rules	Chief Finance Officer	November 2023
Long to Medium Term Financial Management	Further work will be required as part of the 2024/25 budget setting process to address the significant forecast deficits for 2024/25 and beyond and minimise the use of reserves.	Chief Finance Officer Executive Team and Cabinet	February 2024 – As part of the 2024/25 budget process
	Each lead portfolio member to be more involved in developing and setting the budget for their service areas.		
	Asset Management systems and plans containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and maintained. Current asset management plans will be reviewed as part of the new model.		
	As part of the process to address the structural deficit service plans will need to be re-aligned to reflect to Council's ambitions and outcomes		
Stakeholder Engagement and Business Plans	Review and consideration of the most effective methods of stakeholder engagement on financial matters.	Senior Leadership Team Cabinet	February 2024 – As part of the 2024/25 budget process
	Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that is consistently applied.	Senior Leadership Team Programme Manager	February 2024 – As part of the 2024/25 budget process

REVIEW OF EFFECTIVENESS

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Council who have responsibility for the development and maintenance of the governance environment and by Internal Audit's annual report.

Issues arising from the review of the effectiveness of our governance framework are monitored by the Office of the Chief Executive and the Council's Audit Committee.

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 Service gives an opinion on the Council's internal control, risk management and governance framework.

The 2022/2023 Internal Audit Annual Report and Head of Internal Audit Opinion recognises that "the Council like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems":

The overall opinion of the Head of Audit, as detailed in the report is that "...for the period 1st April 2022 to 31st March 2023 provides Moderate Assurance, there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.

In considering the overall opinion, we have recognised the improvement and development of Risk Management at the Council in the last year and this has been reflected in the Council moving just over the threshold from the previous overall limited opinion in 21/22 to an overall moderate opinion for 22/23. We have also considered that Internal Audit resource has been directed into known risk areas by Council Officers and the Audit Committee which has resulted in a number of moderate and limited assurance opinions being provided for individual reviews. Moving forward, the Council needs to ensure that there is a continued focus on the strengthening of its control framework."

The 'Executive Summary' in MIAA's report further provides that:

"The 2022/23 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:

- The organisation's assurance framework;
- Core and mandated reviews, including follow up; and
- A range of individual risk-based assurance reviews."

With regards to MIAA's recommendations / Management, the report states that:

- "We have raised 71 recommendations as part of the reviews undertaken during 2022/23. All recommendations raised by MIAA have been accepted by management.
- Of these recommendations: none were critical and 10 were high risk recommendations in relation to the reviews of Collection of Income & Reconciliations, Council Tax, Efficiency Programme Delivery, Council Resilience, Recruitment and Project Management.
- During the year, we have undertaken follow up reviews and can conclude that the organisation have had 33 actions implemented or superseded during 2022/23
- The total number of recommendations yet to be implemented as at March 2023 is 61, with 41 of these not yet due, of the remaining 20 recommendations 18 of these relate to the previous in house audit team and do not have a risk rating. The two which have a risk rating are one medium and one low."

As part of the Shared Revenues & Benefits Service Agreement, Lancaster City and Preston City Council have completed the internal audit reviews of Housing Benefits and National Non-Domestic Rates.

External Audit Assurance

The Council's external auditors, Deloitte 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. The revised audit deadlines have impacted the external auditor's ability to resource the audit and together with a long-standing objection the 2019/20, 2020/21 and 2021/22 financial statements audit is yet to be concluded.

All External audit work is conducted with regard to the Code of Practice produced by the National Audit Office. Going forward certain changes are still expected to external oversight as the recommendations from the Redmond Review are fully considered.

Deloitte appointment as external auditors was made in 2017 for the period covering the accounts for 2018/19 to 2022/23. The Council agreed at its meeting 23 February 2023 for the Public Sector Audit Appointments (PSAA) to appoint its external auditor for the appointing period spanning the audits from 2023/24 to 2027/28. The procurement process conducted by PSAA took place during the sum Spring/Summer of 2022. Following the procurement process KPMG have been appointed as the External Auditor for the Council for 5 years from 2023/24 to 2027/28.

A review of key performance indicators

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2021/22 is set out in the table below.

Indicator	Performance in 2021/22
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)	42 incidents were reported to the DPO in 2022/23
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of 42 reported to the DPO, 2 were reported to the ICO. No sanctions were imposed but advice given 1) further training of staff 2) adequate technological solutions. Both recommendations implemented
Outcomes from Standards Committee or Monitoring Officer investigations	10 breaches of the code of conduct were reported to the Monitoring Officer. One matter went to the Standards Committee. Other matters were either discontinued on the screening and finding of no breach by the Monitoring Officer or resolved by local resolution by the Monitoring Officer
Proven frauds carried out by councillors or members of staff	There have been no proven frauds carried out by Councillors' or members of staff in 2022/23
Local Government Ombudsman (LGO) referrals upheld	Eight referral has been made to the LGO in 2022/23. None were upheld but one carried a recommendation. This was partly upheld. Five referrals to the Housing Ombudsman were made in 2022/23, none have been finalised by the Housing Ombudsman as yet.

GOVERNANCE ISSUES AND SIGNIFICANT CHALLENGES

Issues Identified in Prior Years

Human Resource Assurance Work and Information Governance were identified as governance issues in 2019/20 and commented on during the last Governance reviews 2020/21 and 2021/22, further commentary on the progress to address these is provided below.

Significant Governance Issues

Human Resources Assurance Work

Following a number of concerns, Internal Audit undertook a review in late 2020 into the Council's Human Resources highlighting a number of control weaknesses which resulted in an internal audit report with minimal assurance and gave rise to a number of recommendations (35 in all). The last AGS confirmed that action had been undertaken to address the more serious concerns and that work was progressing to address other issues. The Audit Committee has been provided with updates on progress.

In March 2023 MIAA produced a report on the effectiveness of the HR review. As set out in the introduction to the report "Since the publication of the 2020 report there have been a number of significant changes within the HR Team. Following the instalment of an interim head of HR in July 2021, there has been a new permanent Head of HR appointed during 2022, who has instigated and implemented a HR restructure in September 2022."

The recommendations identified by the 2020 audit report (where still applicable) were transferred to the Council's Action Plan and have been progressed accordingly.

In March 2023 report confirms that "the Action Plan was last updated in October 2022 with 22 actions being noted as completed, nine actions as no longer applicable and four actions outstanding requiring the update of HR policies."

The HR review summary of the 35 recommendations confirms that nine actions are no longer applicable, five actions marked as complete by the Council have been assessed as in progress and require further work. Four actions require the review and update of HR policies, and one action requires internal audit review across the Council on Honorariums. The remaining 16 actions have been confirmed as completed.

MIAA have also identified further actions required. This includes (1) putting reporting in place against progress on the HR action plan; (2) All HR Policies and Procedures to be reviewed; (3) An Internal Audit Review of Honorariums and Additional Salary Payments to be included in a wider Payroll Review 2023/24 Internal Audit Plan.

The Council is currently taking steps to progress all outstanding actions and the further recommendations of MIAA.

Information Governance

The Council's Information Governance (IG) Team continues to work on compliance with the General Data Protection Regulations which came into force on the 25 May 2018. Our Internal Audit carried out a review of IG policy and processes in May 2020. Internal Audit recommendations, at this time, recognised that significant progress has been made in some areas. However, there were still a number of areas that required immediate attention, therefore only 'limited' assurance was provided.

A follow up review has been undertaken by Internal Audit with a final report being issued in June 2023. The report notes that "there has been some progress made to implement the recommendations from the original report". However, there are still issues around the Council's Data Protection Framework and its oversight/governance with regards to the development and delivery of the Data Protection Framework.

Whilst some recommendations have been implemented, there are still a significant number of issues to be addressed. The June 2023 identifies eight main areas that require immediate attention and continues to provide 'Limited Assurance' in respect of Data Protection: Policy and Processes.

IG have formulated an Action Plan against the recommendations of Internal Audit. The plan shows progress in a number of key areas and identifies issues yet to be resolved and further steps to be taken. The Senior Leadership Team are taking this matter seriously and is putting in place governance and resource measures to ensure that Internal Auditors' recommendations are tackled as a matter of priority – with the main areas requiring immediate attention being dealt with first.

Other Governance Issues

The last AGS referred to a number of other governance issues which were identified following an Annual Governance meetings with key officers. These were documented in an action plan and have been actioned and monitored. The Audit Committee were last updated on progress on 23 November 2022. Three out of eight actions have now been completed with five actions currently underway. Good progress has been made on most outstanding issues.

The Senior Leadership Team and Audit Committee will be kept updated on progress against the outstanding issues.

Significant Challenges for 2022/23 and Beyond

Risk Management

The Council's Internal Audit team undertook a review of Risk Management in 2022, the findings of which were published in July 2022. The Head of Internal Audit Opinion, in respect of Risk Management, was that no assurance could be given and that this was a significant factor in the Head of Internal Audit Opinion overall assurance being limited.

There has been significant improvement since the last review July 2022. The latest Risk Management Report 2022/23 issued 6 June 2023 provides an opinion of "Moderate Assurance". The key findings in the June 2023 provides:

"There has been good progress since our previous review. The refreshed risk management implementation project led by the Projects and Performance Manager has delivered in line with its expectations. A key positive difference to the previous implementation has been engagement with service users to facilitate risk recognition and system familiarisation. At the conclusion of our review of the improvement project, good progress has been made in populating the registers, and the first review cycle by the Projects and Performance Manager was commencing at the conclusion of our review. This would identify areas for improvement and provide users with 'on the job' training to enhance register quality."

Work since October 2022 has included approving a refreshed Risk Management Policy (March 2023 and updating the GRACE (Governance, Risk Assessment and Control Evaluation) system with strategic and operational risks. In line with quarterly reporting function, risks are to be reviewed by the assigned risk owners every 90 days.

The Internal Auditor has made further recommendations for improvement including formal assessment of risk management resources and a training programme to support further improvement.

The Senior Leadership Team continue to take this matter seriously. Oversight of strategic risk management now belongs to the Office of the Chief Executive. The Senior Leadership Team continue to prioritise the comprehensive review of the end-to-end policies, plans, controls, and capacity in place for Risk Management. This includes the recognition of areas of good practice and regular updates on this work to Audit Committee. This will lead to a significant improvement in the Council's risk management strategy and framework.

Financial Sustainability

Consistent with all public sector bodies the Council continues to face unprecedented levels of financial and economic uncertainty in terms of Local Government funding, on-going pandemic recovery, and the significant inflationary pressures stemming from cost-of-living crisis. This, and specific local issues such as those surrounding temporary postponement of decommissioning plans for Heysham power station, do hamper the degree of confidence with forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months. As a result, balancing the budgets in the short and medium term represents a significant challenge and has resulted in some difficult and unpalatable decisions having to be made. Despite a range of proposals including the identification of £2.423M of savings and income generation opportunities a draw on reserves of £0.577M was required for 2023/24.

Based on current assumptions the forecast budget deficit for 2024/25 exceeds £1.5M, with the total 5-year deficit c£5M. Although there are many variables contained within the calculation of the deficit, funding purely from the Council's reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit. As the Council continues to deliver high-quality frontline services to the District's residents, a continued focus on the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. All Members must work together and recognise that they will face a number of difficult but key decisions over the coming financial years which will affect the manner in which it delivers its services.

Progress from last year's AGS

There has been significant progress since last year's AGS. In particular, the Council has made good improvement with regards to Risk Management seeing the Internal Auditor's opinion change from no assurance to "Moderate Assurance". A refreshed risk management implementation project has been delivered in line with expectations and the Council's assessment and management of risk is much improved as a result.

Good progress has also been made with regards to HR assurance work with only 16 actions remaining out of 35 recommendations and the Council continues to make steady progress with other governance issues identified in the last AGS.

REVIEWING AND REPORTING ARRANGMENTS

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.

This year the Annual Governance Statement for 2022/23 has been pulled together via engagement with all key officers, who have the most appropriate knowledge, expertise and levels of seniority providing

information and key evidence to support how the organisation has complied with the principles set out in guidance.

As well as demonstrating 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.

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.

CERTIFICATION

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this Statement, and to further enhance our governance arrangements to enable delivery of our Corporate Plan.

Signed on behalf of Lancaster City Council:

Councillor Phillip Black
Leader of Lancaster City Council

Mark Davies
Chief Executive of Lancaster City Council

Date:

This Annual Governance Statement was approved by Audit Committee 26th July 2023

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 Officer's 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 2023 and the income and expenditure for the year then ended.



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

Date:

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

Cllr Paul Stubbins

Date

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.

2022/23	General Fund Balance £000	General Fund Earmarked Reserves £000	HRA Balance £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 31/03/2022	6,032	22,853	2,551	10,328	742	1,266	103	43,875	141,787	185,662
Movements in 2022/23										
Total Comprehensive Income and Expenditure	3,014	-	(7,845)	-	-	-	-	(4,831)	-	(4,831)
Adjustments between accounting & funding basis under regulations (Note 8)	(7,147)	-	3,843	-	(621)	1,120	-	(2,805)	2,805	-
Net Increase/(Decrease) before transfers to earmarked reserves	(4,133)	-	(4,002)	-	(621)	1,120	-	(7,636)	115,053	107,417
Transfers (to)/from earmarked reserves (Note 9)	9,778	(9,778)	2,075	(2,075)	-	3	-	3	(3)	-
Increase/(decrease) in 2022/23	5,645	(9,778)	(1,927)	(2,075)	(621)	1,123	-	(7,633)	115,050	107,417
Balance at 31/03/2023	11,677	13,075	624	8,253	121	2,389	103	36,242	256,837	293,079

2021/22	General Fund Balance £000	General Fund Earmarked Reserves £000	HRA Balance £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 31/03/2021	7,808	25,637	3,286	10,668	404	521	103	48,427	109,480	157,907
Movements in 2021/22										
Total Comprehensive Income and Expenditure	(8,543)	-	(3,016)	-	-	-	-	(11,559)	39,314	27,755
Adjustments between accounting & funding basis under regulations (Note 8)	3,983	-	1,941	-	338	742	-	7,004	(7,004)	-
Net Increase/(Decrease) before transfers to earmarked reserves	(4,560)	-	(1,075)	-	338	742	-	(4,555)	32,310	27,755
Transfers (to)/from earmarked reserves (Note 9)	2,784	(2,784)	340	(340)	-	3	-	3	(3)	-
Increase/(decrease) in 2021/22	(1,776)	(2,784)	(735)	(340)	338	745	-	(4,552)	32,307	27,755
Balance at 31/03/2022	6,032	22,853	2,551	10,328	742	1,266	103	43,875	141,787	185,662

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.

2021/22				2022/23			
Gross Exp £000	Gross Inc £000	NET £000	NOTES	Gross Exp £000	Gross Inc £000	NET £000	
<i>Continuing Operations:</i>							
1,354	(76)	1,278	Central Services	1,479	(100)	1,379	
33,910	(15,460)	18,450	Communities & Environment	31,398	(24,421)	6,977	
17,273	(15,598)	1,675	Housing Revenue Account	22,733	(16,413)	6,320	
14,404	(5,501)	8,903	Economic Growth & Regeneration	17,917	(6,118)	11,799	
39,160	(32,497)	6,663	Corporate Services	36,286	(29,634)	6,652	
106,101	(69,132)	36,969	Cost of Services	109,813	(76,686)	33,127	
2,421	(1,595)	826	Other Operating Expenditure	10	2,020	(1,434)	586
4,565	(834)	3,731	Financing and Investment Income and Expenditure	11	4,535	(6,359)	(1,824)
-	-	-	(Surplus) / Deficit on discontinued operations	29	-	-	-
20,895	(50,862)	(29,967)	Taxation and Non Specific Grant Income and Expenditure	12	21,467	(48,525)	(27,058)
		11,559	(Surplus)/Deficit on Provision of Services			4,831	
		(14,619)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			(15,830)	
		(24,695)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	41		(96,418)	
		(39,314)	Other Comprehensive Income and Expenditure			(112,248)	
		(27,755)	Comprehensive Income and Expenditure			(107,417)	

The net income of £107.417M in year corresponds to the movement between years in net worth on the Balance Sheet.

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 2022 £000		NOTES	31 March 2023 £000
255,073	Property, Plant & Equipment	13	270,430
9,518	Heritage Assets	14	9,517
34,025	Investment Property	15	40,763
18	Intangible Assets	16	2
-	Assets Held for Sale	21	-
99	Long Term Debtors	17	96
298,733	Long Term Assets		320,808
-	Short Term Investments	17	-
820	Inventories	18	957
15,317	Short Term Debtors	19	18,521
43,775	Cash & Cash Equivalents	20	24,251
59,912	Current Assets		43,729
-	Bank Overdraft	20	-
(1,041)	Short Term Borrowing	17	(1,041)
(50,065)	Short Term Creditors	22	(38,748)
(51,106)	Current Liabilities		(39,789)
(234)	Long Term Creditors	17	(239)
(6,661)	Provisions	23	(4,764)
(59,001)	Long Term Borrowing	17	(57,960)
(55,981)	Other Long Term Liabilities	41	31,294
(121,877)	Long Term Liabilities		(31,669)
185,662	Net Assets		293,079
43,875	Usable Reserves	24	36,242
141,787	Unusable Reserves	25	256,837
185,662	Total Reserves		293,079

The net movement between years is £107.417M and corresponds to the balance on the Comprehensive Income and Expenditure Statement.

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.

2021/22 £000		NOTES	2022/23 £000
Cash (Out) / In			Cash (Out) / In
(11,559)	Net surplus or (deficit) on the provision of services		(4,831)
35,961	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(2,349)
(9,058)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(6,522)
15,344	Net cash flows from Operating Activities	26	(13,702)
(6,384)	Investing Activities	27	(2,594)
9,715	Financing Activities	28	(3,228)
18,675	Net increase or (decrease) in cash and cash equivalents		(19,524)
25,100	Cash and cash equivalents at the beginning of the reporting period		43,775
43,775	Cash and cash equivalents at the end of the reporting period		24,251

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 Reporting Period
Note 6	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 Income & 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	Cash Flow Statement - Operational Activities
Note 27	Cash Flow Statement - Investing Activities
Note 28	Cash Flow Statement - 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	Group Accounts

1. ACCOUNTING POLICIES

1.1 Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position on 31 March 2023. 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 accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round to amounts to the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

1.2 Revenue Recognition and Accruals of Income and Expenditure

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

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 based on 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 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	Charged to the pensions reserve as other comprehensive income and expenditure.

	or the actuarial assumptions have been changed.	
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.

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).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at Amortised Cost

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

Annual credits to the financing and investment income and expenditure line in the 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 instrument's 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 of 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 based on 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.

See accounting policy 1.21 for details of the Council's infrastructure assets policy.

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 have 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
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. Assets are not depreciated in the year of acquisition and a full year's depreciation is charged in the year of disposal.

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 5 to 15 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 Infrastructure Assets

Infrastructure assets include sea river and flood defences, environmental improvement works, street furniture lighting and landscaping and footways and cycleways.

Recognition

Expenditure on the acquisition of infrastructure assets is capitalised on an accruals basis, if it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are measured on a depreciated historical cost basis. However, for opening balances for infrastructure assets held under the accounting rules that applied before 1 April 1994 this is a modified form of historical cost with expenditure that was incurred before this date only included to the extent that it had not been financed before the end of the 1993/94 financial year.

Where material impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various infrastructure assets are assessed using industry standards where applicable as follows:

Asset Type	Useful Life
Sea & River Defences	40 years
Environmental Improvement Works	20 years

Street Furniture, lighting & landscaping	20 years
Footways & Cycleways	20 years

Disposal and derecognition

When a component of an infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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.

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

1.22 Minimum Revenue Provision

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 charge to revenue towards the reduction in its overall borrowing requirement, which is calculated on a prudent basis determined in accordance with statutory guidance. This contribution is known as the minimum revenue provision (MRP).

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the amount that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council uses external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

1.28 Group Accounts

The Council has two wholly owned subsidiary companies, which are currently not trading. Once a trading these will be consolidated into the Council's group accounts on a line-by-line basis, after eliminating intra-group transactions. An entity could be material but still not consolidated if all of its business is with the county council and eliminated on consolidation – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts.

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases

For the 2023/24 financial year, the Council is planning to implement IFRS 16 Leases, applying the provisions as

they have been adopted in of the 2023/24 Accounting Code. These provisions would not be mandatory until 2024/25.

The main impact of IFRS 16 will relate to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable.

Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – ie, that the overall charge for each year will be the rents payable in that year.

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

Not all of the above are relevant to Lancaster City Council and it is anticipated that the amendments will not have a material impact on the information provided in the financial statements.

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:

Pension Prepayment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3-year period 2020/21 – 2022/23, the Council agreed with the Lancashire County Pension Fund that the employer contributions payable to the Local Government Pension Scheme (LGPS) could be paid as a single up-front payment.

In April 2020 the Council prepaid an amount of £8.459M to Lancashire County Council Pension Fund. The prepayment covers estimated employer contributions for the period 2020/21 – 22/23 and will generate an estimated saving of £0.491M over the period based on an estimated pensionable payroll £17.95M. Additional contributions of £1.557M were also made during 2022/23 to cover the difference between estimated and actual pensionable payroll as notified by the fund.

2022/23 was the final year of the up-front payment period and all amounts have now been reflected in the pension reserve which is aligned to the pension asset. For further details see Note 41 Defined Benefit Pension Schemes.

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 2022. 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 these 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.

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 considering 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 on 31st March 2023 for which there is a significant risk of material adjustment in the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment Valuations	<p>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 three year rolling programme.</p> <p>HRA assets are revalued at least every five years on a rolling programme, while investment properties are revalued on an annual basis.</p> <p>A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council's internal valuers.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. This would not impact real GF or HRA balances.</p> <p>Sensitivity analysis detailing movement in valuations is provided in the table below.</p>
Movement in property valuations analysis		

	Asset Category	Net Asset Valuation 31st March 2023 £000	Increase in Valuation		Decrease in Valuation	
			1%	5%	1%	5%
			£000	£000	£000	£000
	Council Dwellings	151,230	152,742	158,792	149,718	143,669
	Other Land & Buildings	57,681	58,258	60,565	57,104	54,797
	Surplus Assets	2,463	2,488	2,586	2,438	2,340
	Investment Properties	40,763	41,171	42,801	40,355	38,725
	Total	252,137	254,658	264,744	249,616	239,530
Property, plant and equipment Depreciation	<p>Assets are depreciated over their assessed useful lives, considering 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 2022/23 for all assets with a UEL of 20 years or more, depreciation charges would have been higher.</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>			
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>Several 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>			
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 2022/23 and earlier financial years in proportion to their share.</p> <p>The Authority has made a provision of £4.478M, based on the best estimate of the amount that businesses have been</p>		<p>An increase in the estimated settlement rate of 10% would have the effect of adding £0.448M to the provision needed.</p>			

	overcharged up to 31 March 2023. The 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	Note 19 shows non-public sector debtors of £6.457M 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.	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 amount in the region of £650K to be set aside.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 31 July 2023. 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 2023, 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.

2021/22			2022/23			
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	
<i>Continuing Operations:</i>						
1,140	(138)	1,278	Central Services	1,236	(143)	1,379
7,243	(11,207)	18,450	Communities & Environment	7,931	954	6,977
(5,781)	(7,456)	1,675	Housing Revenue Account	(3,217)	(9,537)	6,320
4,674	(4,229)	8,903	Economic Growth & Regeneration	5,781	(6,018)	11,799
5,464	(1,199)	6,663	Corporate Services	5,729	(923)	6,652
12,740	(24,229)	36,969	Net Cost of Services	17,460	(15,667)	33,127
(7,105)	18,305	(25,410)	Other Income and Expenditure	(9,325)	18,971	(28,296)
5,635	(5,924)	11,559	(Surplus) or Deficit	8,135	3,304	4,831
47,399			Opening General Fund & HRA Balances & Reserves	41,764		
(5,635)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(8,135)		
41,764			Closing General Fund and HRA Balance & Reserves at 31/3/2023	33,629		

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 2022/23

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
Central Services	-	(142)	-	(142)
Communities & Environment	2,998	(2,038)	(5)	955
Housing Revenue Account	(8,713)	(821)	(4)	(9,538)
Economic Growth & Regeneration	(5,062)	(952)	(5)	(6,019)
Corporate Services	(341)	(580)	(2)	(923)
Net Cost of Services	(11,118)	(4,533)	(16)	(15,667)
Other income and expenditure from the Expenditure and Funding Analysis	14,407	(1,681)	6,245	18,971
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,289	(6,214)	6,229	3,304

Adjustments between Funding and Accounting Basis 2021/22

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
Central Services	-	(138)	-	(138)
Communities & Environment	(9,350)	(1,854)	(2)	(11,206)
Housing Revenue Account	(6,726)	(727)	(2)	(7,455)
Economic Growth & Regeneration	(3,315)	(913)	(2)	(4,230)
Corporate Services	(520)	(679)	(1)	(1,200)
Net Cost of Services	(19,911)	(4,311)	(7)	(24,229)
Other income and expenditure from the Expenditure and Funding Analysis	13,400	(1,682)	6,587	18,305

Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(6,511)	(5,993)	6,580	(5,924)
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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.

7 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2021/22	2022/23
	£000	£000
Employee benefits expenses	37,180	40,035
Other services expenses	66,022	78,753
Support service recharges	1,463	1,408
Depreciation, amortisation, impairment	19,890	16,366
Interest payments	2,882	2,854
Precepts and levies	2,116	2,842
Payments to Housing Capital Receipts Pool	745	-
Gain on the disposal of assets	(734)	(384)
Total Expenditure	129,563	141,874
Fees, charges and other service income	(50,122)	(66,588)
Interest and investment income	(833)	(6,374)
Net Income from council tax, non domestic rates, district rate income	(17,164)	(19,547)
Government grants and contributions	(49,885)	(44,534)
Total Income	(118,004)	(137,043)
(Surplus) or Deficit on the Provision of Services	11,559	4,831

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.

	2021/22 Comparative Figures						2022/23					
	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)	(4,934)	(939)	-	-	-	-	(5,113)	(1,102)	-	-	-	-
Financial instruments (transferred to the Financial instruments Adjustments Account)	-	-	-	-	-	-	-	-	-	-	-	-
Council tax and NDR (transfers to or from Collection Fund)	6,586	-	-	-	-	-	6,245	-	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(5)	(2)	-	-	-	-	(12)	(4)	-	-	-	-
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)	(7,239)	(7,544)	-	-	-	-	5,219	(9,567)	-	-	-	-
Total Adjustments to Revenue Resources	(5,652)	(8,545)	-	-	-	-	6,339	(10,673)	-	-	-	-
Adjustments between Revenue and Capital Resources												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	56	1,509	(1,565)	-	-	-	181	1,190	(1,371)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(20)	20	-	-	-	-	(25)	25	-	-	-
Payments to the government housing receipts pool funded by a transfer from the Capital Receipts Reserve	(745)	-	745	-	-	-	-	-	-	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,794	-	(3,794)	-	-	-	4,318	-	(4,318)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,158	1,041	-	-	-	-	105	1,041	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	201	279	-	-	-	-	522	306	-	-	-	-
Total Adjustments between Revenue and Capital Resources	1,670	6,603	(800)	(3,794)	-	-	808	6,830	(1,346)	(4,318)	-	-
Adjustments to Capital Resources												
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	58	-	-	-	-	-	226	-	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,456	-	-	-	-	-	4,939	-	-
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	58	3,456	-	-	-	-	226	4,939	-	-
Total Adjustments	(3,982)	(1,942)	(742)	(338)	-	-	7,147	(3,843)	(1,120)	621	-	-

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 2022/23.

	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Corporate Property Reserve	339	(50)	-	289	(25)	50	314
Covid 19 Support Reserve	1,813	(66)	-	1,747	(1,737)	-	10
Other Commuted Sums	969	(41)	461	1,389	(109)	(14)	1,266
Restructuring Reserve	451	(20)	-	431	(310)	400	521
Renewals	602	(269)	504	837	(237)	462	1,062
Capital Support	73	-	300	373	(300)	-	73
Corporate Priorities (Budget Support)	2,478	(361)	-	2,117	(1,696)	-	421
Economic Growth	189	(37)	96	248	(248)	-	-
Invest to Save Reserve	1,233	(441)	34	826	(631)	107	302
Lancaster District Hardship Fund	-	-	377	377	(136)	-	241
Business Rates Retention Reserve	8,301	(96)	886	9,091	(2,019)	400	7,472
Welfare Reforms Reserve	325	-	-	325	-	-	325
Homelessness Support	110	-	-	110	-	-	110
Revenue Grants Unapplied	8,497	(7,528)	3,389	4,358	(3,920)	204	642
Other Reserves £100K and under	257	(14)	93	336	(72)	52	316
Total	25,637	(8,923)	6,140	22,854	(11,440)	1,661	13,075

HRA:							
Hsg Mgt System Replacement	580	(1)	-	579	(174)	39	444
Flats Planned Maintenance	758	(74)	133	817	(62)	33	788
Sheltered Housing Reserves	1,380	(74)	150	1,456	(343)	-	1,113
Business Support Reserve	7,910	(473)	-	7,437	(1,568)	-	5,869
Other Reserves £100K and under	39	-	-	39	-	-	39
Total	10,667	(622)	283	10,328	(2,147)	72	8,253

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.

Corporate Priorities (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.

Coved-19 Support Reserve

Established to provide support to businesses and vulnerable people in response to the Coved-19 Pandemic

Elections

Established to manage the cost of Elections

Economic Growth

To support economic growth activities in the district.

Homelessness Support

To hold unspent homelessness grant monies

Investment Property Maintenance and Voids

Established to set aside a % of gross rents on newly acquired investment properties to cover maintenance and voids.

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.

Museums Acquisitions

Established to hold funds to finance acquisitions across the museums in the district

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 2022/23 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.

	2021/22	2022/23
	£000	£000
Parish council precepts	815	970
Payments to the Government Housing Capital Receipts Pool	745	-
(Gains)/losses on the disposal of non-current assets	(734)	(384)
	826	586

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.

	2021/22	2022/23
	£000	£000
Interest payable and similar charges	2,882	2,853
Pensions interest cost and expected return on pensions	1,682	1,681
Interest receivable and similar income	(41)	(884)
Income and expenditure in relation to investment properties and changes in their fair value	(793)	(5,475)
Other investment income and expenditure	1	1
	3,731	(1,824)

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.

	2021/22 £000	2022/23 £000
Council tax income	(10,634)	(11,125)
Non domestic rates	(5,229)	(6,549)
Non-ringfenced government grants:		
Section 31 Grant	(5,471)	(5,252)
MHCLC income compensation scheme for lost sales, fees and charges	(731)	-
Covid 19 emergency funding, new burdens & Miscellaneous grants	(1,411)	(398)
New Homes Bonus	(867)	(547)
Revenue Support Grant	(204)	(211)
Services Grant	-	(395)
Lower Tier Services Grant	(244)	(262)
Capital grants and contributions	(5,176)	(2,319)
	(29,967)	(27,058)

13 PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation							
Balance as at 1 April 2022	145,261	57,090	26,066	8,719	4,930	1,481	243,547
additions	5,308	2,562	3,931	-	-	4	11,805
revaluation increases/(decreases) recognised in the Revaluation Reserve	10,436	1,308	-	-	(8)	-	11,736
revaluation increases/(decreases) recognised on the Surplus/Deficit on the Provision of Services	(4,543)	5,433	-	-	(1,574)	-	(684)
derecognition - disposals	(923)	-	(545)	-	-	-	(1,468)
assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-
other transfers	-	-	1,345	-	(797)	(1,345)	(797)
Balance as at 31 March 2023	155,539	66,393	30,797	8,719	2,551	140	264,139
Accumulated Depreciation and Impairment							
Balance as at 1 April 2022	(3,787)	(6,966)	(17,304)	(44)	(43)	-	(28,144)
depreciation charge	(4,318)	(2,156)	(1,733)	(5)	(88)	-	(8,300)
depreciation on revaluations written back recognised in the Revaluation Reserve	3,643	408	-	-	43	-	4,094
depreciation on revaluations written back recognised in the Surplus/Deficit on Provision of Services	106	2	-	-	-	-	108
derecognition - disposals	47	-	545	-	-	-	592
Balance as at 31 March 2023	(4,309)	(8,712)	(18,492)	(49)	(88)	-	(31,650)
Net Book Value							
at 31 March 2022	141,474	50,124	8,762	8,675	4,887	1,481	215,403
at 31 March 2023	151,230	57,681	12,305	8,670	2,463	140	232,489

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation							
Balance as at 1 April 2021	134,320	64,102	23,918	8,714	1,026	136	232,216
additions	3,758	505	3,184	5	3,174	1,345	11,971
revaluation increases/(decreases) recognised in the Revaluation Reserve	10,952	428	-	-	912	-	12,292
revaluation increases/(decreases) recognised on the Surplus/Deficit on the Provision of Services	(2,919)	(7,945)	-	-	(182)	-	(11,046)
derecognition - disposals	(875)	-	(1,036)	-	-	-	(1,911)
assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-
other transfers	25	-	-	-	-	-	25
Balance as at 31 March 2022	145,261	57,090	26,066	8,719	4,930	1,481	243,547
Accumulated Depreciation and Impairment							
Balance as at 1 April 2021	(3,298)	(4,773)	(16,726)	(39)	(34)	-	(24,870)
depreciation charge	(3,794)	(2,642)	(1,614)	(5)	(43)	-	(8,098)
depreciation on revaluations written back recognised in the Revaluation Reserve	3,270	347	-	-	29	-	3,646
depreciation on revaluations written back recognised in the Surplus/Deficit on Provision of Services	14	102	-	-	5	-	121
derecognition - disposals	21	-	1,036	-	-	-	1,057
Balance as at 31 March 2022	(3,787)	(6,966)	(17,304)	(44)	(43)	-	(28,144)
Net Book Value							
at 31 March 2021	131,022	59,329	7,192	8,675	992	136	207,346
at 31 March 2022	141,474	50,124	8,762	8,675	4,887	1,481	215,403

Infrastructure Assets

	2021/22 £000	2022/23 £000
Movements on Balances		
Opening Net Book Value	41,180	39,670
Additions	551	347
De-recognition	-	-
Other Transfers	-	-
Depreciation	(2,061)	(2,076)
Closing Net Book Value	39,670	37,941
Total Property Plant & Equipment	2021/22 £000	2022/23 £000
Infrastructure Assets	39,670	37,941
Other PPE Assets	215,403	232,489
Total PPE Assets	255,073	270,430

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M (England) of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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 2023, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 anticipated to cost £1.640M. Similar commitments at 31 March 2022 were £3.672M. The major commitments are:

- Vehicle Fleet Programme £1.640M

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.

Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	-	12,305	-	12,305
Valued at current value as at:	-	-	-	-	-
31 March 2023	151,230	19,433	-	2,462	173,125
31 March 2022	-	1,705	-	-	1,705
31 March 2021	-	36,544	-	-	36,544
31 March 2020	-	-	-	-	-
31 March 2019	-	-	-	-	-
Total Cost or Valuation	151,230	57,682	12,305	2,462	223,679

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

	2021/22 £000	2022/23 £000
Opening Balance		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	9,518	9,518
Disposals	-	-
Revaluations	-	-
Closing Balance		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	9,518	9,518

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.

	2021/22	2022/23
	£000	£000
Rental income from investment property	(2,809)	(3,204)
Direct operating expenses arising from investment property	1,138	3,524
Net (gain)/loss	(1,671)	320

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.

	2021/22	2022/23
	£000	£000
Balance as at 1 April	33,203	34,025
Additions:		
- Purchases	-	
- Construction	67	154
- Subsequent Expenditure		419
Disposals:		(150)
Net gains/losses from fair value adjustments	767	5,518
Transfers:		
- to/from Property, Plant & Equipment	(12)	797
Balance as at 31 March	34,025	40,763

Fair Value Hierarchy

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

2022/23	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 2023
<i>Recurring fair value measurements using:</i>				
	£000	£000	£000	£000
Office	-	-	4,109	4,109
Retail	-	4,039	2,689	6,728
Agriculture & Allotments	-	1,127	164	1,291
Commercial Land	-	6,379	1,689	8,068
Commercial Buildings	-	9,785	2,111	11,896
Mixed Commercial	-	-	8,671	8,671
Total	-	21,330	19,433	40,763

2021/22	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 2022
<i>Recurring fair value measurements using:</i>				
	£000	£000	£000	£000
Office	-	-	4,116	4,116
Retail	-	4,188	2,486	6,674
Agriculture & Allotments	-	1,062	153	1,215
Commercial Land	-	1,450	711	2,161
Commercial Buildings	-	9,510	1,981	11,491
Mixed Commercial	-	-	8,368	8,368
Total	-	16,210	17,815	34,025

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)

As a response to COVID-19, the valuations of investment properties are reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case, refer to Note 4 for further details.

Highest and best use of Investment Properties

With the exception of a piece of Commercial Land at Burrow Beck Lancaster 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 a solar farm and residential housing land respectively. They have, therefore, been valued at £7.5M 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

	2022/23
	£000
Balance as at 1 April	17,815
Transfers in	797
Transfers out	-
Total gains/losses for the period included in Surplus or Deficit on the Provision of Services resulting from changes in fair value	466
Additions	505
Disposals	(150)
Balance as at 31 March	19,433

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.

	2021/22	2022/23
	£000	£000
Balance at start of year:		
- Gross carrying amounts	934	934
- Accumulated amortisation	(866)	(915)
Net carrying amount at start of year	68	19
Additions:		
- Purchases	-	-
Assets reclassified as held for sale		
Revaluation increases or decreases		
Impairment losses recognised or reversed directly in the Revaluation Reserve		
Impairment losses recognised in the Surplus/Deficit on the Provision of Services		
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services		
Amortisation for the period	(49)	(17)
Net carrying amount at the end of year	19	2
Comprising:		
- Gross carrying amounts	934	934
- Accumulated amortisation	(915)	(932)
Balance as at 31 March	19	2

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 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Investments				
Amortised Cost	0	0	0	0
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	0	0
Debtors				
Amortised Cost	99	96	15,317	18,521
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	99	96	15,317	18,521
Bank account	0	0	43,775	24,251
Total assets	99	96	59,092	42,772
Borrowings				
Amortised Cost	(59,001)	(57,960)	(1,041)	(1,041)
Fair value through profit or loss	0	0	0	0
Lease liabilities	0	0	0	0
Total borrowings	(59,001)	(57,960)	(1,041)	(1,041)
Creditors				
Amortised Cost	(234)	(239)	(50,065)	(38,748)
Fair value through profit or loss	0	0	0	0
Total Creditors	(234)	(239)	(50,065)	(38,748)
Bank (Overdraft) / Cash in Hand	0	0	0	0
Total liabilities	(59,235)	(58,199)	(51,106)	(39,789)

Income, Expenses, Gains and Losses

	2021/22				2022/23				Total £000
	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	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	
Interest payable	2,882	-	-	-	2,882	2,853	-	-	2,853
Losses on derecognition	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	2,882	-	-	-	2,882	2,853	-	-	2,853
Interest income	(41)	-	-	-	(41)	(884)	-	-	(884)
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	(41)	-	-	-	(41)	(884)	-	-	(884)
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	2,841	-	-	-	2,841	1,969	-	-	1,969

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 3.69% and 3.79%.

	31 March 2022		31 March 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	109,327	152,391	97,749	111,593
Long-term creditors & provisions	6,895	6,895	5,003	5,003
Total	116,222	159,286	102,752	116,596

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 2022		31 March 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	59,092	59,092	42,772	42,772
Long-term debtors *	99	99	96	96
Total	59,191	59,191	42,868	42,868

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	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Balance as at 1 April	-	-	511	704	112	116	623	820
Purchases	4	-	1,345	1,498	449	637	1,798	2,135
Recognised as an expense in the year	(4)	-	(1,152)	(1,360)	(445)	(637)	(1,601)	(1,997)
Written off balances	-	-	-	-	-	(1)	-	(1)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance as at 31 March	-	-	704	842	116	115	820	957

19 SHORT TERM DEBTORS

	31 March 2022 £000	31 March 2023 £000
Council Taxpayers	1,315	1,576
Central Government Bodies	2,295	1,703
Housing Rents	283	313
Other Local Authorities	8,732	10,361
Commercial Ratepayers	662	450
Other entities and individuals	2,030	4,118
	15,317	18,521

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 2022 £000	31 March 2023 £000
Bank current account	1,075	251
Investments < 3 months	42,700	24,000
	43,775	24,251

21 ASSETS HELD FOR SALE

The Council currently has no assets held for sale.

22 SHORT TERM CREDITORS

	31 March 2022 £000	31 March 2023 £000
Council Taxpayers	(235)	(306)
Central Government Bodies	(39,440)	(24,719)
Housing Rents	(481)	(470)
Other Local Authorities	(3,244)	(4,288)
Commercial Ratepayers	(184)	(184)
Other entities and individuals	(6,481)	(8,781)
	(50,065)	(38,748)

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.

	Insurance £000	Business Rate Appeals £000	Back Pay £000	Total £000
Balance as at 1 April 2022	(576)	(6,036)	(49)	(6,661)
Contribution to Provision	-	-	-	-
Amounts Paid	339	1,558	-	1,897
Balance as at 31 March 2023	(237)	(4,478)	(49)	(4,764)

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 together with external advice.

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 2018/19, following a ruling by the Employment Appeal Tribunal in 2017/18 requiring employers to include overtime in the calculation for holiday pay. Some amounts are still outstanding.

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 2022 £000	31 March 2023 £000
General Fund Balance	6,032	11,678
HRA Balance	2,551	623
HRA Business Plan Reserve	7,437	5,869
Housing Mgt System Replacement Reserve	579	444
Flats Planned Maintenance	817	788
Major Repairs Reserve	742	121
Sheltered Equipment	383	234
Sheltered Planned Maintenance	446	387
Sheltered Support Grant Maintenance	627	492
Renewals Reserve	613	834
Capital Support	373	73
Other Commuted Sums	1,389	1,266
Corporate Property Reserve	289	314
Restructuring Reserve	431	521
Welfare Reforms Reserve	325	325
Invest to Save Reserve	825	302
Capital Grants Unapplied	102	102
Capital Receipts Unapplied	1,267	2,389
Business Rates Retention Reserve	9,091	7,472
Revenue Grants Unapplied	4,357	642
Corporate Priorities (Budget Support) Reserve	2,117	421
Covid-19 Support Reserve	1,747	10
Economic Growth Reserve	248	-
Homelessness Support Reserve	111	111
Car Parks Reserve	135	123
Lancaster District Hardship Fund	377	240
City Council Elections Reserve	80	115
Other Reserves under £100K	384	346
Total usable reserves	43,875	36,242

25 UNUSABLE RESERVES

	31 March 2022 £000	31 March 2023 £000
Revaluation Reserve	93,433	104,783
Financial Instruments Adjustment Account	(143)	(143)
Capital Adjustment Account	110,063	117,331
Pensions Reserve	(58,909)	31,294
Deferred Credits	-	-
Accumulated Absences Account	(213)	(229)
Collection Fund Adjustment Account	(2,444)	3,801
Total unusable reserves	141,787	256,837

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.

	2021/22	2022/23
	£000	£000
Balance as at 1 April	82,876	93,433
Upwards revaluation of assets	14,701	16,062
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(82)	(232)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	14,619	15,830
Difference between fair value depreciation and historical cost depreciation.	(3,722)	(4,053)
Accumulated gains on assets sold or scrapped	(340)	(427)
Amount written off to the Capital Adjustment Account	(4,062)	(4,480)
Balance as at 31 March	93,433	104,783

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.

	2021/22	2022/23
	£000	£000
Balance as at 1 April	113,594	110,063
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	(10,152)	(10,369)
- Revaluation gains/(losses) on Property, Plant and Equipment	(9,608)	(576)
- Amortisation of Intangible Assets	(49)	(17)
- Revenue Expenditure funded from Capital under statute.	(2,392)	(3,029)
- 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	(841)	(1,025)
Sub total	91,593	96,088
Adjusting amounts written out of the Revaluation Reserve	4,062	4,480
Write down long-term loan debtor by principal repaid in year	(3)	(3)
Net written out amount of the cost of non current assets consumed in the year.	95,652	100,565
Capital financing applied in the year:		
- Use of Capital Receipts Reserve	58	226
- Use of the Major Repairs Reserve	3,456	4,938
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement (including those in respect of donated assets)	7,493	5,152
- 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	2,158	105
- Capital expenditure charged against the General Fund and HRA balances	480	827
Sub total	109,297	111,813
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure statement	766	5,518
Balance as at 31 March	110,063	117,331

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 are 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.

	2021/22	2022/23
	£000	£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.

	2021/22	2022/23
	£000	£000
Balance as at 1 April	(77,611)	(58,909)
Actuarial gains or (losses) on pensions assets and liabilities	24,695	96,418
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(9,916)	(10,265)
Employer's pension contribution and direct payments to pensioners payable in the year	3,923	4,050
Balance as at 31 March	(58,909)	31,294

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.

	2021/22	2022/23
	£000	£000
Balance as at 1 April	(9,030)	(2,444)
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	6,586	6,245
Balance as at 31 March	(2,444)	3,801

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.

	2021/22	2022/23
	£000	£000
Balance as at 1 April	(206)	(213)
Settlement or cancellation of accrual made at the end of the preceding year	206	213
Amounts accrued at the end of the current year	(213)	(229)
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	(7)	(16)
Balance as at 31 March	(213)	(229)

The cash flows for operating activities include the following items:

	2021/22	2022/23
	£000	£000
Interest received	31	634
Interest paid	(2,882)	(2,854)

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

	2021/22	2022/23
	£000	£000
Depreciation	10,152	10,369
Impairment & downward valuations	9,615	584
Amortisation	49	17
Increase/(decrease) in creditors	7,595	(13,937)
(Increase)/decrease in debtors	341	(628)
(Increase)/decrease in inventories	(196)	(137)
Movement in pension liability	8,811	7,772
Carrying amount of non-current assets and assets held for sale sold or derecognised	841	1,026
Other non- cash items charged to the net surplus of deficit on the provision of services	(1,248)	(7,415)
	35,960	(2,349)

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

	2021/22	2022/23
	£000	£000
Proceeds from short-term and long-term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,565)	(1,370)
Any other items for which the cash effects are investing or financing cash flows	(7,493)	(5,152)
	(9,058)	(6,522)

	2021/22	2022/23
	£000	£000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(11,571)	(12,601)
Purchase of short-term and long-term investments	-	-
Receipts from sale of Property, Plant and Equipment, investment property and intangible assets	1,518	1,417
Other payments from investing activities	(4,422)	3,037
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	8,091	5,553
Net cash flows from investing activities	(6,384)	(2,594)

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2021/22	2022/23
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Repayment of short-term and long-term borrowing	(1,041)	(1,041)
Cash receipts of long and short term borrowing	-	-
Other payments for financing activities	10,756	(2,187)
Net cash flows from financing activities	9,715	(3,228)

29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2022/23.

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.

	2018/19	2019/20	2020/21	2021/22	2022/23
Trade Waste					
Turnover	(1,435)	(1,493)	(1,190)	(1,538)	(1,649)
Expenditure	1,275	1,015	983	1,052	1,023
(Surplus)/Deficit	(160)	(478)	(207)	(486)	(626)
Garden Waste					
Turnover	(911)	(901)	(961)	(992)	(989)
Expenditure	1,378	1,064	1,165	1,268	1,487
(Surplus)/Deficit	467	163	204	276	498
Markets					
Turnover	(397)	(400)	(117)	(359)	(389)
Expenditure	389	340	315	365	409
(Surplus)/Deficit	(8)	(60)	198	6	20
Commercial Properties / Industrial Units					
Turnover	(1,246)	(1,400)	(1,601)	(2,487)	(3,017)
Expenditure	923	700	538	878	1,902
(Surplus)/Deficit	(323)	(700)	(1,063)	(1,609)	(1,115)
Consolidated					
Turnover	(3,989)	(4,194)	(3,869)	(5,376)	(6,044)
Expenditure	3,965	3,119	3,001	3,563	4,821
(Surplus)/Deficit	(24)	(1,075)	(868)	(1,813)	(1,223)

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.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Net (surplus)/deficit on trading operations	(24)	(1,075)	(868)	(1,813)	(1,223)
Trading expenditure and income included within Surplus or Deficit on the Provision of Services	-	-	-	-	-
Net (surplus)/deficit	(24)	(1,075)	(868)	(1,813)	(1,223)

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.

	2021/22 £000	2022/23 £000
Expenditure on agency arrangement	222	228
Income on agency arrangement	(154)	(162)
Net deficit arising on agency arrangements	68	66

32 MEMBERS' ALLOWANCES

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

	2021/22	2022/23
	£000	£000
Basic Allowances	219	240
Special Responsibility Allowances	92	90
Expenses	-	1
Total	311	331

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 £50,000 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)
2022/23	£000	£000	£000	£000	£000	£000
Chief Executive	124			124	20	144
Deputy Director Communities & the Environment	87			87	14	101
Head of Financial Services & S151 Officer	84			84	13	97
Head of Legal Services	80			80	13	93
Head of Planning & Place	71			71	11	82
Head of HR	70			70	11	81
Director of Economic Growth & Regeneration	67		38	105	11	116
Head of Community Involvement & Leisure	67			67	11	78
Head of Housing	64			64	10	74
Head of Public Realm	62			62	10	72
Head of Public Protection	60			60	10	70
Director of Corporate Services	37		21	58	5	63
Head of Economic Development (part)	46			46	8	54
Head of Economic Development (part)	9			9	1	10
Democratic Service Manager	62			62	10	72
Community Connector Manager	59			59	9	68
Service Manager - Economy and Commerce	58			58	9	67
Service Manager - Culture & Heritage	58			58	9	67
Accountancy Manager	55			55	9	64
ICT Operations Manager	52			52	8	60
Repairs and Maintenance Manager	52			52	8	60
Solicitor	51			51	8	59
Principal Accountant	50			50	8	58
Duty Manager - SALC	50			50	8	58
Senior EHO (Food)	49	1		50	8	58
Business Imp & Project Delivery Lead	50			50	8	58
Neighbourhoods & Support Services Manager	50			50	8	58
Service Manager - Planning & Housing Strategy	50			50	8	58
Public Health and Protection Manager	49			49	8	57
Strategic Projects Manager	49			49	8	57
Commercial Protection Manager	49			49	8	57
Service Manager - Development Management	48			48	8	56
Leisure General Manager	48			48	8	56
Public Realm Supervisor	48			48	8	56

Public Realm Team Leader	48	48	8	56
Estates Manager	47	47	8	55
Museums Development Manager	47	47	8	55
Strategic Policy Partnership Manager	47	47	8	55
Property and Contracts Solicitor	47	47	8	55
Lawyer (Civil)	47	47	8	55
Lawyer (Criminal)	47	47	8	55
Community Hub and Performance Manager	47	47	7	54
AONB Manager	47	47	7	54
Home Improvement Agency Manager	47	47	7	54
Projects and Performance Manager	47	47	7	54
Principal Housing Options Manager	47	47	7	54
Duty Manager - SALC	46	46	7	53
Business Support Manager	46	46	7	53
Community Protection Team Leader	46	46	7	53
Senior HR Business Partner	45	45	7	52
Senior HR Business Partner	45	45	7	52
Asset Manager	45	45	7	52
Principal Conservation Officer	45	45	7	52
Principal Democratic Support Officer	45	45	7	52
Technical Manager	45	45	7	52
Senior Environ Health Officer (Pollution)	45	45	7	52
Procurement Manager	45	45	7	52
Principal Housing Strategy Officer	45	45	7	52
Principal Planning Policy Officer	45	45	7	52
Principal Planning Officer	45	45	7	52
Principal Democratic Support Officer	45	45	7	52
Estates Surveyor	45	45	7	52
Elections Manager	45	45	7	52
Electrical Manager	44	44	7	51
Team Manager (Changing Futures)	44	44	7	51
HGV Driver	44	44	7	51
Planned Maintenance / Stores Manager	44	44	7	51
Community Housing Manager	44	44	7	51
Public Realm Improvement Lead	44	44	7	51
Transport Manager	44	44	7	51
Community Housing Manager	43	43	7	50
Communications & Media Relations Manager	43	43	7	50

	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)
2021/22	£000	£000	£000	£000	£000	£000
Chief Executive	119			119	21	140
Director for Economic Growth & Regeneration	87			87	15	102
Director Communities & Environment	87			87	15	102
Director Corporate Services	86			86	15	101
Deputy Director Communities & Environment	74			74	13	87
Head of Legal Services	61			61	11	72
Head of Planning & Place	62	1		63	11	74
Head of Economic Development	51			51	9	60
Head of Financial Services & Section 151 Officer	58			58	10	68
Head of Public Protection	55	2		57	10	67
Head of Public Realm	55			55	10	65
Head of Community Involvement & Leisure	55	4		59	10	69
Head of Housing	55	1		56	10	66
Democratic Services Manager	55	5		60	10	70
Service Manager - Economy and Commerce	49	1		50	9	59
Service Manager - Culture & Heritage	49	1		50	9	59
Repairs and Maintenance Manager	49			49	9	58
Community Hub and Performance Manager	46	2		48	9	57
Business Improvement & Project Delivery Lead	48			48	8	56
Operations Manager (Waste and Recycling)	48			48	8	56
Principal Accountant	46	1		47	9	56
Principal Accountant	46	1		47	8	55
Neighbourhoods & Support Services Manager	45	1		46	8	54
Commercial Protection Manager	45	1		46	8	54
Public Health and Protection Manager	45			45	8	53
ICT Operations Manager	45			45	8	53
Principal Housing Options Manager	44	1		45	8	53
Service Manager - Planning & Housing Strategy	45			45	8	53
Estates Manager	45			45	8	53
Museums Development Manager	45			45	8	53
Leisure General Manager	45			45	8	53
Strategic Projects Manager	45			45	8	53
Information Governance Officer/Data Protection Officer	44			44	8	52
AONB Manager	43			43	8	51
Solicitor	43			43	8	51
Property and Contracts Solicitor	43			43	8	51
Lawyer (Civil)	43			43	8	51
Lawyer (Criminal)	43			43	8	51
Home Improvement Agency Manager	43			43	8	51

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £	2022/23 £
£0 - £20,000	-	-	1	2	1	2	1,122	6,424
£20,001 - £40,000	-	-	-	2	-	2	-	58,686
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	-	-	1	4	1	4	1,122	65,110

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.

	2021/22	2022/23
	£000	£000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	45	-
Additional Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for previous years	-	-
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor in relation to 2019/20 objections	-	-
Fees payable in respect of other services provided by external auditors for the year	17	56
PSAA prior years refund	(9)	-
Total	53	56

In both 2021/22 and 2022/23 Deloitte LLP 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 2022/23:

	2021/22	2022/23
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	204	211
New Homes Bonus	867	547
S31 Business Rates Grants	5,471	5,252
MHCLG Sales, Fees & Charges Compensation	731	-
Homes & Communities Agency	-	576
Salix Public Sector Decarbonisation Scheme	4,510	1,303
New Burdens	191	329
Environment Agency Caton Road Flood Relief Scheme	550	347
DCLG COVID19 Grant	852	-
Flood Recovery Grant	343	-
Services Grant	-	395
Lower Tier Service Grant	244	262
Other Grants Under £50K	141	162
Total	14,104	9,384

	2021/22	2022/23
	£000	£000
Credited to Services		
MHCLG (formerly DCLG) Disabled Facilities Grant	2,074	2,457
Friends of Torrisholme Play Park	-	50
Heritage England - Lancaster Heritage Action Zone	237	289
Discretionary Housing Payments	263	169
Supporting People	313	548
Active Lives: Other Grants	51	100
Parliamentary/European/Police/Individual Elections	18	-
Arnsdale & Silverdale AONB Grants	155	166
DEFRA - Farming in Protected Landscapes	91	148
DEFRA - Port Health Authority	-	121
Benefits DWP grant	715	707
DCLG Local Council Tax Support Grant	424	171
DCLG EU Exit Grant	47	126
Salix Low Carbon Skills Fund	115	-
Lancashire County Council - Refugees	91	347
Lancashire County Council - Morecambe Sparkle	-	287
Homes & Communities Agency - Bailrigg Garden Village	101	8
Standard Rent Allowances: Government Grants	17,367	17,706
DLUHC Neighbourhood Planning Grant	-	60
DLUHC Changing Futures	-	410
DLUHC Changing Places Fund	-	83
DLUHC UK Shared Prosperity Fund	-	82
DCLG Housing Options	1,053	981
DCLG Cyber Security Grant	-	98
Friends of Greaves Park	-	55
COVID Discretionary & LSRG Discretionary Grants	3,376	-
COVID Emergency Assistance Grant	1,122	1,903
COVID Compliance & Enforcement Grant	296	-
COVID COMF	1,318	802
COVID Community Vaccine Champions	166	184
COVID Clinically Extremely Vulnerable	-	415
Discretionary Energy Rebate Scheme	-	300
Department for Education	47	-
Rent Rebates - Council Housing: Government Grants	5,691	5,751
NNDR Administration: Government Grants	208	210
Other Grants Under £50K	443	416
Total	35,782	35,150

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:

	2021/22	2022/23
	£000	£000
Capital Grants Receipts in Advance		
DFG Grant	1,405	1,149
Department for Business, Energy & Industrial Strategy	2,318	1,015
Department for Levelling Up, Housing & Communities	-	3,729
Environment Agency	-	868
MHCLG Coastal Revival Fund	10	-
Other Grants Under £50K	86	73
Total	3,819	6,834

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 2023 are contained within debtors Note 19.

Members

Members of the Council have direct control over the Council's financial and operating policies. Each Councillor has agreed to be bound by a code of conduct, requiring them to disclose certain personal interests on a register. Within 28 days of election, Councillors are legally required to inform the Council's Monitoring Officer of any pecuniary interests they have. If a Councillor is present at a meeting of the authority, or any committee, subcommittee, joint committee or joint subcommittee of the authority, and has a disclosable pecuniary interest then, if that interest is not registered they must disclose that interest to the meeting and notify the Council's Monitoring Officer to have that interest added to the register of interests.

The register of members' interests is open to public inspection as required by Section 29 of the Localism Act 2011. Copies of the Registration of Interest Forms completed by members are also available to view on the Council's website. Where a member has a disclosable pecuniary interest they are precluded from taking part in meetings or decisions related to their previously disclosed interest, unless an appropriate dispensation has been granted.

In respect of 2022/23 financial year a number of council members had a controlling interest in a company, partnership, trust or equity. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. The existence of the procedures described above ensures that the Council is able to both identify where a member has an interest and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the Council's constitutional arrangements. Members of the Council have direct control over the Council's financial and operating policies.

The Council made a financial contribution to numerous organisations during 2022/23, most notably:

- Lancaster Citizens Advice Bureau
- The Dukes Playhouse

The total of members' allowances paid in 2022/23 is shown in Note 32. During 2022/23, some Councillors acted in a number of other capacities for related parties, namely being either employed by other local organisations or serving on the management boards of companies, schools and voluntary bodies.

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

None.

Mersey Internal Audit Agency (MIAA)

The Council has engaged Mersey Internal Audit Agency (MIAA) to carry out its Internal Audit and Assurance service

Associated Companies and Joint Venture Partners

In May 2021, the Council formed two Local Authority Trading Companies, More Homes for the Bay one for investment, and one for Development. The company is currently not trading and does not hold any assets

Partnership working

During 2022/23 the Council continued to work both formally and informally in partnership with neighbouring authorities and other bodies. The main partnership operations were as follows:

Title of Partnership	Organisations Represented
Revenues & Benefits Shared Services	Revenues & Benefits Shared Services
Corporate Enquiry Team	Lancaster City Council / Preston City Council / Fylde Borough council
Lancaster Business Improvement District	Lancaster City Council, Lancashire County Council, NW Chamber of Commerce, Lancashire Constabulary, Local Businesses
Morecambe Business Improvement District	Lancaster City Council, Lancashire County Council, NW Chamber of Commerce, Lancashire Constabulary, Local Businesses
Building Control Service Partnership	Lancaster City Council & Urban Vision
Global Link	Lancaster City Council / Lancashire County Council
Caton Road Lancaster phase 3 FRMS	Lancaster City Council/Environment Agency
Lancaster High Street Heritage Action Zone	Historic England and Lancashire City Council
Supported Temporary Accommodation	Calico
Rough Sleeper Floating Support	Calico-Acorn Group/Lancaster City Council
Lancashire Home Energy Officers Group	All Lancashire Local Authorities with Blackpool as accountable body and Rhea Projects as delivery agent
Community Safety Partnership	Lancaster City Council, Lancashire County Council, Lancashire Constabulary, Lancashire Fire and Rescue Service, Lancashire Police Authority, North Lancashire PCT, Youth Offending Team, Lancashire Probation Service.
Community Development Partnership	Lancaster City Council, Lancashire County Council, Ridge Community Centre (YMCA & Emues CIC), Marsh Community Centre
Lancashire Parking Services	Lancaster City Council, Lancashire County Council, Wyre Borough Council, South Ribble Borough Council
Changing Futures	Lancaster City Council DLUC Lancashire BWD Council The Well CGL Probation Police Health NHS

Other Public Bodies

Precepts were raised for Lancashire County Council, Lancashire Police and Crime Commissioner, Lancashire Combined Fire Authority, and local Town and Parish Councils within the area.

Details of these are contained within the Collection Fund statements.

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.

	2021/22	2022/23
	£000	£000
Opening Capital Financing Requirement	94,948	95,237
<i>Capital investment:</i>		
Property, Plant and Equipment	12,523	12,152
Investment Properties	67	573
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	2,392	3,029
<i>Sources of financing:</i>		
Capital receipts	(58)	(226)
Government Grants and other contributions	(7,493)	(5,152)
Direct revenue contributions	(480)	(827)
Minimum Revenue Provision	(3,199)	(1,146)
Depreciation of HRA non dwellings	(7)	(7)
Major Repairs Reserve	(3,456)	(4,939)
Closing Capital Financing Requirement	95,237	98,694
<i>Explanation of movements in year:</i>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	289	3,457
Increase/(decrease) in Capital Financing Requirement	289	3,457

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	31 March
	2022	2023
	£000	£000
Not later than 1 year	1,686	1,613
Later than 1 year and not later than 5 years	5,817	5,531
Later than 5 years	6,122	4,814
Minimum lease payments	13,625	11,958

39 IMPAIRMENT LOSSES

During 2022/23 the Council has not recognised any impairment losses in relation to non-current asset valuations.

40 TERMINATION BENEFITS

There were 4 terminations in 2022/23 totalling £65,110 (none in 2021/22).

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 2019 Valuation, employers were offered the opportunity to make these payments in one discounted lump sum in 2020/21 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:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2021/22	2022/23
	£000	£000
<i>Cost of services:</i>		
Current service cost	8,104	8,584
Past Service cost	-	-
Administration expenses	121	128
Settlements and curtailments	130	-
<i>Financing & Investment Income & Expenditure:</i>		
Interest costs	5,578	7,606
Expected return on scheme assets	(4,017)	(6,053)
Total Post Employment Benefit Charged to Provision of Services	9,916	10,265
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>		
Actuarial gains and losses	(24,695)	(96,418)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(14,779)	(86,153)
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	(9,916)	(10,265) *
Reversal of actuarial gains and losses recognised in other Comprehensive Income and Expenditure	24,695	96,418 *
Net charge in relation to pension adjustments	-	-
Actual amount charged against Funds for pensions in the year - employers contributions	3,923	4,050 *
* Net Movement on Pension Fund Reserve	18,702	90,203

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	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Present value of the defined benefit obligation	271,897	190,196	2,828	2,787
Fair value of plan assets	(215,816)	(224,277)	-	-
Net liability arising from defined benefit obligation	56,081	(34,081)	2,828	2,787

The Council's actuaries have determined that the fair value of its pension plan assets outweighed the present value of the plan obligations as at 31 March 2023 resulting in a pension plan asset for the first time. The figure is very much an estimate and will not be realised immediately or all at once. The position remains 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.

Under the International Audit Standard (IAS19) where a pension plan asset exists it is measured at the lower of

- The surplus in the defined benefit plan and,
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. At the time of finalising the financial statements details of an estimate of the asset ceiling had yet to be given by the actuary.

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

	Local Government Pension Scheme	
	2021/22	2022/23
	£000	£000
Opening fair value of scheme assets	191,209	215,816
Interest income	4,017	6,053
Remeasurement gain/(loss)	23,344	4,666
Administration expenses	(121)	(128)
Employer contributions	3,923	4,050
Contributions by scheme participants	1,297	1,395
Benefits paid	(7,853)	(7,575)
Closing fair value of scheme assets	215,816	224,277

Reconciliation of Present Value of the Scheme Liabilities:

	Funded Liabilities		Unfunded Liabilities	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Opening balance at 1 April	265,801	271,897	3,019	2,828
Current service cost	8,104	8,584	-	-
Interest cost	5,517	7,529	61	77
Contributions from scheme participants	1,297	1,395	-	-
Remeasurement (gains) and losses	(1,338)	(91,929)	(13)	177
Past service cost	-	-	-	-
Curtailments	130	-	-	-
Benefits paid	(7,614)	(7,280)	(239)	(295)
Closing balance at 31 March	271,897	190,196	2,828	2,787

Local Government Pension Scheme assets comprised:

	2021/22	2022/23
	£000	£000
Equities:	-	-
Financials	257	261
Bonds:	-	-
UK corporate	886	-
Overseas corporate	797	462
UK Fixed gilts	-	-
UK index linked	-	-
Overseas Fixed Interest	-	-
Property:	-	-
Offices	100	42
Offices/Warehouse	-	-
Industrial/Warehouse	1,609	1,618
Shops	191	451
Retail Warehouse	-	-
Shopping Centre	-	-
Multi let Commercial Building	1,546	1,267
Alternatives:	-	-
UK private equity	4,773	3,882
Overseas private equity	13,011	14,913
Infrastructure	24,585	34,887
Credit funds	28,884	32,545
Pooled Fixed Income	9,384	3,232
Indirect Property Funds	18,818	19,743
UK Pooled Equity Funds	2,032	2,374
Overseas Pooled Equity Funds	103,510	106,818
Cash:	-	-
Cash and cash equivalents	-	-
Cash accounts	5,985	1,783
Net current assets	(552)	-
Closing fair value of scheme assets	215,816	224,277

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.

The Fund's valuers have declared a material uncertainty in relation to their valuations of directly and indirectly held property assets in response to the global impact of the COVID-19 pandemic. In the above note, these assets comprise the sums disclosed under Property and elements disclosed under Other Investment Funds. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

Impact on the Defined Benefit Obligation in the Scheme

		+0.5% p.a. discount rate	+0.25% p.a. inflation	+0.25% p.a. pay growth	+1 year life expectancy
	£000	£000	£000	£000	£000
Liabilities	192,983	178,203	200,957	194,138	197,022
Assets	(224,277)	(224,277)	(224,277)	(224,277)	(224,277)
Deficit/(Surplus)	(31,294)	(46,074)	(23,320)	(30,139)	(27,255)
Projected Service Cost for next year	3,721	3,149	4,045	3,721	3,814
Projected Net Interest Cost for next year	(1,593)	(2,542)	(1,203)	(1,530)	(1,392)

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 2022 which determines contribution rates effective from 01 April 2023 to 31 March 2026.

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 £4.050M expected contributions to the scheme in 2022/23 (£3.923M in 2021/22). The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2022/23, (16 years 2021/22).

42 CONTINGENT LIABILITIES

A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet.

The following material contingent liabilities existed as at 31 March 2023:

Lunside East Regeneration Scheme – In assembling the land for this project, the Council used compulsory purchase order (CPO) powers to acquire the land. Protracted legal action ensued around the compulsory purchase and the valuation of compensation with the Land Tribunal making a final determination in October 2013.

Further claims/issues on this matter were determined with by the Court of Appeal in January 2016 and the Land Tribunal in December 2016. In January 2017, the Council was informed that the company concerned had been placed into Administration. The rights to the company's claim were assigned to a third party in October 2019 and a further claim for compensation under the Land Compensation Act 1961 was made. The further claim was unsuccessful and determined by Land Tribunal in November 2020. The Tribunal's decision was challenged. This was not upheld and permission to appeal, on various grounds, was sought from the Court of Appeal. This was refused by the Court of Appeal on 14 February 2022.

NNDR Appeals – The Council has made provision for NNDR appeals based on its best estimate of the actual liability as at 31 March 2023. 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.

43 CONTINGENT ASSETS

There are no material contingent assets as at 31 March 2023.

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 2022/23 approved Treasury Management Policy, the credit criteria in respect of financial assets held by the Council are as detailed in the following table:

- **Yellow (Y)** up to but less than 1 year
- **Dark pink (Pi1)** liquid - Ultra-Short Dated Bond Funds with a credit score of 1.25
- **Light pink (Pi2)** liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5
- **Purple (P)** up to but less than 1 year
- **Blue (B)** up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)
- **Orange (O)** up to but less than 1 year
- **Red (R)** 6 months
- **Green (G)** 100 days
- **No colour (N/C)** not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

	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 <u>months</u>
Banks	green	£3m	≤100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (for non-specified investments)	n/a	£1.5m	1 day
DMADF	UK sovereign rating	unlimited	≤6 months
Local authorities	n/a	£12m	≤1 year
	Fund rating**	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£6m	liquid
Money Market Funds LVNAV	AAA	£6m	liquid
Money Market Funds VNAV	AAA	£6m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£6m	liquid
Ultra-Short Dated Bond 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 £24.0M 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 £24.0M, there was no evidence at 31 March 2023 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.

Credit risk investment split

	Balance 31/03/23	Historical experience of default	Exposure at 31/03/23	Exposure at 31/03/22
	£000 (a)	% (b)	£000 (a * b)	£000
AAA rated counterparties	-	0%	0%	0%
Trade debtors	4,118	Bad debt provision	2,239	2,544
Total	4,118		2,239	2,544

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 £2.3M of the £3M 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

	31/03/22	31/03/23
	£000	£000
Current, < 28 Days	417	744
28-59 Days	353	318
60-91 Days	112	194
92-183 Days	234	291
184-364 Days	442	153
365+ Days	1,519	1,347
Total	3,077	3,047

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

	31/03/22	31/03/23
	£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	9,388
21-30 Years	15	-
More than 30 Years	39,200	39,200
Total	60,042	59,001

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.

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 4.25%. 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 2.16%, an increase of 1.0% on interest rates during 202/23 would have had the following marginal effect:

	Actual	+1%
	£000	£000
New or variable investments:		
Call accounts	884	1,293
Total	884	1,293

This highlights that investments are very sensitive, an increase of 1% would result in a significant increase in returns.

45 GROUP ACCOUNTS

In May 2021, the Council formed two Local Authority Trading Companies, More Homes for the Bay one for investment, and one for Development. The company is currently not trading and does not hold any assets and as such, there are no Group Accounts included in the Financial Statements.

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.

2021/22		NOTES	2022/23	
£000			£000	£000
	Expenditure			
5,684	Repairs and maintenance		6,990	
4,560	Supervision and management		6,505	
381	Rent, rates, taxes and other charges		514	
6,733	Depreciation and impairment of non-current assets	4&5	8,719	
-	Debt management costs		-	
72	Movement in the allowance for bad debts	8	45	
-	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP	9	-	
17,430	Total Expenditure			22,773
	Income			
(13,796)	Dwelling rents		(14,343)	
(268)	Non-dwelling rents		(269)	
(1,593)	Charges for services and facilities		(1,734)	
(8)	Contributions towards expenditure		(8)	
(91)	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP		(99)	
(15,756)	Total Income			(16,453)
1,674	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			6,320
-	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			-
1,674	Net Cost for HRA Services			6,320
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(648)	Gain or Loss on sale of HRA non-current assets			(289)
1,753	Interest payable and similar charges			1,704
(11)	Interest and investment income			(150)
272	Pension interest cost and expected return on pension assets	7		281
(24)	Capital grants and contributions receivable			(21)
3,016	(Surplus) or deficit for the year on HRA Services			7,845

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.

2021/22 £000		2022/23 £000
(3,286)	Balance on the HRA at the end of the previous year	(2,551)
3,016	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	7,845
(1,941)	Adjustments between accounting basis and funding basis under statute	(3,843)
1,075	Net (increase) or decrease before transfers to or from reserves	4,002
(340)	Transfers to or (from) reserves	(2,074)
735	(Increase) or decrease in year on the HRA	1,928
(2,551)	Balance on the HRA at the end of the year	(623)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 NUMBER AND VALUES OF DWELLINGS

As at 31 March 2023 the Council held the following number of dwellings, noting that during the year 19 properties were disposed of under the Right to Buy Scheme, one house was converted to form two flats and three leases were surrendered. Also, there was some minor re-classification of property types:

	2021/22	2022/23
Bedsits	76	86
1 Bedroom	653	653
Houses & Bungalows		
Flats & Maisonettes	551	545
2 Bedroom	472	471
Houses & Bungalows		
Flats & Maisonettes	662	663
3 Bedroom	1,139	1,114
Houses & Bungalows		
Flats & Maisonettes	7	8
4 or more bedroomed dwellings	84	90
TOTAL DWELLINGS	3,644	3,630



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

	Value as at 1 April 2022 £000	Value as at 31 March 2023 £000
Operational Assets:		
Council Dwellings	141,475	151,230
Other land and buildings	131	131
	141,606	151,361
Non-operational Assets	1,562	1,605
TOTAL	143,168	152,966



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 fifth of which updated all values to 01 April 2020. This has resulted in a net increase in asset values of £14.714M in the year, which forms part of the net movement in asset values shown above. Non-dwelling assets were also revalued as at 01 April 2020.

The vacant possession value of dwellings held on 01 April 2022 was £363.119M. The difference between this and the EUV-SH valuation of £155.548M (i.e. the updated figure after the valuation exercise effective as of 01 April 2022 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:

	2021/22	2022/23
	£000	£000
Opening Balance 01 April	404	742
Transfer to HRA – Depreciation	3,463	4,325
Transfer to HRA - Depreciation Adjustment	(7)	(7)
Transfer to HRA - Additional Capital Financing	338	-
Capital Expenditure - Houses	(3,456)	(4,939)
Closing Balance 31 March	742	121

3 CAPITAL EXPENDITURE

Capital expenditure of £5.308M was incurred during the year relating to works on improvements to dwellings. This was financed as follows:

	2021/22	2022/23
	£000	£000
Usable Capital Receipts	-	42
Earmarked Reserves	279	306
Majors Repairs Reserve	3,456	4,939
Grants and Contributions	24	21
Total Capital Financing	3,759	5,308

Capital receipts totalling £1.189M were received during the year from the following sources:

	2021/22	2022/23
	£000	£000
Sale of dwellings	1,185	1,189
Other disposal receipts	324	-
Repayment of Principal on Mortgages	-	-
Total Capital Receipts	1,509	1,189

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 (see below). The aim is to preserve and strengthen the principle of redistributing the spending power generated by the sale of such assets.

For the two financial years 2022/23 and 2023/24, local authorities are permitted to retain the share of Right to Buy receipts that has been previously returned to the Treasury. This can be used for replacement supply only.

4 DEPRECIATION

Total depreciation charges for the year were as follows:

	2021/22	2022/23
	£000	£000
Council Dwellings	3,794	4,318
Other land and buildings	-	-
Non-operational Assets	7	7
Deferred Charges on Intangible Assets	-	-
TOTAL	3,801	4,325

5 IMPAIRMENT CHARGES

No impairment charges were made to the HRA for the financial year 2022/23. There was, however, a revaluation downwards of £5.073M in respect of non-enhancing capital expenditure on Council Housing stock. This was offset by £14.714M 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 2023 amounted to £524K (£498K for 2021/22). An amount of £591K (£545K for 2021/22) 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, and no prior year adjustments.

11 NOTES TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2021/22 £000	2022/23 £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.	(2)	(4)
Gain or loss on sale of HRA non-current assets.	648	289
HRA share of contributions to or from the Pension Reserve.	(999)	(1,102)
Capital Expenditure funded by the Housing Revenue Account	279	306
Transfer to/(from) Major Repairs Reserve	338	-
Transfer to/(from) the Capital Adjustment Account	(2,205)	(3,332)
	(1,941)	(3,843)
Transfers to or (from) reserves		
Transfer to/(from) Earmarked Reserves	(340)	(2,074)
	(2,281)	(5,917)

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.

2021/22		NOTES	2022/23	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
INCOME				
	(84,432)	Income from Council Tax		(88,163)
	(16)	Transfer for Transitional Relief S13A [1] [C]		-
(60,260)		Income from Business Ratepayers	(61,954)	
-		Transitional Protection Payments due from Central Government	(64)	
(24,063)	(746)	Contributions towards previous year's estimated Collection Fund deficit	(11,408)	-
(84,323)	(85,194)	TOTAL INCOME	(73,426)	(88,163)
EXPENDITURE				
Precepts and Demands				
	60,432	Lancashire County Council		63,691
	10,648	Lancaster City Council (including parish precepts)		11,146
	9,398	Lancashire Police Authority		9,945
	2,999	Lancashire Fire Authority		3,250
30,154		Shares of non-domestic rating income to major preceptors and the billing authority	29,028	
30,154		Payments made to central government in respect of central share	29,028	
96		Transitional Protection Payments due to Central Government	-	
3,037		Renewable Energy Disregard	3,045	
208		Cost of Collection Allowance	210	
-	231	Write-offs of uncollectable amounts	-	-
162	896	Allowance for Impairment	163	291
(1,022)		Adjustment to Provision for alteration of lists & appeals	(3,895)	
-		Contribution towards previous year's estimated Collection Fund surplus	-	522
62,789	84,604	TOTAL EXPENDITURE	57,579	88,845
(21,534)	(590)	(SURPLUS) / DEFICIT ON FUND	(15,847)	682
MOVEMENT ON THE FUND				
27,381	1,423	Opening Balances	5,847	832
5,847	832	Closing Balances	(10,000)	1,514
(21,534)	(591)	TOTAL MOVEMENT ON FUND	(15,847)	682

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 2022/23 the numbers are as follows:-

Council Tax		
	Chargeable Dwellings	Band D Equivalents
Band A	16,606	9,054
Band B	13,976	9,706
Band C	11,387	9,216
Band D	6,281	5,882
Band E	3,986	4,623
Band F	2,001	2,751
Band G	823	1,302
Band H	48	90
Total	55,108	42,624
<i>Collection Rate</i>		<i>98.68%</i>
Council Tax Base		42,060

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 51.2p per £ for 2022/23 (51.2p for 2021/22) For local businesses with a rateable value of less than £18,000, a discount of 1.3p was allowed giving a rate of 49.9p per £. The total rateable value for the district at 31 March 2023 was £160,523,394 (£160,670,159 for 2021/22).

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 2022/23 was £19.594M (£19.594M in 2021/22).

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 2022/23. 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 2023. Appeals are charged and provided for in proportion to the precepting shares. The total provision as at 31 March 2023 has been estimated at £11.196M (£15.091M in 2021/22), the Council's share of which is £4.478M.

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.

	Council Tax		Business Rates		Total
	Precept	Surplus Allocation	Precept	Deficit Allocation	
	£000	£000	£000	£000	
Lancashire County Council	63,691	66	5,225	(1,027)	67,955
Lancashire Police Authority	9,945	59	-	-	10,004
Lancashire Fire Authority	3,250	19	581	(114)	3,736
Lancaster City Council	11,146	377	23,222	(4,563)	30,182
	88,032	521	29,028	(5,704)	111,877

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.