

**DRAFT**  
**Statement of Accounts**  
**For the year ended 31 March 2024**  
**(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 2023/24. 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 2023/24 (the Code), and the Service Reporting Code of Practice for Local Authorities 2023/24 (SeRCOP), supported by International Financial Reporting Standards (IFRS) covers various statutory requirements and other relevant information.

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 2025/26 to 2028/29. 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 the 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. Whilst I give my thanks to the finance team, I would like to take this opportunity to give a special mention my deputy s151 Officer Elaine Dowling. After many many years of work in the public sector has decided to put down her calculator and retire. Elaine has been an unsung hero and fundamental part of the finance team during my tenure, she has contributed a huge amount to the Council and both my colleagues and I would like to wish Elaine a long, happy and well deserved retirement.

## **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 2023/24, linking these to our strategic objectives and future plans.

As outlined in the Council Plan 24-27, the agreed priorities are for:

1. A Sustainable District
2. An Inclusive and Prosperous Local Economy
3. Happy and Healthy Communities
4. A Co-operative, Kind and Responsible Council

The four key themes are:

1. Climate Emergency
2. Community Wealth-Building
3. Increasing Wellbeing. Reducing Inequality
4. Deliver Effective Services, Take Responsibility




Below is a summary categorising our achievements and activities in relation to each of the priorities and themes:

1. The Council is the top District Council for the climate change scorecard league. See details here: [Lancaster City Council: Top of the leaderboard.](#)
2. Lancaster City Council published its Council Plan for 2024-27 setting a strong vision for the future.
3. Local funding for sustainable skills development. Utilising the district's UK Shared Prosperity Fund allocation for skills and innovation projects such as Electech Innovation Cluster and Tech Lancaster.
4. As of December 2023, the Council has committed all its Year 1 and Year 2 allocations of UKSPF and REPF. This has resulted in 40 different funded projects. 34 projects delivering UKSPF interventions and 6 projects delivering REPF interventions. The breakdown of this allocation is as follows:
  - a. Community and Place: £2.300M
  - b. Supporting Local Business: £1.200M
  - c. People and Skills: £0.820M
  - d. Rural England Prosperity Fund: £0.185M
5. A visionary Masterplan for the regeneration of Lancaster's Canal Quarter has been adopted and will shape the area over the next 10 to 15 years.
6. Canal Quarter - A blueprint for off-street car parking in Lancaster will make sure the city maintains the appropriate number of spaces to cater for people visiting the city to shop, socialise and sight-see.
7. Council received Disability Confident level-2 award, as administer by the Department for Work and Pensions.
8. Since May 2023, Lancaster City Council has been allocated more than £1M of Household Support Funding from the Department for Work and Pensions to support households with the rising cost of living, including families, pensioners, unpaid carers, and disabled people.

A Sustainable District	An Inclusive and Prosperous Local Economy	Happy and Healthy Communities	A Co-operative, Kind and Responsible Council
New kerbside coffee pod recycling service, in conjunction with Podback, comes to the Lancaster district.	Centenary House on Regent Road in Morecambe awarded £749,016 grant from the Brownfield Land Release Fund (BLRF) as part of the West End Masterplan.	New online platform launched which aims to make it easier for people to search and apply for social housing across the Lancaster district.	Council awarded the 'We invest in people' Silver (Established) accreditation from Investors in People (IIP).
The Flood and Coastal Resilience Innovation Fund is being used for the 'Out Future Coast' project to regenerate salt marshes at Hest Bank and Jenny Brown's Point.	Fair Work Charter: Developing a new charter that aims to reduce inequalities within the local labour market by promoting equal and fair employment practices.	New Changing Places Toilet facility for disabled users opened at Happy Mount Park.	A Fit for the Future programme has been established as the next phase of the Council's Outcomes Based Resourcing initiative to review services to implement efficiencies, digital improvements and commercialisation.
Celebrated Earth Day (22 April) by giving out wildflower seeds to help encourage bees and butterflies to gardens.	Lancaster High Streets Heritage Action Zone launched Mill Race heritage trail.	Visits to Salt Ayre Leisure Centre up by over 18,000 in 23/24 compared to 22/23 figures.	Council accredited as Real Living Wage employer.
Council's climate change work highlighted by Channel 4 programme 'The Great Climate Fight'.	Project underway in conjunction with Eric Wright construction to build 139 affordable homes on the 0.9-hectare Coopers Field site which forms part of the Canal Quarter.	22 CCTV cameras installed along the Bay Cycle Way to help residents feel safer.	The Lancaster District Strategic Partnership (LDSP) is now established and consists of local stakeholders from the public, private, third and education sectors. LDSP will provide the opportunity to develop shared ambitions between strategic partners and establish a focus for joint working and collective place leadership.
Work carried out to further improve the existing Lune Flood Protection, Caton Road (Lancaster).		3,800 school pupils from across the district have coupled music and dance to better understand how to make healthy wellbeing choices.	

**Corporate Performance  
updates – 31<sup>st</sup> March  
2024 (Q4)**

Status key – Performance (compared to previous reporting period)




	The KPI has improved		The KPI is broadly the same		The KPI has worsened
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The measures marked with a \* compare to like quarters of the previous year, and not the previous quarter.

**Priorities Key**

<b>I</b>	An inclusive and Prosperous Local Economy (Economy)	<b>H</b>	Healthy and Happy Communities (Social)
<b>S</b>	A Sustainable District (Environmental)	<b>R</b>	A Co-operative, Kind and Responsible Council (Governance)





**An Inclusive and Prosperous Local Economy (Economy)**



Priority	Measure	2022-23	2023-24				Comments and direction of travel
		Q4	Q1	Q2	Q3	Q4	
I	% of minor planning applications determined within 8 weeks or agreed time (National Target 70%)	91.61	88.57	87.14	89.79	82.22	Performance for the quarter is lower than previous quarters but is still higher than the government target. What we have found in the last quarter is that we have determined more applications than we typically would. We would expect this to improve in future quarters. 
I	% of other planning applications determined within 8 weeks or agreed time (National Target 70%)	88.40	95.55	93.27	90.90	87.50	There has been a greater proportion of refused applications this quarter which has pushed this figure down ever so slightly. When we work proactively to try and overcome a reason for refusal, and this takes us over the prescribed 8 weeks, if we still cannot support a proposal it can mean gaining the agreement of time can be more problematic. 
I	% of major planning applications determined within 13 weeks or agreed time (National Target 60%)	100	100	87.50	100	90.90	Performance is consistent with previous months and includes the determination of a new holiday village in south Lancaster with 100,000 square feet of commercial 










floorspace and 450 holiday lodges.

### A Sustainable District (Environmental)




A Sustainable District (Environmental)									
Priority	Measure	2022-23	2023-24				Comments and direction of travel		
		Q4	Q1	Q2	Q3	Q4			
S	% of household waste recycled (quarter behind)	38.3	34.7	39.1	39.2	to follow			
S	Kg of residual waste per household (quarter behind)	94.3	84.9	90.8	90.5	to follow			
S	Diesel consumption of council vehicle fleet (ltrs)	113,298	114,907	117,060	116,318	112,381	There is a slight decrease from last quarter, but the figure is broadly the same.		
S	Cost/m2 (£) energy across corporate buildings (quarter behind)*	£12.69	£12.94	£9.16	£9.52	-	Information not currently available due to concerns regarding accuracy and availability of the data with the supplier. This information will be added as soon as feasible.		
S	Gas KWH usage in council buildings (quarter behind)*	777,515	824,978	223,109	98,752	663,234	Figures show a reduction in consumption against the same period in the previous year. Further analysis would be required to determine to the cause(s) for this reduction although it is noted that the previous year will have included Palatine Hall which is no longer within the Council's operational control.		
S	Electricity KWH usage in council buildings (quarter behind)*	1,000,721	1,188,505	601,585	643,048	-	Information not currently available due to concerns regarding accuracy and availability of the data with the supplier. This information will be added as soon as feasible.		
S	Number of parks and cemeteries achieving the Green Flag award (Annual Measure)	5	5					This KPI has remained the same as the previous year.	
S	Number of volunteer groups supporting parks and open spaces (Annual Measure)	30	35					This KPI has improved in comparison to the previous year.	

S		Exposure to air pollution away from roads (nitrogen dioxide per cubic metre) (Annual Measure)	12.2	9.2			These indicators continue to show improvement in air quality across the district, at both the roadside and away from roads (urban background). The exposure to pollution away from the road decreased by 3%, and exposure at the roadside decreased by 10% between 2022 and 2023. The general decline in nitrogen dioxide concentrations is in line with the national trend and is likely attributed to the use of less polluting vehicles (tighter emission standards) including electric vehicles. Road transport continues to be the major contributor for nitrogen dioxide concentrations both locally and nationally.	
S		Exposure to pollution at roadside (nitrogen dioxide per cubic metre) (Annual Measure)	26.2	21.8				

Healthy & Happy Communities (Social)								
Priority	Measure	2022-23	2023-24				Comments and direction of travel	
		Q4	Q1	Q2	Q3	Q4		
H	Number of people statutorily homeless	24	27	27	-	18	Figures remain high due to lack of options to prevent homelessness - national issue with a chronic shortage of housing.	
H	Number of people recorded sleeping as rough (Annual Measure)	4	4				This is the figure for Quarter 4 as a snapshot monthly figure which we now have to provide on a monthly basis to central government as well as an annual snapshot figure.	
H	Number of Disabled Facilities Grants completed	75	63	91	93	81	Referrals for Disabled Facilities Grants (DFG) are received from the County Council Occupational Therapy (OT) service who have the duty to assess residents to determine their needs for adaptations. Throughout 2023/24 the number of referrals received reduced significantly as a result of the County Council focusing on clearing backlogs in other	

									districts. This lack of referrals resulted in a lower than forecasted level of grant approvals and subsequent completions in Q1. However, as a result of an extensive promotional campaign carried out by the Home Improvement Agency to raise awareness of grants and encourage direct referrals, the number of completed grants for 2023/24 was 328 and inline with the forecasted number.	
	H	Number of properties improved	63	137	71	66	84		The number of complaints increased in quarter 4 which might be attributable to the cold, damp weather and high energy costs. Housing Standards and Housing Options are working on the Supported Housing Improvement Programme - targeting 60 properties. The team carried out works in default of the owner on two properties to resolve ongoing issues.	
I	H	% of premises scoring 4 or higher on the food hygiene rating scheme	91.1	93	92.5	92.7	92.9		98.7% scored 3 or higher (generally satisfactory)	
	H	Number of admissions to Salt Ayre Leisure Centre	263,320	227,950	249,184	222,044	249,704		The admission figures are down compared to the previous Q4 data. However, the annual throughput for 2023/24 has increased by 18,111 in comparison to 2022/23.	
	H	Average number of days taken to re-let Council houses (Internal KPI <28 days)	27.92	19.76	18.21	18.48	19.43		Effective management of empty properties, tied in with an efficient and timely allocation and lettings process, has continued to assist in the steady decrease in the Standard Re-let time of Council Homes.	

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

Priority	Measure	2022-23	2023-24				Comments and direction of travel	
		Q4	Q1	Q2	Q3	Q4		
	R	Average number of days' sickness per full-time equivalent (measure revised in Q1 23-24)	-	2.91	2.76	2.92	1.86	The reduction in the average figure may be due to a reduction seen in the number of long-term sickness cases since the previous quarter. 
	R	% occupancy rates for commercial properties	98.53	98.18	97.38	97.39	97.33	The Occupancy rate remains more or less unchanged from last quarter. The occupation of our commercial properties continues to be at a high level overall. 
	H R	Average time taken to process new Housing Benefit claims (days)	16.8	24.5	26.8	17.54	11.01	The significant improvement is due to starting Quarter 4 in an up-to-date position and little leave taken in Quarter 4 as only 1 week of school holidays. 

## **FINANCIAL PERFORMANCE**

### **Financial Summary 2023/24**

As per the previous years, the continued road to recovery following the pandemic has presented significant challenges from both internal and external pressures.

As part of the 2023/24 budget setting process, Members approved savings proposals to save the Council £2.423M in 2023/24. This represented significant transformational change for the Council and the process to deliver these savings is now underway and it is pleasing to note that £2.219M (91.6%) were achieved within the year.

However, although both the General Fund and Housing Revenue Account were able to respond to the financial challenges in 2023/24 and maintain balanced budget positions by utilising its reserves, this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget pressures were addressed. To put into context a budget gap of £1.4M is still forecast for 2025/26 and this rises annually to £4.6M in 2028/29 for which the cumulative effect is not sustainable.

### **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 22 February 2023 Council approved a General Fund Revenue Budget for 2023/24 of £21.091M (£21.254M 2022/23). In order for a balanced budget to be achieved, a contribution from unallocated reserves of £0.577M was required.

The table below provides details of the General Fund revenue income and expenditure for 2023/24 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.

	2023/24			Remove Reserve Funded Variances £000	Variance from Working Budget £000	Note
	Original Budget £000	Working Budget £000	Actual £000			
<b>Expenditure:</b>						
Environment & Place	10,840	10,655	11,653	32	(966)	1
Governance	1,372	1,498	1,619	(27)	(148)	2
Housing & Property	2,176	3,812	2,692	(1,191)	(71)	3
People & Policy	2,634	2,632	3,351	(51)	(770)	4
Planning & Climate Change	1,647	1,907	1,455	(247)	205	5
Resources	4,330	4,713	3,862	(264)	587	6
Sustainable Growth	2,165	2,431	1,369	(251)	811	7
Other Corporate Income & Expenditure Items	(3,497)	(4,646)	(3,560)	1,999	913	8
Contribution from General Fund Balance	(577)	(1,912)	(1,351)	-	(561)	9
<b>NET REVENUE EXPENDITURE</b>	<b>21,090</b>	<b>21,090</b>	<b>21,090</b>	<b>-</b>	<b>-</b>	

A core element of the Council's budget is salary driven and as part of the 2023/24 budget setting process, an inflationary uplift of 4% was included to salaries across all services of the Council. The National Employers' offer of an increase of £1,925 on all NJC pay points was accepted on 1<sup>st</sup> November 2023. The Chief Officer's pay award was agreed and included at 3.5%. This resulted in an estimated additional strain of £0.390M including oncosts and the relative variances are summarised in the table below and contribute in part to the notes to follow.

Service/Section	SALARIES VARIANCE £000	PAY AWARD £000	AGENCY VARIANCE £000	OTHER VARIANCE £000	TOTAL VARIANCE £000	Note
Environment & Place	251	(274)	(359)	158	(224)	1
Governance	13	(13)	-	-	-	2
Housing & Property	358	(65)	(67)	81	307	3
People & Policy	(221)	(4)	-	51	(174)	4
Planning & Climate Change	395	(17)	-	(144)	234	5
Resources	391	(14)	(13)	(32)	332	6
Sustainable Growth	268	(3)	(2)	17	280	7
<i>Approved Staffing Savings</i>	(142)	-	-	-	(142)	4
<i>Provision for Staff Turnover</i>	(596)	-	-	-	(596)	8
<b>TOTAL FAVOURABLE VARIANCE</b>	<b>717</b>	<b>(390)</b>	<b>(441)</b>	<b>131</b>	<b>17</b>	

During the financial year the Council implemented a planned programme of restructuring which contributed towards previously approved savings. This resulted in transformational costs being incurred which were funded in part by the flexible use of capital receipts. The compulsory element of redundancy and any pension strain payments are eligible to be capitalised, as per the government directive. Redundancy payments (-£0.595M) are included within the People & Policy outturn figures and pension strain payments (-£0.507M) are included within Other Corporate & Expenditure Items. Capital receipts of +£0.477M were made available for these transformational purposes which resulted in a net cost of (-£0.625M) being covered from General Fund balances.

Since the energy budgets were prepared and approved in the previous financial year, there has been high price volatility within the sector. More recently prices appear to have settled allowing for a more accurate projection going forward. With regard to the outturn position, a saving of £0.541M was achievable in the financial year. These areas will continue to be closely monitored and the latest price and usage information has been included in the budget for 2024/25.

Service/Section	ELECTRICITY VARIANCE £000	GAS VARIANCE £000	TOTAL ENERGY VARIANCE £000	Note
Environment & Place	48	106	154	1
Housing & Property	215	73	288	3
Sustainable Growth	83	16	99	7
<b>TOTAL FAVOURABLE VARIANCE</b>	<b>346</b>	<b>195</b>	<b>541</b>	

Further explanations for variances excluding those listed in the above tables are detailed in the notes below.

#### Note 1 Environment & Place

- Net salary costs (-£0.224M) largely due to pay award (-£0.274M) however additional use of overtime and agency costs (-£0.344M) largely due to unprecedented sickness levels within waste collection should be noted
- Energy savings +£0.154M
- Insurance savings +£0.063M
- Hire of portacabins at White Lund Depot and associated project work due to safety issues (-£0.108M)
- Transport costs have increased due to vehicle repairs & maintenance (-£0.262M) and associated hire costs (-£0.141M) arising from delayed delivery of new fleet. Lead-in times for delivery have increased dramatically over the last few years due to supply chain issues and this is expected to continue in the short term. Additional fuel costs due to stock write-off (-£0.075M)
- Additional trade waste disposal costs for recycling (-£0.132M) offset by increased income levels +£0.072M
- Williamson Park café and shop stock items have increased in cost (-£0.037M) and whilst prices have been addressed in year, they have not been increased by similar inflationary levels
- Car parks at Williamson Park no longer exempt from business rates and charging has been back-dated to 2017/18 (-£0.052M)

- Increase in the cost of supply of goods and services at Salt Ayre Leisure Centre due to increases in supplier costs over and above inflation (-£0.207M), particularly marketing support, Instructors fees, stock purchases, management and collection fees and tools & equipment plus additional (-£0.015M) delayed costs of Gym upgrade
- Budgeted income from promenade vendors and events had been reduced due to the expectation of sites not being available in 2023/24. Delays have meant the reduction has not yet materialised resulting in the continuation of existing rentals +£0.044M

#### Note 2 Governance

- Increase in utilising specialist legal advice (-£0.036M) for more complex cases where expert opinion was required
- Cost of living and mortgage interest rate increase has resulted in a downturn in the housing market leading to a decline in search fee applications since late 2022/23 (-£0.050M)
- Legal court costs recovery income not achieved (-£0.047M) due to nature of cases in year

#### Note 3 Housing & Property

- Net salary savings +£0.307M largely due to difficulties in recruiting and retaining staff
- Energy savings +£0.288M
- Insurance savings +£0.066M
- Building cleaning now coded directly to individual services (-£0.152M)
- Increased bed & breakfast costs due to higher number of homeless families (-£0.381M), to be funded from external grants +£0.383M
- Reduction in income due to ceasing of Housing Benefit subsidy (-£0.074M)
- Income shortfall from Disabled Facilities Grants (-£0.056M) due to reduced referrals from County mitigated by the team generating own referrals to compensate
- Additional costs relating to Mellishaw Park redevelopment including site clearance, insurance and loss of rent due to delays starting on site (-£0.113M)
- Compliancy consultancy relating to corporate and commercial buildings (-£0.041M)
- Rent shortfall and betterment costs in respect of 3 fire damaged units at Gateway (-£0.270M)
- Business rates payable due to vacant commercial unit at Hilmore Way (-£0.056M)

#### Note 4 People & Policy

- Net salary costs (-£0.174M) largely due to removal of approved corporate staffing savings target met elsewhere within services (see also note 7)
- Redundancy costs (-£0.595M) relating to transformational change financed partly +£0.257M by flexible use of capital receipts (see also note 8)

#### Note 5 Planning & Climate Change

- Net salary savings +£0.234M largely due to difficulties in recruiting and retaining staff inclusive of additional cost of Capita consultancy required to deliver building control (-£0.109M)
- Additional net fee income due to Capital consultancy being able to secure more work during the financial year +£0.034M
- Planning fee income has slowed down in-line with nationwide trend (-£0.084M)
- Legal/expert witness costs (-£0.079M) regarding planning appeals
- Net saving from delayed procurement of EDMS against purchase of new essential computer equipment +£0.042M
- Saving due to cessation of Lancaster South AAP +£0.024M

#### Note 6 Resources

- Net salary savings +£0.332M due to vacancies within Finance and ICT
- Management charges relating to externally funded schemes +£0.033M
- External audit fees payable savings +£0.028M

- ICT software and support savings +£0.049M
- Net Housing Benefit Support saving (increased overpayment recovery) +£0.097M
- Increase in court costs recovered from Council Tax/NNDR +£0.028M

#### Note 7 Sustainable Growth

- Net salary savings +£0.228M. Posts identified for deletion wef 30 September 2023 as part of the transformational process were not recruited to when vacant. Posts within service were deleted which contributed towards the approved savings (see note 4)
- Energy savings +£0.099M
- R&M expenditure savings +£0.094M in relation to sea defence works, bridge maintenance and land drainage. Part delayed spend and part reactive element not required
- Business rates revaluations largely relating to Museums and Car Parks +£0.293M
- Parking income exceeded the target by +£0.240M however this is offset by increased electronic payment expenses (-£0.037M) and management charges in respect of St Nics Arcade car park and by Lancashire County Council for enforcement (-£0.107M)

#### Note 8 Other Corporate Income & Expenditure Items

- The provision for staff turnover target (-£0.596M) is held within Corporate Services whilst the additional costs/savings generated are attributed to the individual service lines. The Council salary related position as a whole (including the additional pay award, agency and consultancy costs) was underspent by +£0.017M. However, it should be noted that the approved pay award has had a significant detrimental impact of (-£0.390M) which is included within the overall total
- An additional top-up pension payment in of (-£0.131M) is due in respect of 2022/23 actual pensionable pay (originally planned for in 2022/23 but notified after the IAS 19 schedule had been prepared by the actuary so not able to be recognised in that year)
- Projected pension strain payments (-£0.507M) relating to redundancies made through the year as per note 4
- The use of flexible capital receipts for transformational purposes offsets pension strain above and compulsory element of redundancy costs +£0.477M
- Increased contribution to insurance provision (-£0.462M) following numerous high-level claims/incidents in recent years
- A reassessment of the bad debt provision (-£0.251M) includes a significant increase in allowances for rental income due from commercial properties, including (-£0.233M) for rental income due from building on Penny Street
- An amount of (-£0.232M) income from HRA relating to a proportion of recharged pension cost is not expected as this cost is now accounted for directly within HRA.
- The Council's minimum revenue provision (MRP) is underspending against budget +£0.262K due to slippage on capital programme schemes during 2022/23
- New borrowing has not been incurred as anticipated largely due to significant levels of slippage on schemes in the capital programme leading to higher levels of cash balances +£1.019M
- Interest rates on investment income are substantially higher than the 4% forecast in September 2022 due to increase in bank rate in response to inflationary pressures +£0.571M
- Additional contributions made to corporate priorities reserve (-£0.150M) and investment property maintenance reserve (-£0.050M)
- Government grants levy surplus payment and non-ringfenced new burden funding received in year +£0.134M
- Sale proceeds from de minimum asset sales +£0.080M

#### Note 9 Contribution to General Fund Balance

As detailed above, in order for a balanced budget to be achieved at budget setting time, a contribution from unallocated reserves of £0.577M was required. During the year, the unallocated reserve was used to fund the following areas whilst also addressing any under or overspend of General Fund revenue within the financial year.



	2023/24			Variance from
	Original Budget	Working Budget	Actual	Working Budget
Expenditure:	£000	£000	£000	£000
Contribution required to provide balanced budget	(577)	(577)	(419)	158
Supaskips Major Incident	-	-	(649)	(649)
Burrow Beck Solar Project	-	(180)	(214)	(34)
Gateway Repairs	-	(1,155)	(4)	1,151
General Fund Stock Condition Survey	-	-	(65)	(65)
<b>NET REVENUE EXPENDITURE</b>	<b>(577)</b>	<b>(1,912)</b>	<b>(1,351)</b>	<b>561</b>

With regard to items included in the above table, attention should be paid to the following areas where one-off expenditure items were funded from the General Fund unallocated reserve.

- A major incident which was declared by both the Lancashire Fire and Rescue Service and Lancaster City Council in December 2023, in respect of a fire at the former Supaskips building in Lancaster. The Council spent £1.479M within the financial year in respect of building clearance and demolition. A contribution of £0.765M was received from DLUHC and a further contribution of £0.065M was received from another key partner. The remaining £0.649M was funded from the unallocated reserve.
- A request to use the unallocated reserve for the Burrow Beck Solar project slipped from 2022/23 in respect of a contribution for surveys, reports & consultation to support the planning application for a 4.8MW solar scheme. This work has now taken place and £0.214M was funded within the financial year.
- The amount relating to Gateway repairs needs slipping into 2024/25 as the refurbishment works haven't taken place yet. A further report to Cabinet is being considered to include the various current options available.

With regard to day to day income and expenditure, at the end of the financial year, the General Fund was underspent by £0.158M. However in real terms when adjusted for the budgeted contribution as above, the actual net overspend is £0.419M, which has been funded from the General Fund unallocated reserve.

### Housing Revenue Account

At the end of the financial year, the Council owned 3,617 homes generating rental income of c.£15.3M. 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.

The net overspend on the HRA was £0.107M resulting in a net surplus for 2023/24 of £0.126M (2022/23 £1.928M deficit), which has been transferred into the HRA unallocated reserve.

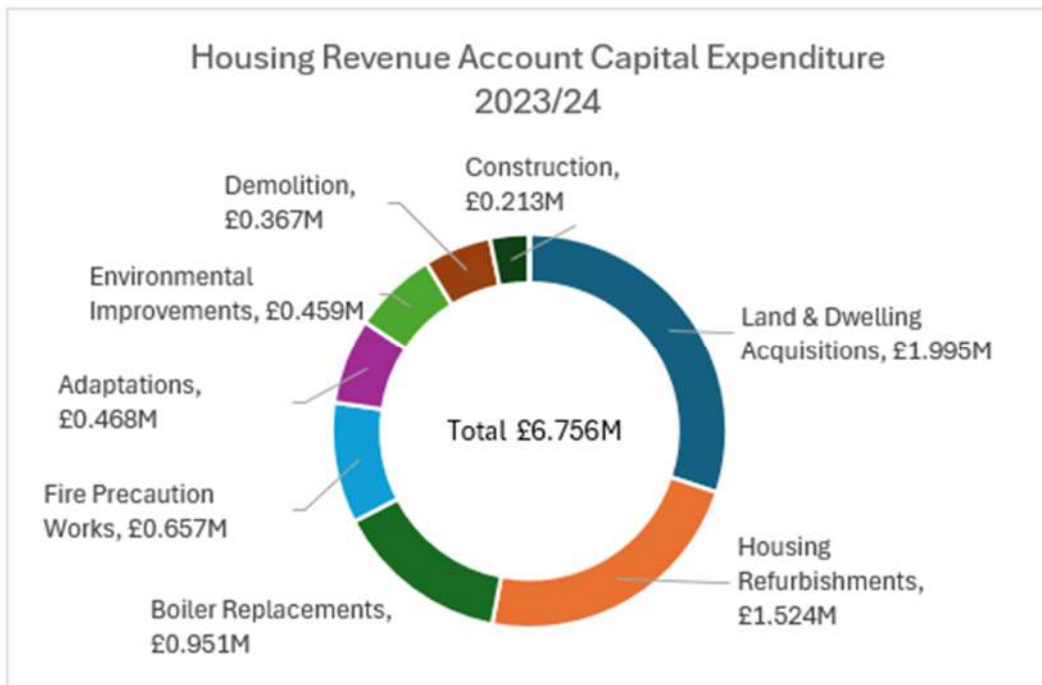
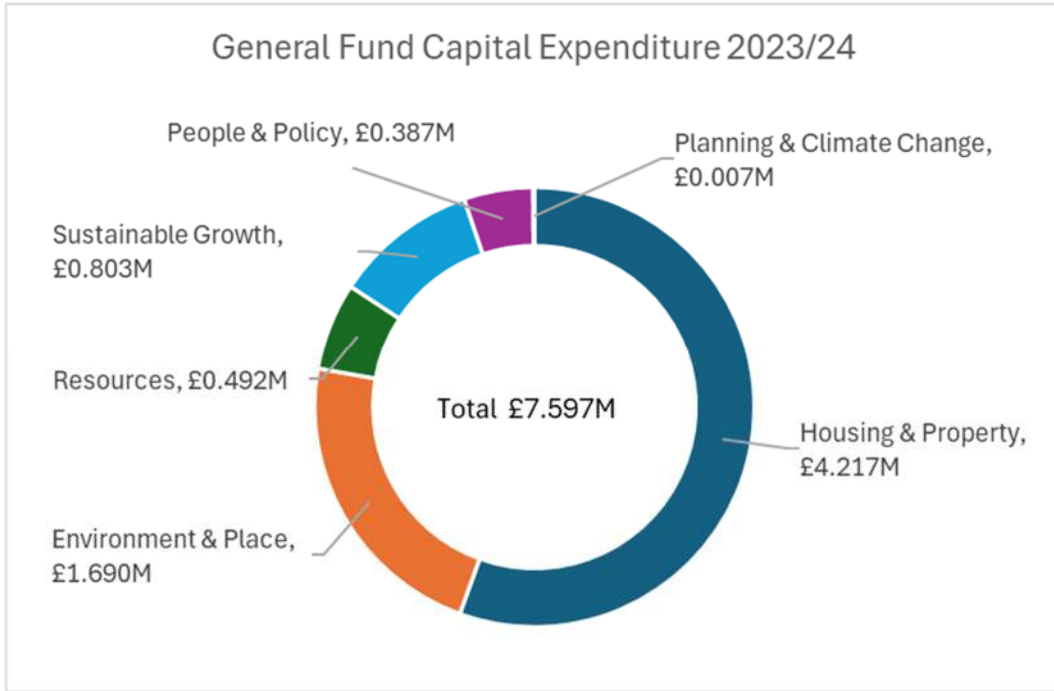
	£000
Repairs & Maintenance costs	(90)
Interest from Investments	148
Net pension adjustment re IAS19	230
Increased use of Reserves	65
Net increase in Capital funded from Revenue	(559)
Other minor variances	99
	<u>(107)</u>

As at 31 March 2024, the HRA's unallocated reserve balance stands at £0.750M, the minimum recommended level for 2023/24. 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

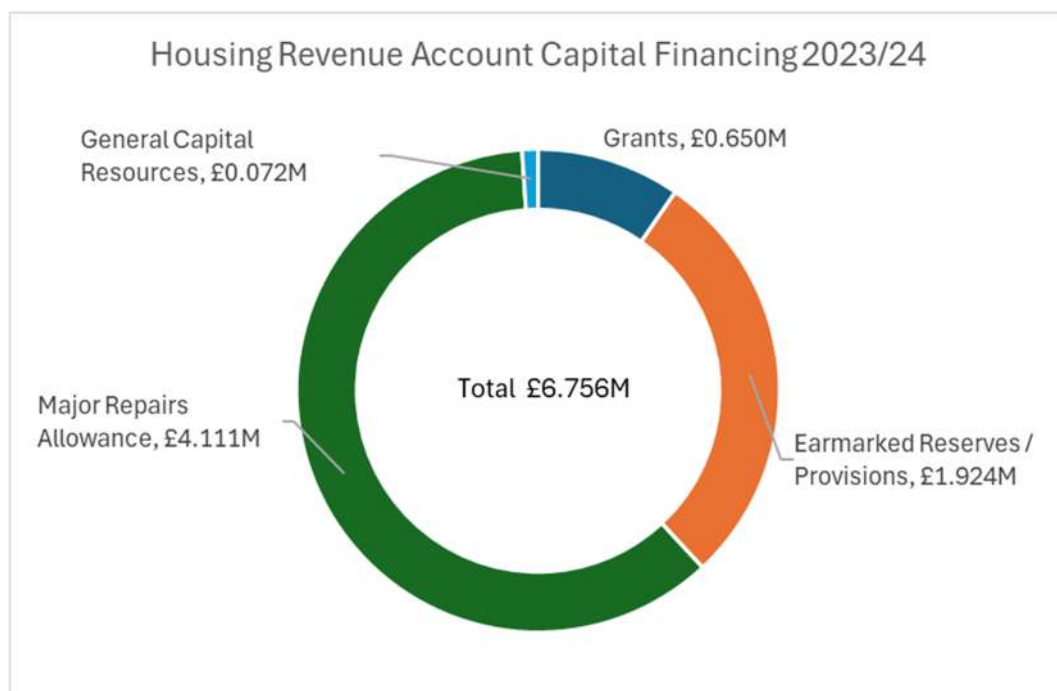
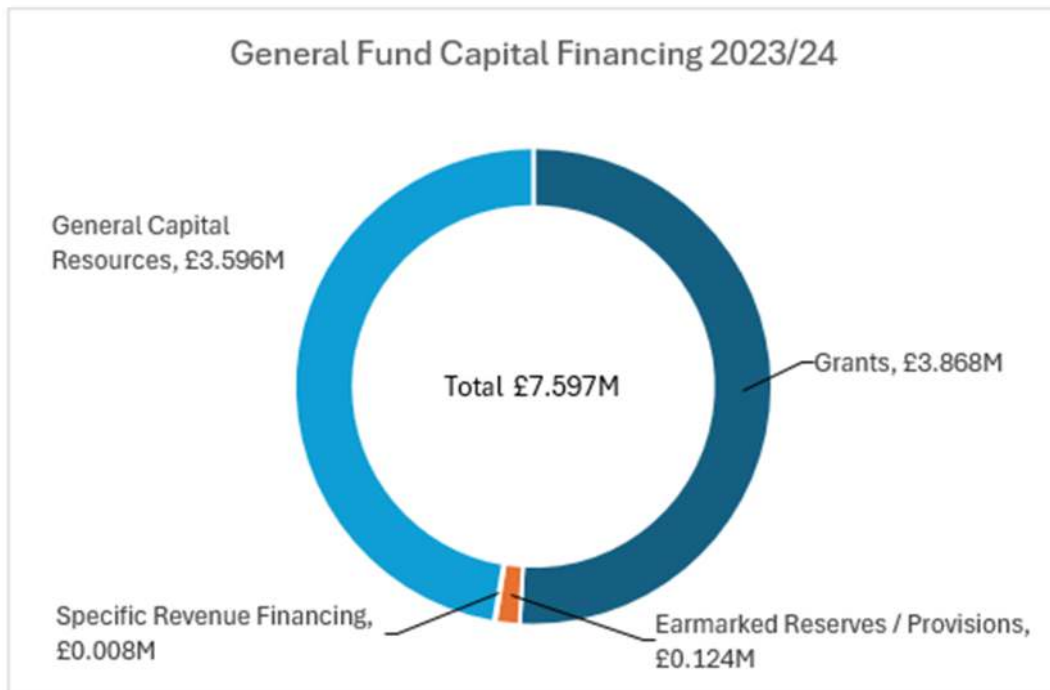
In 2023/24 the Council spent £14.353M in total on capital schemes (£15.754M 2022/23). Total spend on the General Fund was £7.597M against a budget estimate of £10.623M, with the HRA spending being £6.756M against a budget estimate of £8.033M.

The charts below summarise 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 on 22 February 2023. 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.

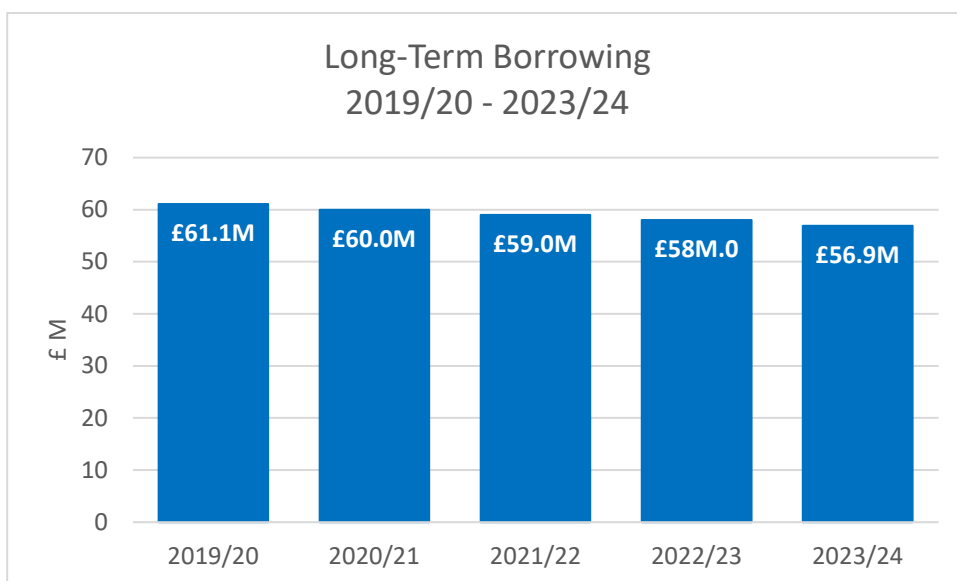
## Investments

In 2023/24 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested reduced to £32.42M (£44.46M 2022/23) with short term investments on 31 March 2024 (all held in the balance sheet as cash and cash equivalents) totalling £10.50M (£24.00M 2022/23). The overall return on investments was £1.608M at an average interest rate of 4.90% (£0.962M and 2.16% 2022/23).

## Borrowing

The Council undertook no short-term borrowing in 2023/24 (£2M 2022/23).

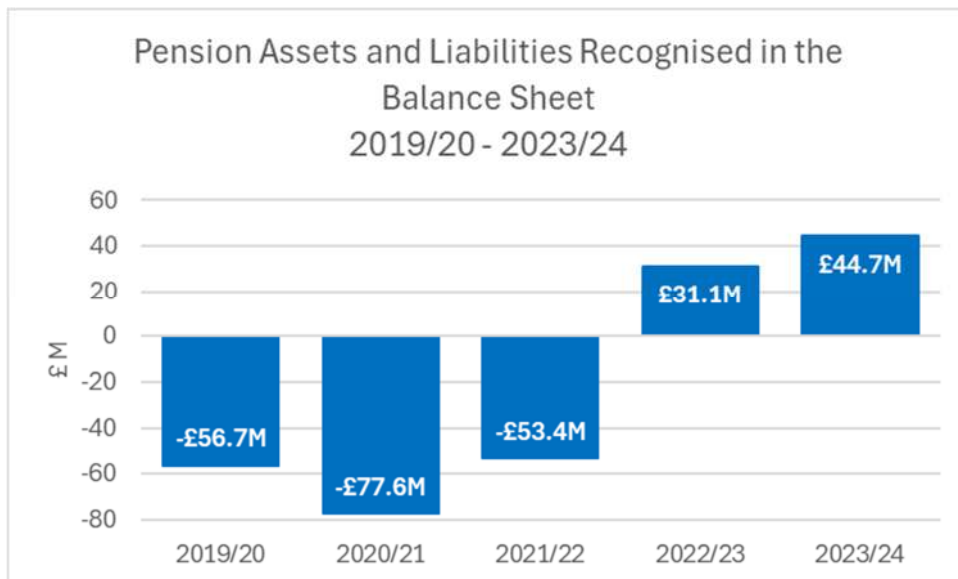
Total long-term debt at 31 March 2024 amounted to £56.92M (£57.96M 2022/23) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months. The table below provides historic analysis of the levels of long-term borrowing.



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 2024 the Councils CFR was £98.58M (£98.69M 2022/23), a decrease of £0.11M. The amount of MRP charged in 2023/24 totalled £3.702M (GF £2.661M HRA £1.041M (£1.146M 2022/23)).

## 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 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 £13.6M from a restated surplus position of £31.1M in 2022/23 to a surplus of £44.7M this year.



The figure is very much an estimate and will not be realised immediately, or all at once. It relates 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 line with the Council's accounting policies, the amounts relating to 2023/24 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 £93.578M (£88.163M 2022/23) and Business Rates £63.824M (£61.154M 2022/23)) 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 2023/24 Council Tax was increased by 2.99% which is the maximum amount allowable by the Government to £249.18 for a Band D equivalent property.

On 31 March 2024 there was an in-year surplus of £0.763M (deficit £0.682M 2022/23) in relation to Council Tax. This represents the actual tax base being higher than estimated. As the Council retains approximately 13% of any surplus this would mean a potential credit of £0.099M against the 2024/25 revenue budget relating to movements in 2023/24.

## Business Rates

The Council also benefited from £4.001M (£3.045M for 2022/23) 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, 2017 and 2023 valuation lists have been reduced by £2.544M. The provision is calculated using both analysis of historical data and external professional advice with the Council's "share" of the reduction amounting to £1.018M.

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 that 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

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Council Tax	96.1%	96.4%	95.9%	94.6%	94.1%	95.0%	94.4%
Business Rates	98.7%	98.4%	98.9%	97.2%	98.3%	98.0%	98.4%

## **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. Risk Management is incorporated into the Business Planning Process with all risks reviewed and monitored quarterly. The Corporate Risk Register 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 inactive 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 2023/24

Lancaster City Council is made up of 61 democratically elected councillors. Councillors are responsible for taking decisions about the provision of important public services such as planning, housing, waste and recycling, street cleaning, leisure and culture.

Lancaster City Council is currently under no overall control, meaning that no single political group achieves a majority of seats.

Group	Seats
Labour	23
Green	21
Liberal Democrat	7
Conservative	5
Morecambe Bay Independents	3
Non-aligned Independent Member	1
Vacant	1
<b>Total</b>	<b>61</b>

The Council elected a new leader in May 2022 – Cllr Phillip Black, who subsequently appointed Cabinet Members for various portfolios and the delegation of executive functions.

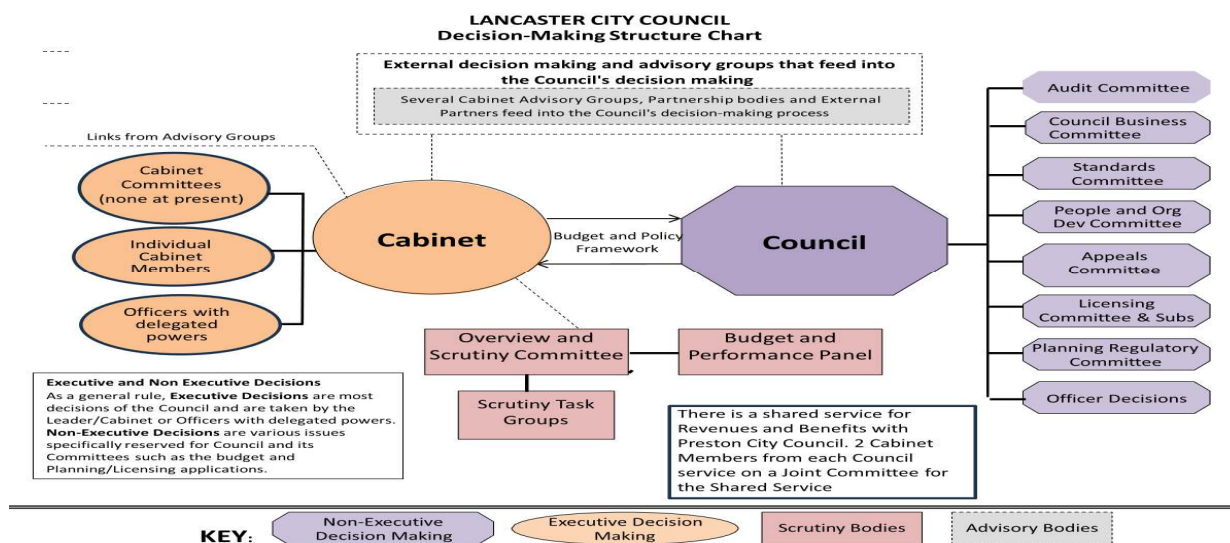
All Councillors undertake mandatory induction training as a feature of the Council's approach to governance. Mandatory induction training includes:

- Equalities
- Promoting and maintaining high standards of conduct
- Information governance and General Data Protection Regulation (GDPR)
- Safeguarding/child sexual exploitation
- Local government finance
- Any specific training required for being appointed to particular staffing or regulatory committees

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

## DECISION MAKING PROCESSES

Whilst decision making processes have some complexity and detail, the flow chart below outlines the process:





**OFFICER LEADERSHIP AND MANAGEMENT**

The Council’s strategic and operational management is structured so that there is clarity of responsibility between Chief Officers. Our Organisational Structure below details the Chief Officer Leadership and Management responsibilities:



**RISK MANAGEMENT**

Risk management is a key element of the council’s Governance Framework. Effective and efficient risk management is critical to the success of the council, which is why in March 2024, the Council’s risk management policy was updated, and new procedures introduced to ensure strategic risks are reviewed at least quarterly. The new approach to risk management which we now have in place draws on best practice from the institute of risk management (IRM) and HMT Orange Book: Management of Risk, Principles and Concepts. It will enable the Council to make better informed decisions which are vital to successful transformational change and support a culture of well-measured risk taking throughout the Council’s business. All strategic risks are reviewed quarterly by Leadership Team and have been mapped to the Council Plan 24-27. These risks are then shared with Audit Committee, Budget and Performance Panel and Cabinet.

**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.

**Salt Ayre Leisure Centre**

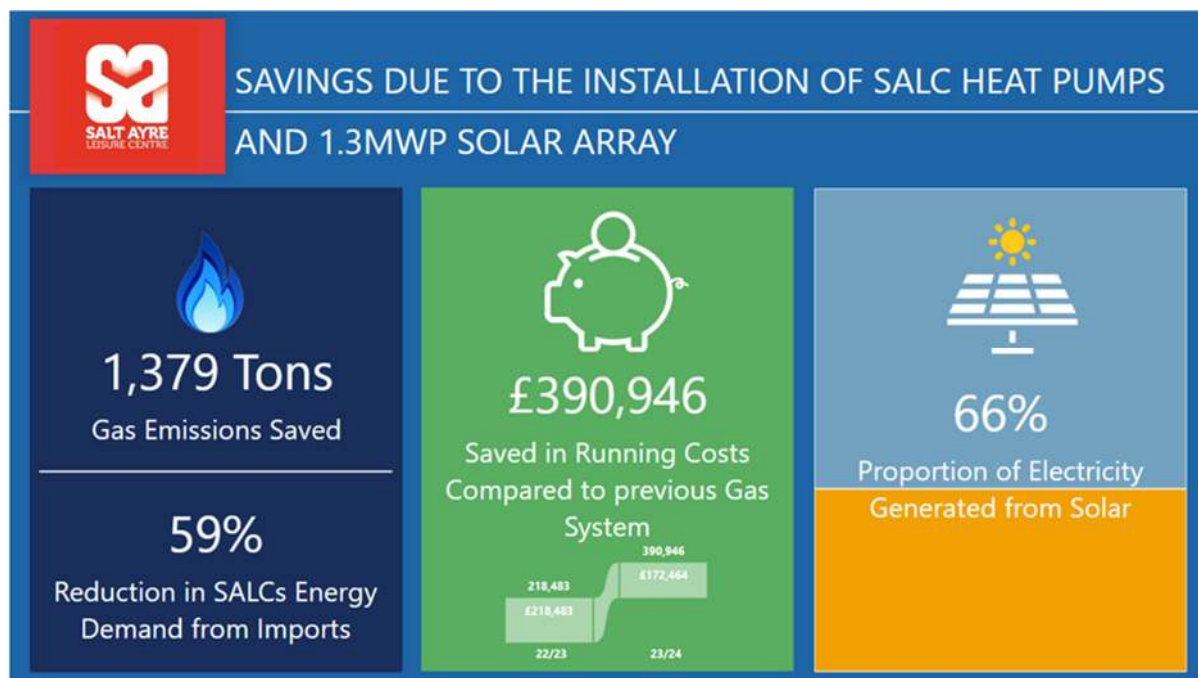
The Leisure Centre was the Council’s single largest carbon emitter in 2020 emitting more than 34% of all

Council natural gas emissions. In 2021, £6.8M was secured through the Public Sector Decarbonisation Scheme (Phase 1) to decarbonise the site.

This ambitious program had a funding requirement to be delivered in 12 months. A twin pair of two-stage heat pumps were installed and paired with a 1.3MWp solar array on adjacent disused landfill site, connected via direct wire. The leisure centre also had new double glazing installed to improve thermal efficiency and external LED lighting replaced less efficient lighting. These measures have led to a CO2 savings of over 1,300 tonnes and £0.391M saved compared to the previous heating system. Salt Ayre is the UK's 1st fully decarbonised leisure centre and is recipient of several awards.

The project was delivered under time (despite the challenges of the Covid-19 pandemic) and under budget with £1 million of the underspend being used to deliver decarbonisation measures across ten additional civic buildings.

Salt Ayre runs fully off of the adjacent 1.3MWp solar farm for as much as 12 hours a day in spring and summer. Combining heat pump technology with renewable energy technology allows the site to maximise the potential of decarbonisation for cost savings as well as carbon savings. The solar farm is an excellent example of developing complex and underutilised land, in this case a former landfill site. Due to being sited on the former landfill, the solar farm is anchored using an innovative ballasting system which does not impact the capped landfill. The site can be expanded in the future, when grid restrictions are lifted, to add another 2MWp array.

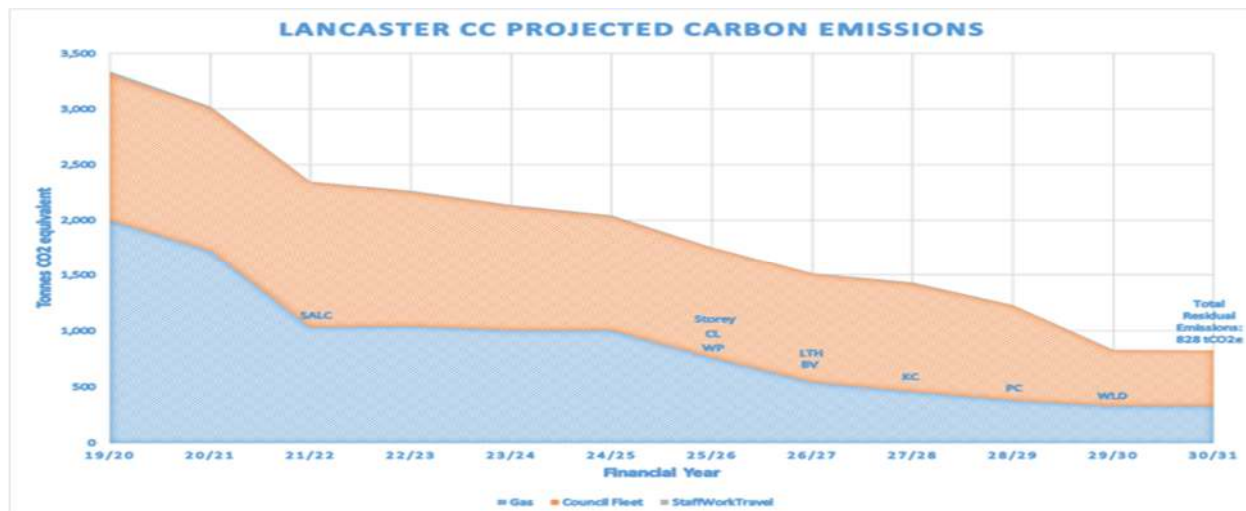


As part of the council's commitment to data transparency and also to help increase education around the benefits of decarbonisation projects, Salt Ayre has a live dashboard which updates every 30 minutes. It shows how much carbon has been saved thanks to the project, the cost savings and real time solar generation as a proportion of how much energy the site is using. The dashboard is available here: [Microsoft Power BI](#)

### Meeting the Net Zero Challenge: Burrow Beck

Despite rapid decarbonisation efforts and significant investment, the council will not be able to be fully eliminate energy associated CO2e emissions by 2030. This leaves inseting via renewable energy generation to ensure the Council reaches net zero by 2030 for its energy related emissions. There is significant potential to include renewable energy generation to not only inset emissions but also to generate a revenue stream for the Council using underutilised land. Locating renewable generation in strategic areas where direct wire is a future potential, only strengthens the revenue potential. Renewable energy

generation sites also offer co-benefits such as delivery of biodiversity net gain and acting as demonstrator projects for good practice.

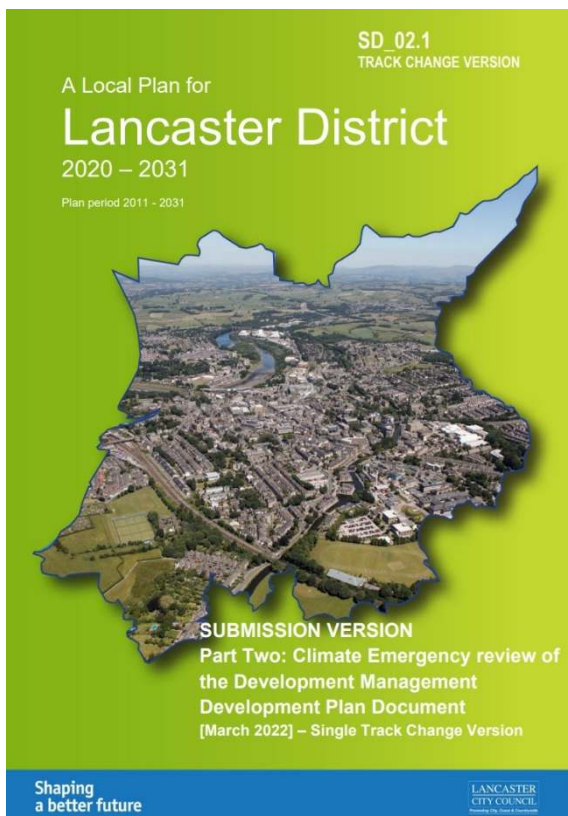


Burrow Beck Solar Farm is a £4M project comprising of over 10,000 solar panels across 6.6 hectares of underutilised land adjacent to Scotforth Road in Lancaster. The site is currently waiting for planning permission. The solar farm will generate 4 GWh of renewable energy each year. This is 80% of the Council’s current electricity demand from the general fund assets. This provides the much needed CO2e inset of ~800t CO2e needed for helping to reach net zero 2030 and not contributing as an organisation to global heating. The sale-to-grid model also will deliver a revenue stream helping to diversify the council’s portfolio. The site is currently modified grassland which is not species rich. We have scoped to include biodiversity net gain improvements on the site which provides potential for capital receipts from BNG credits. There is also potential to continue grazing the site but using conservation grazing strategies. This means the Council is able to support commitments under both the climate and ecological emergency declarations on one site.



## Emergency Local Plan Review

The Climate Emergency Local Plan Review was the first of its kind undertaken in the country, and pushed the boundaries of what planning policy could do to tackle climate change. The plan proposes policies to improve outcomes in new development for both adaptation and mitigation across a wide range of areas from active travel, to water management and efficiency, design, ecology, and renewable energy and energy storage. After a clash with national policy on the issue of net zero housing standards, one of our principal planning policy officers, Diane Neville, was featured on a channel 4 documentary 'The Great Climate Fight' with Kevin McCloud. The Covid-19 pandemic meant a need for innovation in consultation and engagement work with stakeholders and the community. This was highlighted in numerous good practice studies from the RTPI to Friends of the Earth and has led to the council being shortlisted for both the 2024 LGC and MJ awards in Net Zero categories. It is expected that the Climate Emergency Local Plan Review will be adopted later this year.



Climate Policy Hub Officers with Kevin McCloud after filming the Lancaster Segment of the Channel 4 Documentary Series 'The Great Climate Fight.' The documentary also highlighted Växjö, Sweden, Lancaster's Twin City which also is committed to fighting the climate crisis and with whom the planning team also have done joint climate focused events <https://www.channel4.com/programmes/the-great-climate-fight>

## Awards & Achievements

The Council's commitment, ambition and determination across services in addressing the climate crisis has led to Lancaster earning a reputation as one of the national leaders regarding climate action. The hard work was recognised in a national audit of Local Authority action when Lancaster was listed as the top-performing district council in the country by Climate Emergency UK who assessed all councils for their impact on a range of categories from reaching net zero to combating biodiversity loss.<sup>1</sup> We also came in as the 5<sup>th</sup> overall council competing with councils such as the Greater London Authority and Greater Manchester! This is testament to the collaborative work of officers and members in making net zero a priority in local authority policy and project delivery.

<sup>1</sup> <https://councilclimatescorecards.uk/scoring/district/#jump=lancaster-city-council>



Community Engagement Guide for the NW RTPI - Lancaster was featured as a case study

Council of the Year North West Energy Efficiency Award

APSE Award - Salt Ayre Leisure Centre

Green Flag accreditation for park

Sustainable Food award - Sustainable Food Places (SFP) Silver award

**Climate Scorecards - top scoring district council**

Local Government Chronicle 2024 Awards - shortlisted

Transforming & Innovating Public Services - i-network Award - Co-wheels scheme

MJ Award 2021 - Leadership in responding to the climate emergency

**FSB North west Best Future-Ready Award**

National Healthy Homes Awards - Top in the 'Sustainability in Home Adaptations' category

### **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 wellbeing. 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.

*'Beauty Surrounds, Health Abounds  
and now... Nature Astounds'*



### **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 acquired from Lancashire County Council, and will see the building of approximately 130 new homes to rent.

A full planning application is expected to be submitted during the autumn of 2024. Proposals are in the process of being put together but are expected to include:

- 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

### **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 new affordable homes.

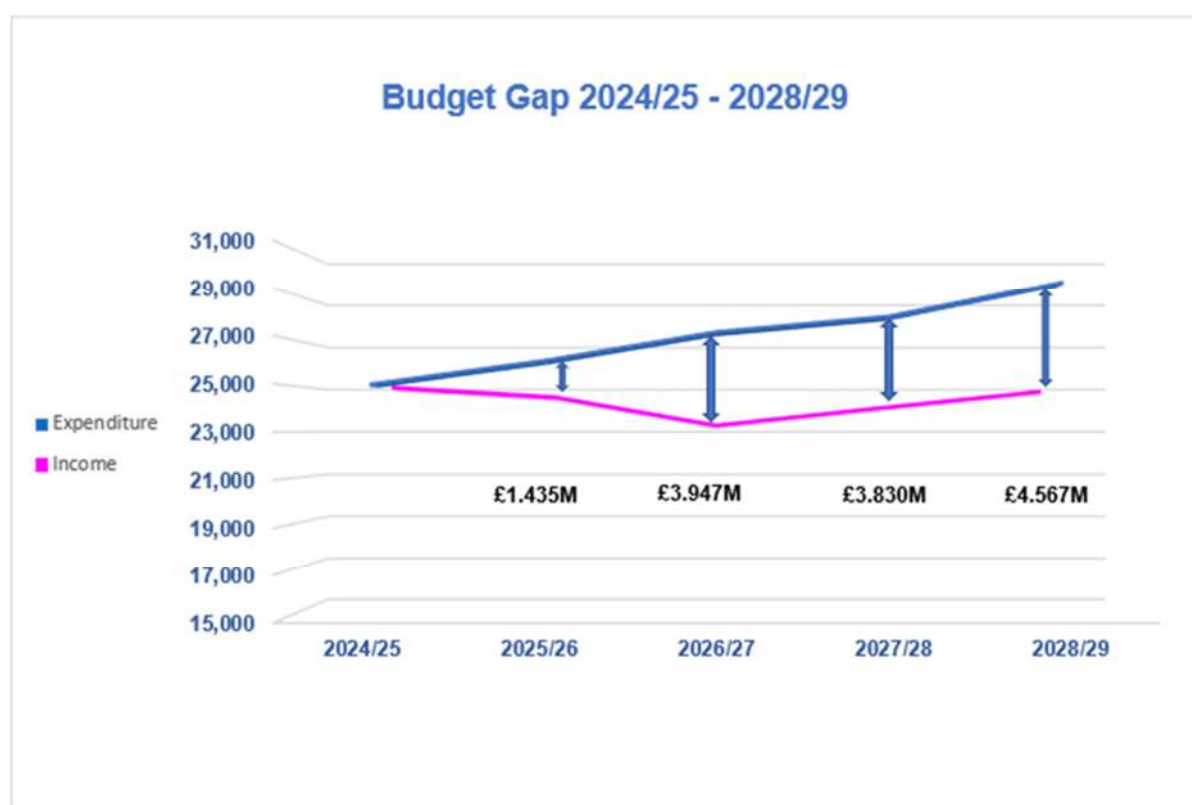
## **MEDIUM TERM FINANCIAL STRATEGY AND SUSTAINABILITY**

The Council's 5 year Medium-Term Financial Strategy (MTFS) was approved in February 2024 and outlined the budget requirements over the medium to long-term, alongside the Council's strategic priorities and budget setting principles. Due to the unprecedented financial challenge following the cost of living crisis and inflationary pressures, the MTFS set out how the Council will continue to strategically manage and transition the Councils financial recovery.

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 £4.5M by 2028/29 if the Council is to remain sustainable in the medium term.

The tables below outline the forecast budgetary position for 2024/25 to 2028/29 in line with the MTFS presented to Council 28 February 2024.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Revenue Budget (Estimate 20 February 2024)	25,008	26,007	27,235	27,899	29,390
<i>Budget Gap (Incremental)</i>	0	1,435	3,947	3,830	4,567
Percentage of Net Revenue Budget (Incremental)	0%	6%	14%	14%	16%

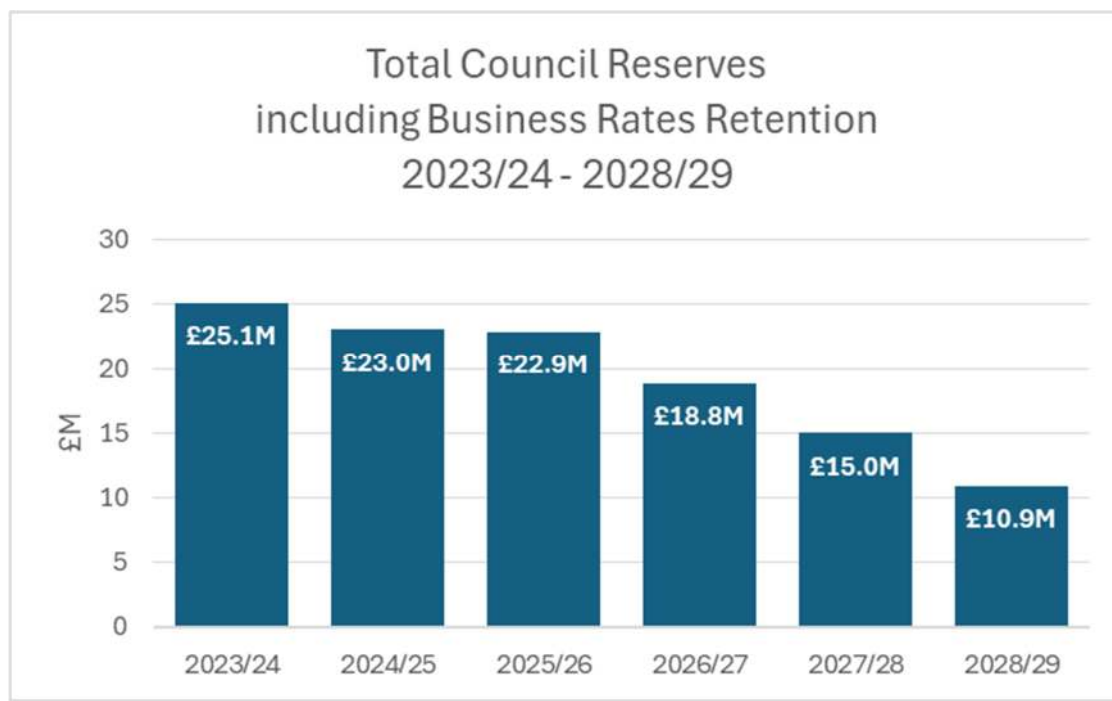


Although there are many variables contained within the calculation of the deficits, funding purely from the Council's reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives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

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

The graph below provide details of our current forecast level of reserves including the impact of funding

the forecast deficit from reserves.



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 Council’s 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 whilst also positioning ourselves to maximise the benefits arising from the Eden Project.

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.

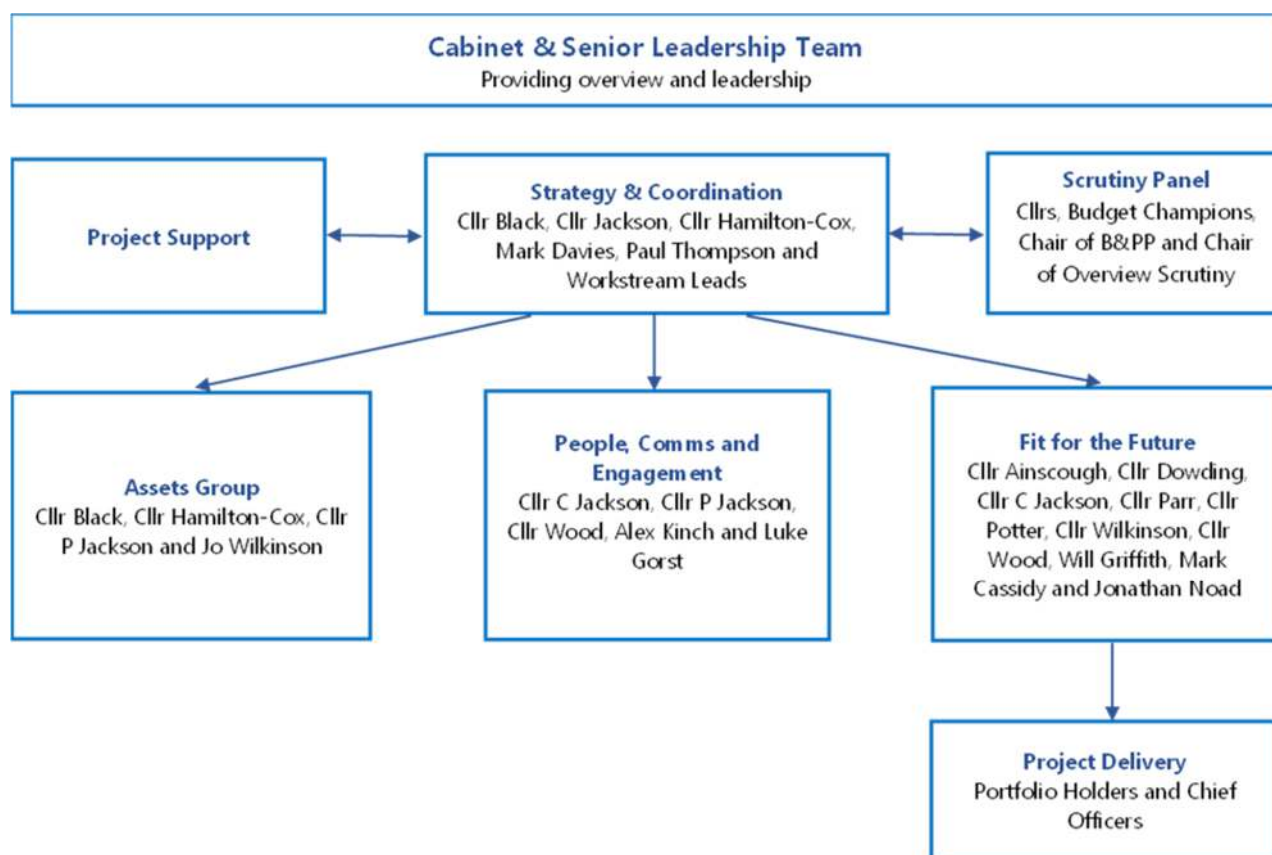
### **The Way Forward – Balancing the budget to 2028/29**

The Council has embarked on a programme called Outcomes-Based Resourcing (OBR) that will see it examine every area of its budget and match resources more closely with its priorities. The OBR programme includes looking at ways the council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income

The Council embarked on its OBR process in 2022/23 with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities to ensure that funds are directed toward the Council’s key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives. The table below shows the operational structure of OBR – Fit for



the Future process and its governance processes along with the key Member and Senior Officer involvement. The process is split into task groups each charged with a discreet area of responsibility.



The proposed actions through the OBR/ FftF process currently include:

- Application of alternative funding to deliver key Council outcomes.
- Detailed review and sensitivity analysis on all key and significant income streams
- Further rationalisation work on the Council's asset base
- Expansion of the investment to reduce cost principle.
- The potential use of capital receipts to finance existing projects.
- Capitalisation of transformation costs where appropriate
- Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- Challenging existing cost base through the application of zero-based budgeting principles

Given the size of the ongoing financial issues the Council faces this fundamental reshaping of the Council's services and realigning against its priorities through the OBR/ FftF process will be key to shrinking the estimated budget gap and securing the financial sustainability of the Council going forward. It is imperative that the work, or similar principles continues. The application of OBR/ FftF across the Council will be a significant piece of work and to fully achieve its stated aims will take an estimated further 12 to 24 months. Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR – Fit for the Future process.

- We need to continue tackle the structural deficit over the short medium and long term.
- We need to use reserves carefully to transition.
- We want to continue to deliver services that residents/ businesses need and rely on
- We want to achieve positive outcomes for our district.

## **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 20 March 2024.

There have been no significant changes in accounting policies for the 2023/24 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 £35.153M (£36.242M 2022/23).

### **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 2023/24 budget. The deficit on the provision of services totalled £7.894M (£4.831M deficit 2022/23)

### **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 £327.019M (£292.934M 2022/23 Restated).

### **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 £13.467M.

### **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, Morehomes For The Bay (Investments) Ltd and Morehomes For The Bay (Developments) Ltd. The companies are currently not trading and do 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.

A handwritten signature in black ink, appearing to be 'Paul Thompson', with a stylized flourish extending to the right.

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 2023/2024

## 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.

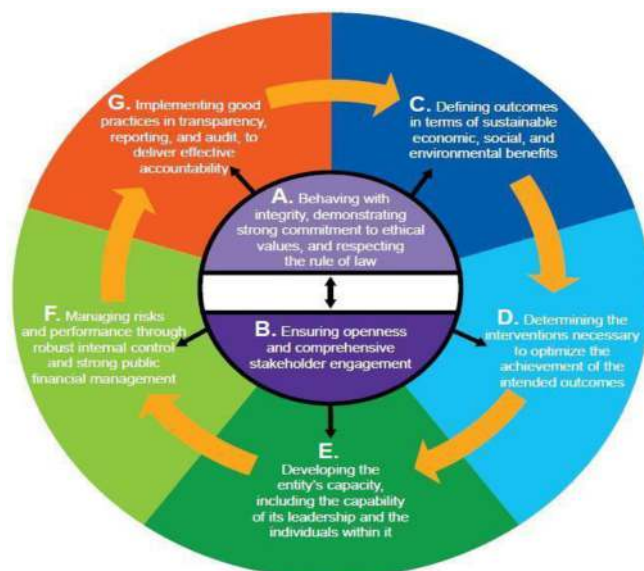
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the 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), 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 adopted a Code of Corporate Governance (approved in November 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"> <li>• Provide leadership, develop strategy, and set policy</li> <li>• Engage with and support the Council’s communities and neighbourhoods to thrive and succeed</li> </ul>	<p><u>Scrutiny and Review</u></p> <ul style="list-style-type: none"> <li>• The Overview and Scrutiny Committee reviews Council policy and can scrutinise and challenge decisions</li> <li>• The Budget and Performance panel reviews operational and financial performance</li> <li>• The Audit Committee reviews internal control, fraud, risk management and governance</li> </ul>
<p><u>Decision Making</u></p> <ul style="list-style-type: none"> <li>• Meetings are held in public</li> <li>• Agendas, minutes and decisions are recorded on the Council’s website</li> </ul>	<p><u>Risk Management</u></p> <ul style="list-style-type: none"> <li>• Risk management strategy ensures proper management of risks</li> <li>• Risk registers identify both strategic and operational risk</li> </ul>
<p><u>Paid Service and Statutory Officers</u></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• The Council’s Section 151 Officer is responsible for safeguarding the Council’s financial position and ensuring value for money</li> <li>• The Chief Officer (Governance) is the Council’s Monitoring Officer, who is responsible for ensuring legality and promoting high standards of public conduct</li> </ul>	

## 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 2023/24.

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

<p><b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></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"> <li>• Code of Conduct for both members and staff</li> <li>• The Council’s ‘values and behaviours framework’</li> <li>• The Council Housing service has agreed staff and manager Charters.</li> <li>• Registers of interest policies for both staff and members</li> <li>• The Council has a corporate complaints handling policy and housing complaints policy. This has been combined into one Policy from 1<sup>st</sup> April 2024 following the guidance from the joint Complaints Code from the applicable Ombudsmans.</li> <li>• Council Housing have a publishable Complaints self-assessment on our website</li> <li>• Council and Committee minutes showing any declarations made at meetings are viewable on each Councillor’s record on the website</li> </ul>



	<ul style="list-style-type: none"> <li>• An electronic Gifts and Hospitality register for both staff and Members</li> <li>• Both Standards and Overview and Scrutiny Committees</li> <li>• There are policies and procedures in place for dealing with unacceptable behaviours for both officers and Members</li> <li>• 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.</li> <li>• A 'Raising Concerns' Policy (amended January 2023) is in place and sits with the Council's Monitoring Officer</li> <li>• 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)</li> <li>• Training is provided for regulatory committees on a regular basis.</li> <li>• Compliance with specific legislation, law or guidance is documented in decision making documents</li> <li>• Council housing also produces an annual compliance statement and has a self-assessment process for Consumer Standards.</li> <li>• Council Housing have an adopted Breaches Policy which outlines the steps which should be taken and when referrals to the Regulator of Social Housing should be made should there be a breach of required standards</li> <li>• The Constitution includes terms of references, defines decision making powers and describes roles and functions</li> <li>• The Constitution is regularly reviewed and kept up to date</li> </ul>
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<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>	
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"> <li>• The Council Plan is published to all staff, elected members, partners and the community. The Council Plan 2024/27 was adopted in December 2023</li> <li>• An annual 'Narrative Report' is published and accompanies the Statement of Accounts</li> <li>• 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</li> <li>• The Council publishes information in accordance with the Local Government Transparency Code 2015 and continues to monitor effective compliance with the Code</li> <li>• An Overview and Scrutiny and Budget and Performance Panel report is published annually</li> <li>• The Council publishes all key decisions on its website</li> <li>• A Freedom of Information publication scheme is in place</li> <li>• Standardised report pro-formas for decision making are in place and a published timetable of reporting deadlines for committees is published</li> <li>• The Council ensures that appropriate consultation and engagement takes place</li> </ul>

	<ul style="list-style-type: none"> <li>• The Council publishes all current and closed consultations on its website</li> <li>• Customer feedback forms are in place in key outlets e.g. Salt-Ayre Leisure Centre</li> <li>• 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 (<a href="https://keepconnected.lancaster.gov.uk">https://keepconnected.lancaster.gov.uk</a>)</li> <li>• 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</li> <li>• Council Housing have an established Tenant Voice group which meets bi-monthly. Throughout 2023-24 additional engagement and scrutiny groups for Council Housing have been established: Council Housing Advisory Group, Block Voice and Tenant Scrutiny Group</li> <li>• Housing Options has a bi-monthly stakeholders meetings with stakeholders through homeless advisory group/homelessness forum</li> <li>• The Council has a Community Connector team whose role is to engage and connect with partners, communities and elected members</li> <li>• 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</li> <li>• The Council has several communication guidance documents in place e.g. the Intranet Policy and the Plain English and Style Guide</li> <li>• The Council complies with publication dates for reports and the forthcoming decisions list (forward plan)</li> <li>• Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team</li> <li>• The Budget and Performance Panel was fully consulted in relation to the Council’s budget</li> <li>• The Council’s vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders</li> <li>• Online publication of Councillors’ interest in accordance with the Localism Act 2011</li> </ul>
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<b>Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits</b>	
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"> <li>• Corporate key performance indicators (revised as and when appropriate) are reported quarterly to Cabinet and the Budget and Performance Panel</li> <li>• A ‘Narrative Report’ is published within the Statement of Accounts to reflect the Council’s key achievements</li> <li>• There are effective arrangements in place to deal with failure in service delivery via the Council’s corporate complaints procedure</li> <li>• The Medium-Term Financial Plan, Revenue Budget and Capital Programme are designed to deliver the strategic priorities</li> <li>• The Council has a capital programme of works</li> <li>• The Council has an approved Capital Investment Strategy</li> <li>• Individual capital projects are equality impact assessed</li> <li>• All key decisions are required to consider (where applicable) the impact on Climate, Equality, Wellbeing &amp; Social Value, Health &amp; Safety and Community Safety. This includes consideration of fair access to services</li> </ul>

	<ul style="list-style-type: none"> <li>• The Council has an adopted local plan which is up-to-date i.e. adopted within the last five years (July 2020)</li> <li>• 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 we are awaiting receipt of the Planning Inspector's final report</li> <li>• The Council has commenced a further full review of its Local Plan. It has concluded a scoping consultation, is currently commissioning consultants to provide specialist evidence and will shortly commence its issues and opportunities consultation and will thereafter continue with its work on preparing the draft plan</li> <li>• Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers</li> <li>• The Council declared a climate emergency in January 2019. Since then, it has developed several workstreams aimed at ensuring that its own activities have a net zero carbon impact by 2030. To support the wider ambition of decarbonising the whole district, the Council is working with Energy Systems Catapult (via external funding) to produce a Local Area Energy Plan (LAEP). The LAEP will identify the most cost-effective pathways to net zero for the Lancaster District. The LAEP is at the final workshop stage, and the completed Plan will be available later this summer.</li> <li>• Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision</li> </ul>
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<b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
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"> <li>• Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based</li> <li>• Member and Officer briefings took place for more complex areas of decision making</li> <li>• 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</li> <li>• The MTFS sets out the framework for corporately managing the Council's resources in the years ahead</li> <li>• Corporate Key Performance Indicators are in place and are reported quarterly to Cabinet and the Budget and Performance Panel</li> <li>• Both Capital and Revenue bids consider 'social value'</li> <li>• Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making</li> <li>• The Council considers public surveys, demographic information and public health reports when developing the Council Plan</li> </ul>

**Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

<p>Compliance Overview</p>	<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"> <li>• 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</li> <li>• The Council is member of APSE and which regularly benchmarks several key Council services e.g. Street Cleansing, Council Housing, Internal Audit, Waste Management, Pest Control and Leisure</li> <li>• The Council has received both blue and green flag status for its clean beaches and parks and open spaces</li> <li>• The Leader, Chief Executive and Section 151 Officer regularly attend Lancashire Leaders, Lancaster Chief Executives and Lancashire Chief Finance Officer meetings</li> <li>• The Chief Executive is responsible and accountable to the Authority for all aspects of operational management and has regular meetings/1 to 1’s with the Leader, Cabinet and the Senior Leadership Team</li> <li>• The Senior Leadership Team meet regularly with portfolio holders and Cabinet as a whole</li> <li>• 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</li> <li>• 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</li> <li>• All new members receive a full corporate induction, ongoing support and role-specific training</li> <li>• An Accreditation review for Investors in People was carried out in January 2021, resulting in an upgrade to Silver accreditation (valid for 3 years)</li> <li>• An induction programme is provided for all new staff and Members</li> <li>• 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</li> <li>• 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</li> </ul>
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**Principle F: Managing risks and performance through robust internal control and strong financial management**

<p>Compliance Review</p>	<ul style="list-style-type: none"> <li>• 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:</li> <li>• The Council has a Risk Management Policy which was updated in March 2023 and further refreshed in March 2024 to include details on risk</li> </ul>
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appetite

- All services have Information asset registers and privacy notices are now in place for most 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
- 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 a 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 online 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
- 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 retention policy was last updated February 2023 and is due to be reviewed in August 2024
- Those making decisions are provided with information that is fit for

	<p>purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications</p> <ul style="list-style-type: none"> <li>• Budget monitoring reports are issued to budget holders on a regular basis</li> </ul>
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<b>Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	
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"> <li>• The Council endeavors to publishes information in accordance with the Local Government Transparency Code 2015</li> <li>• Each year we publish information on our website outlining how we spend Council Tax income</li> <li>• A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements</li> <li>• The Council's website is comprehensive, accurate and user friendly</li> <li>• The Council has an online Planning Application Policy</li> <li>• 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</li> <li>• An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion</li> <li>• The Council ensures that there is a process in place for the follow up of audit recommendations</li> <li>• The Council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2019)</li> <li>• In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed annually</li> <li>• 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.</li> <li>• In accordance with the Public Sector Internal Audit Standards (PSIASs) the Head of Audit &amp; Assurance developed a risk based Internal Audit Plan (2023/24). This was approved by Audit Committee 22 March 2023</li> <li>• 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 November 2023 and will be reviewed again in November 2024</li> <li>• Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules</li> </ul>

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

<b>Standard</b>	<b>Action Required</b>	<b>Responsible Officers</b>	<b>Timescale</b>
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 2025 - To be incorporated as part of budget process
	Recruitment to address the capacity issues within finance function	Chief Finance Officer	September 2024
Governance and Financial Management Style	Further embedding of Performance Management via the Council's 'Annual Conversation'	Chief Officer (People and Policy) and Senior Leadership Team	March 2025
	Review of Financial procedure rules	Chief Finance Officer	November 2024
Long to Medium Term Financial Management	Further work will be required as part of the 2025/26 budget setting process to address the significant forecast deficits and minimise the use of reserves.	Chief Finance Officer	February 2025 – As part of the budget process
	Each lead portfolio member to be more involved in developing and setting the budget for their service areas	Senior Leadership Team	
	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 the Council's ambitions and outcomes		
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**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 2023/2024 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 1 April 2023 to 31 March 2024 provides Moderate Assurance, that 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 considered that Internal Audit resource has been directed into known risk areas by Council Officers and the Audit Committee. Moving forward, the Council needs to ensure that there is a continued focus on the strengthening of its control framework and completing management actions on a timely basis".

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

"The 2023/24 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 50 recommendations as part of the reviews undertaken during 2023/24 (not including confidential reviews). All recommendations raised by MIAA have been accepted by management.
- Of these recommendations, none were critical and 5 were high risk recommendations in relation to the reviews of Contract Management and Payroll including Additional Payments.
- During the course of the year, we have undertaken follow up reviews from 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 and can conclude that the organisation implemented/superseded 61 actions during 2023/24.
- The total number of recommendations yet to be implemented as at April 2024 is 67. 17 of these are high risk and relate to the reviews of Purchase to Pay, Collection of Income and Reconciliations, Resilience and Emergency Preparedness, Time Recording Systems, Financial Controls, CCTV, Contracts, IKEN Review and Payroll.
- Of the 67 actions yet to be implemented, none are critical risk. 7 high risk, 10 medium risk and 17 low risk were overdue and in progress at April 2024. The remaining 33 recommendations were not yet due.

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

#### External Audit Assurance

The Council's external auditors, Deloitte, provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Deloitte's appointment as external auditors were 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 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.

#### Outstanding Audit Opinions

Although the audit work is now complete as result of a long-standing and complex objection, the audits of the 2019/20 and 2020/21 are yet to be concluded. The Council has been significantly impacted by the much-publicised crisis with Public Sector Audit regime and the considerable number of audit opinions remaining outstanding. As a result of the external auditor's inability to resource the audit and further objections received regarding the 2021/22 and 2022/23 financial statements, audit work is yet to commence.

A number of regulators and public sector bodies including the National Audit Office (NAO), Department for Levelling Up Housing and Communities (DLUHC), Chartered Institute of Public Sector Accountancy (CIPFA), the Financial Reporting Council (FRC), the Local Government Association (LGA) and Public Sector Audit Appointments (PSAA) have brought forward a series of proposals which they hope will address the situation.

Phase 1: Reset - clearing the backlog of audit opinions up for 2022/23 and earlier years by 13 December 2024.

Phase 2: Recovery – preventing a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform – addressing systemic challenges in the system and embedding timely financial reporting and audit.

All parties are working to ensure that the backstop date 30 September 2024 for the conclusion of audits up to 2022/23 is achieved and the impact on the 2023/24 audit is minimised.

### **A review of key performance indicators**

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2023/24 is set out in the table below.

<b>Indicator</b>	<b>Performance in 2023/24</b>
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)	58 incidents were reported to the DPO in 2023/24
Number of Data Breaches reported to the Information Commissioner’s Office (ICO)	Of 58 reported to the DPO, none were reported to the ICO
Outcomes from Standards Committee or Monitoring Officer investigations	5 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 2023/24
Local Government Ombudsman (LGO) referrals upheld	13 referrals have been made to the LGO in 2023/24. One referral was investigated and upheld and carried a recommendation. Six referrals to the Housing Ombudsman were made in 2023/24. Two referrals were investigated and upheld with a finding of maladministration in one case and severe maladministration in another. Remedies included apologies, compensation and demonstration of improvement

## **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

In March 2023 MIAA produced a report on the effectiveness of a HR review and on the steps taken to address concerns under an Action Plan. The Action Plan contained 35 recommendations.

MIAA's March report also identified further actions required. This included (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.

Since March 2023 the Council has closed 6 of the remaining ten actions (of the original 35). The People and OD Committee were updated on progress at the meeting on 21 November 2023 and there will be a further update once all actions are closed. The HR Policy review is well under-way with phase two now complete. The Payroll and Additional Payments audit was completed in April 2024 with an action for HR being implemented.

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 25 May 2018. 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 report identified 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 22 November 2023. Three out of six actions have now been completed with three 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 2023/24 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.

The Risk Management Report 2022/23 issued in June 2023 provides an opinion of "Moderate Assurance". After a further 10 months of improvements works were undertaken, the Risk Management Report 2023/24 issued in April 2024 provides an opinion of "Substantial Assurance". Clearly showing that the changes put in place have been effective.

The key findings in the report issued in April 2024 state: "Overall, it was found that there is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are generally being applied in areas reviewed."

The auditors went on to state: "All the recommendations identified in the previous report have been satisfactorily addressed."

The Leadership Team continue to take risk management matter seriously. Oversight of strategic risk management now belongs with the Chief Officer for People and Policy.

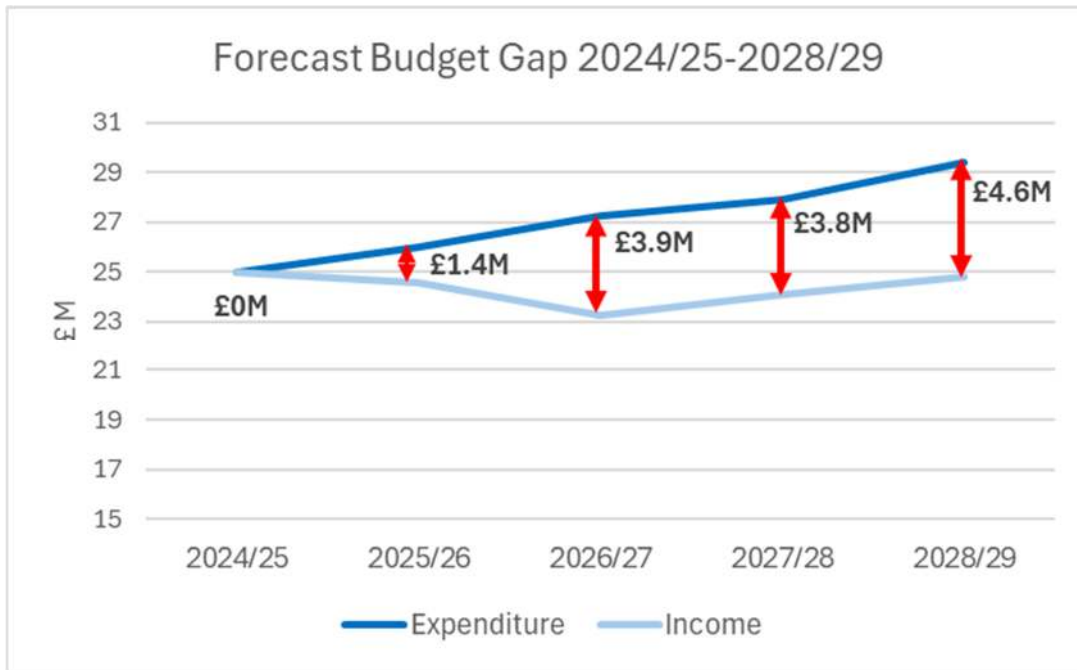
### Purchasing

Issues have recently been identified with procurement card use. Officers are working with internal auditors to review current practices and procedures.

## **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 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 which 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.

Although there are many variables contained within the calculation of the deficit, as outlined in the Council's Medium Term Financial Strategy, the forecast budget deficit for 2025/26 exceeds £1.4M, with the total 5-year deficit c.£4.6M.



The Council’s reserves are an essential part of good financial management. However, by their nature reserves are finite and, funding the deficit purely from the Council’s reserves is not an option as it does not address the underlying structural issues. They can however be utilised to help to ensure the smooth transition of several 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/Fit for the Future principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. All officers and Members must work together and recognise that they will face a number of difficult but important 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 good progress since last year’s AGS. In particular, the Council has continued to make good improvement with regards to Risk Management. The Council’s Risk Management Strategy & Policy have been updated and approved which incorporates a risk scoring model and all of the recommendations of the 2022/33 Risk Management have been completed. A further review of Risk Management has been completed in 2023/24, providing substantial assurance.

Good progress has also been made with regards to HR assurance work with only 4 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 ARRANGEMENTS**

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 2023/24 has been produced with the help and 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: 1<sup>st</sup> August 2024

# 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: 2<sup>nd</sup> August 2024

## 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.

2023/24	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 Restated £000
<b>Balance at 31/03/2023</b>	<b>11,677</b>	<b>13,075</b>	<b>624</b>	<b>8,253</b>	<b>121</b>	<b>2,389</b>	<b>103</b>	<b>36,242</b>	<b>256,692</b>	<b>292,934</b>
<b>Movements in 2023/24</b>										
Total Comprehensive Income and Expenditure	(2,494)	-	(5,400)	-	-	-	-	(7,894)	41,979	34,085
Adjustments between accounting & funding basis under regulations (Note 8)	5,108	-	96	-	658	940	-	6,802	(6,802)	-
Net Increase/(Decrease) before transfers to earmarked reserves	2,614	-	(5,304)	-	658	940	-	(1,092)	35,177	34,085
Transfers (to)/from earmarked reserves (Note 9)	(3,965)	3,965	5,430	(5,430)	-	3	-	3	(3)	-
<b>Increase/(Decrease) in 2023/24</b>	<b>(1,351)</b>	<b>3,965</b>	<b>126</b>	<b>(5,430)</b>	<b>658</b>	<b>943</b>	<b>-</b>	<b>(1,089)</b>	<b>35,174</b>	<b>34,085</b>
<b>Balance at 31/03/2024</b>	<b>10,326</b>	<b>17,040</b>	<b>750</b>	<b>2,823</b>	<b>779</b>	<b>3,332</b>	<b>103</b>	<b>35,153</b>	<b>291,866</b>	<b>327,019</b>

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
<b>Balance at 31/03/2022</b>	<b>6,032</b>	<b>22,853</b>	<b>2,551</b>	<b>10,328</b>	<b>742</b>	<b>1,266</b>	<b>103</b>	<b>43,875</b>	<b>141,642</b>	<b>185,517</b>
<b>Movements in 2022/23</b>										
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)	-
<b>Increase/(Decrease) in 2022/23</b>	<b>5,645</b>	<b>(9,778)</b>	<b>(1,927)</b>	<b>(2,075)</b>	<b>(621)</b>	<b>1,123</b>	<b>-</b>	<b>(7,633)</b>	<b>115,050</b>	<b>107,417</b>
<b>Balance at 31/03/2023</b>	<b>11,677</b>	<b>13,075</b>	<b>624</b>	<b>8,253</b>	<b>121</b>	<b>2,389</b>	<b>103</b>	<b>36,242</b>	<b>256,692</b>	<b>292,934</b>

## 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.

2022/23				2023/24			
Gross Exp £000	Gross Inc £000	NET £000		NOTES	Gross Exp £000	Gross Inc £000	NET £000
<i>Continuing Operations:</i>							
22,465	(9,718)	12,747	Environment & Place		22,210	(10,494)	11,716
2,020	(543)	1,477	Governance		2,293	(687)	1,606
13,785	(9,010)	4,775	Housing & Property		12,832	(8,947)	3,885
22,733	(16,413)	6,320	Housing Revenue Account		23,137	(17,977)	5,160
3,579	(242)	3,337	People & Policy		4,741	(1,413)	3,328
3,069	(1,099)	1,970	Planning & Climate Change		3,054	(1,602)	1,452
30,162	(26,043)	4,119	Resources		31,028	(27,112)	3,916
8,580	(10,292)	(1,712)	Sustainable Growth		8,472	(6,995)	1,477
3,420	(3,326)	94	Corporate Accounts		5,680	(2,815)	2,865
<b>109,813</b>	<b>(76,686)</b>	<b>33,127</b>	<b>Cost of Services</b>		<b>113,447</b>	<b>(78,042)</b>	<b>35,405</b>
2,020	(1,434)	586	Other Operating Expenditure	10	3,049	(1,592)	1,457
4,535	(6,359)	(1,824)	Financing and Investment Income and Expenditure	11	12,270	(11,696)	574
-	-	-	(Surplus) / Deficit on discontinued operations	29			-
21,467	(48,525)	(27,058)	Taxation and Non Specific Grant Income and Expenditure	12	21,380	(50,922)	(29,542)
		<b>4,831</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>7,894</b>
		(15,830)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets				(30,063)
		(96,418)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	41			(11,916)
		<b>(112,248)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(41,979)</b>
		<b>(107,417)</b>	<b>Comprehensive Income and Expenditure</b>				<b>(34,085)</b>

The net income of £34.09M 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 2023 Restated £000		NOTES	31 March 2024 £000
270,430	Property, Plant & Equipment	13	294,267
9,517	Heritage Assets	14	9,518
40,763	Investment Property	15	40,922
2	Intangible Assets	16	-
-	Assets Held for Sale	21	-
96	Long Term Debtors	17	93
<b>320,808</b>	<b>Long Term Assets</b>		<b>344,800</b>
-	Short Term Investments	17	
957	Inventories	18	869
18,521	Short Term Debtors	19	20,982
24,251	Cash & Cash Equivalents	20	10,784
<b>43,729</b>	<b>Current Assets</b>		<b>32,635</b>
-	Bank Overdraft	20	-
(1,041)	Short Term Borrowing	17	(1,041)
(38,748)	Short Term Creditors	22	(32,999)
<b>(39,789)</b>	<b>Current Liabilities</b>		<b>(34,040)</b>
(239)	Long Term Creditors	17	(169)
(4,764)	Provisions	23	(3,977)
(57,960)	Long Term Borrowing	17	(56,919)
31,149	Other Long Term Liabilities	41	44,689
<b>(31,814)</b>	<b>Long Term Liabilities</b>		<b>(16,376)</b>
<b>292,934</b>	<b>Net Assets</b>		<b>327,019</b>
36,242	Usable Reserves	24	35,153
256,692	Unusable Reserves	25	291,866
<b>292,934</b>	<b>Total Reserves</b>		<b>327,019</b>

The net movement between years is £34.085M 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.

2022/23 £000		NOTES	2023/24 £000
	Cash (Out) / In		Cash (Out) / In
(4,831)	Net surplus or (deficit) on the provision of services		(7,894)
(2,349)	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	26	14,818
(6,522)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	26	(6,030)
<b>(13,702)</b>	<b>Net cash flows from Operating Activities</b>		<b>894</b>
(2,594)	Investing Activities	27	(4,884)
(3,228)	Financing Activities	28	(9,477)
<b>(19,524)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(13,467)</b>
43,775	Cash and cash equivalents at the beginning of the reporting period		24,251
<b>24,251</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>10,784</b>

## 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:

<b>Note 1</b>	Accounting Policies
<b>Note 2</b>	Accounting Standards that have been issued but have not yet been adopted
<b>Note 3</b>	Critical Judgements in Applying Accounting Policies
<b>Note 4</b>	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
<b>Note 5</b>	Events After the Reporting Period
<b>Note 6</b>	Expenditure and Funding Analysis
<b>Note 7</b>	Expenditure and Income Analysed by Nature
<b>Note 8</b>	Adjustments between Accounting Basis and Funding Basis under Regulations
<b>Note 9</b>	Transfers to/from Earmarked Reserves
<b>Note 10</b>	Other Operating Income and Expenditure
<b>Note 11</b>	Financing and Investment Income and Expenditure
<b>Note 12</b>	Taxation and Non-Specific Grant Income and Expenditure
<b>Note 13</b>	Property, Plant and Equipment
<b>Note 14</b>	Heritage Assets
<b>Note 15</b>	Investment Properties
<b>Note 16</b>	Intangible Assets
<b>Note 17</b>	Financial Instruments
<b>Note 18</b>	Inventories
<b>Note 19</b>	Short Term Debtors
<b>Note 20</b>	Cash and Cash Equivalents
<b>Note 21</b>	Assets Held for Sale
<b>Note 22</b>	Short Term Creditors
<b>Note 23</b>	Provisions
<b>Note 24</b>	Usable Reserves
<b>Note 25</b>	Unusable Reserves
<b>Note 26</b>	Cash Flow Statement - Operating Activities
<b>Note 27</b>	Cash Flow Statement - Investing Activities
<b>Note 28</b>	Cash Flow Statement - Financing Activities
<b>Note 29</b>	Acquired and Discontinued Operations
<b>Note 30</b>	Trading Operations
<b>Note 31</b>	Agency Services
<b>Note 32</b>	Members' Allowances
<b>Note 33</b>	Officers' Remuneration
<b>Note 34</b>	External Audit Costs
<b>Note 35</b>	Grant Income
<b>Note 36</b>	Related Parties
<b>Note 37</b>	Capital Expenditure and Capital Financing
<b>Note 38</b>	Leases
<b>Note 39</b>	Impairment Losses
<b>Note 40</b>	Termination Benefits
<b>Note 41</b>	Defined Benefit Pension Schemes
<b>Note 42</b>	Contingent Liabilities
<b>Note 43</b>	Contingent Assets
<b>Note 44</b>	Nature and Extent of Risks Arising from Financial Instruments
<b>Note 45</b>	Group Accounts
<b>Note 46</b>	Prior Year Restatement

## 1. ACCOUNTING POLICIES

### 1.1 Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position on 31 March 2024. 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 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 amortisation. 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 amortisation 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:

<b>Quoted securities</b>	Current bid price
<b>Unquoted securities</b>	Professional estimate
<b>Unitised securities</b>	Current bid price
<b>Property</b>	Market value

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

Component	Description	Treatment
<b>Service Costs</b>		
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.
<b>Re-measurements</b>		
Return on plan assets	This is a measure of the return on the investment assets held by the plan for the year.	Charged to the pensions reserve as other comprehensive income and expenditure.



Actuarial gains and losses	These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have been changed.	Charged to the pensions reserve as other comprehensive income and expenditure.
<b>Contributions</b>		
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 or Loss (FVPL)

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

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

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

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

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

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

#### Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed 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 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 acquisition 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 Services 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 base 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 & 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, landscaping, 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 amortisation. 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 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 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 – i.e. 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:

#### 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 2023. 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 31 March 2024 for which there is a significant risk of material adjustment in the next financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
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</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>

	<p>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>Movement in property valuations analysis</p> <table border="1"> <thead> <tr> <th rowspan="3">Asset Category</th> <th rowspan="3">Net Asset Valuation 31st March 2023 £000</th> <th colspan="2">Increase in Valuation</th> <th colspan="2">Decrease in Valuation</th> </tr> <tr> <th>1%</th> <th>5%</th> <th>1%</th> <th>5%</th> </tr> <tr> <th>£000</th> <th>£000</th> <th>£000</th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>Council Dwellings</td> <td>151,230</td> <td>152,742</td> <td>158,792</td> <td>149,718</td> <td>143,669</td> </tr> <tr> <td>Other Land &amp; Buildings</td> <td>57,681</td> <td>58,258</td> <td>60,565</td> <td>57,104</td> <td>54,797</td> </tr> <tr> <td>Surplus Assets</td> <td>2,463</td> <td>2,488</td> <td>2,586</td> <td>2,438</td> <td>2,340</td> </tr> <tr> <td>Investment Properties</td> <td>40,763</td> <td>41,171</td> <td>42,801</td> <td>40,355</td> <td>38,725</td> </tr> <tr> <td><b>Total</b></td> <td><b>252,137</b></td> <td><b>254,658</b></td> <td><b>264,744</b></td> <td><b>249,616</b></td> <td><b>239,530</b></td> </tr> </tbody> </table>			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	<b>Total</b>	<b>252,137</b>	<b>254,658</b>	<b>264,744</b>	<b>249,616</b>	<b>239,530</b>
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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 2023/24 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</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>																																												

	about the assumptions to be applied in calculating the IAS19 figures for accounting purposes.	
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 2023/24 and earlier financial years in proportion to their share.</p> <p>The Authority has made a provision of £3.460M, based on the best estimate of the amount that businesses have been overcharged up to 31 March 2024. 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.</p>	An increase in the estimated settlement rate of 10% would have the effect of adding £0.346M to the provision needed.
Debtors/Arrears	<p>Note 19 shows non-public sector debtors of £5.634M</p> <p>The level of required provision is based on various assumptions and estimates, such as the national and local economic outlook and previous collection rates. Given the current economic climate, there is some uncertainty as to whether collection rates will be sustained and therefore as to the required level of bad debt provision.</p>	If collection rates were to deteriorate, then the level of bad debt provisions would need to be increased. A 10% increase in impairment of doubtful debts would require an additional amount in the region of £0.560M to be set aside.

## 5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 02 August 2024. 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 2024, 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 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.

2022/23			2023/24			
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>						
8,881	(3,866)	12,747	Environment & Place	9,068	(2,648)	11,716
1,264	(213)	1,477	Governance	1,620	14	1,606
1,737	(3,038)	4,775	Housing & Property	2,194	(1,691)	3,885
(3,217)	(9,537)	6,320	Housing Revenue Account	(3,940)	(9,100)	5,160
2,937	(400)	3,337	People & Policy	3,351	23	3,328
1,645	(325)	1,970	Planning & Climate Change	1,455	3	1,452
3,490	(629)	4,119	Resources	3,605	(311)	3,916
629	2,341	(1,712)	Sustainable Growth	(482)	(1,959)	1,477
94	-	94	Corporate Accounts	2,742	(123)	2,865
<b>17,460</b>	<b>(15,667)</b>	<b>33,127</b>	<b>Net Cost of Services</b>	<b>19,613</b>	<b>(15,792)</b>	<b>35,405</b>
(9,325)	18,971	(28,296)	Other Income and Expenditure	(16,923)	10,588	(27,511)
<b>8,135</b>	<b>3,304</b>	<b>4,831</b>	<b>(Surplus) or Deficit</b>	<b>2,690</b>	<b>(5,204)</b>	<b>7,894</b>
41,764			Opening General Fund & HRA Balances & Reserves	33,629		
(8,135)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(2,690)		
<b>33,629</b>			<b>Closing General Fund and HRA Balance &amp; Reserves at 31/3/2024</b>	<b>30,939</b>		



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.

<b>Adjustments between Funding and Accounting Basis 2023/24</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Environment & Place	(2,759)	111	1	<b>(2,648)</b>
Governance	-	14	-	<b>14</b>
Housing & Property	(1,715)	28	(4)	<b>(1,691)</b>
Housing Revenue Account	(9,153)	55	(2)	<b>(9,100)</b>
People & Policy	-	21	2	<b>23</b>
Planning & Climate Changes	(14)	20	(3)	<b>3</b>
Resources	(328)	18	-	<b>(311)</b>
Sustainable Growth	(1,983)	20	5	<b>(1,958)</b>
Corporate Accounts	-	(123)	-	<b>(123)</b>
<b>Net Cost of Services</b>	<b>(15,953)</b>	<b>163</b>	<b>(2)</b>	<b>(15,792)</b>

Other income and expenditure from the Expenditure and Funding Analysis	11,598	1,461	(2,471)	<b>10,588</b>
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<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(4,356)</b>	<b>1,624</b>	<b>(2,473)</b>	<b>(5,204)</b>
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<b>Adjustments between Funding and Accounting Basis 2022/23</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central Services	-	(142)	-	<b>(142)</b>
Communities & Environment	2,998	(2,038)	(5)	<b>955</b>
Housing Revenue Account	(8,713)	(821)	(4)	<b>(9,538)</b>
Economic Growth & Regeneration	(5,062)	(952)	(5)	<b>(6,019)</b>
Corporate Services	(341)	(580)	(2)	<b>(923)</b>
<b>Net Cost of Services</b>	<b>(11,118)</b>	<b>(4,533)</b>	<b>(16)</b>	<b>(15,667)</b>

Other income and expenditure from the Expenditure and Funding Analysis	14,407	(1,681)	6,245	<b>18,971</b>
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<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>3,289</b>	<b>(6,214)</b>	<b>6,229</b>	<b>3,304</b>
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**Adjustments for Capital Purposes** - this column adds in depreciation, impairment, 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 recognises 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:

	2022/23	2023/24
	£000	£000
Employee benefits expenses	40,035	30,486
Other services expenses	78,753	77,321
Support service recharges	1,408	1,379
Depreciation, amortisation, impairment	16,366	17,184
Interest payments	2,854	2,820
Precepts and levies	2,842	3,435
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	(384)	(557)
<b>Total Expenditure</b>	<b>141,874</b>	<b>132,068</b>
Fees, charges and other service income	(66,588)	(55,706)
Interest and investment income	(6,374)	(789)
Net Income from council tax, non domestic rates, district rate income	(19,547)	(21,737)
Government grants and contributions	(44,534)	(45,942)
<b>Total Income</b>	<b>(137,043)</b>	<b>(124,174)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>4,831</b>	<b>7,894</b>

## 8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2022/23 Comparative Figures						2023/24					
	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
<b>Adjustments to the Revenue Resources:</b>												
<b>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.</b>												
Pensions costs (transferred to (or from) the Pensions Reserve)	(5,113)	(1,102)	-	-	-	-	1,260	364	-	-	-	-
Financial instruments (transferred to the Financial instruments Adjustments Account)	-	-	-	-	-	-	-	-	-	-	-	-
Council tax and NDR (transfers to or from Collection Fund)	6,245	-	-	-	-	-	(2,471)	-	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(12)	(4)	-	-	-	-	-	(2)	-	-	-	-
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)	5,219	(9,567)	-	-	-	-	(6,687)	(9,209)	-	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>6,339</b>	<b>(10,673)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,898)</b>	<b>(8,847)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	181	1,190	(1,371)	-	-	-	474	1,038	(1,512)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(25)	25	-	-	-	-	(21)	21	-	-	-
Payments to the government housing receipts pool funded by a transfer from the Capital Receipts Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,318	-	(4,318)	-	-	-	4,769	-	(4,769)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	105	1,041	-	-	-	-	2,660	1,041	-	-	-	-
Use of the Capital Receipts Reserve to finance revenue expenditure (flexible use of capital receipts)	-	-	-	-	-	-	(477)	-	477	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	522	306	-	-	-	-	132	1,924	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>808</b>	<b>6,830</b>	<b>(1,346)</b>	<b>(4,318)</b>	<b>-</b>	<b>-</b>	<b>2,790</b>	<b>8,751</b>	<b>(1,014)</b>	<b>(4,769)</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>												
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	226	-	-	-	-	-	74	-	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,939	-	-	-	-	-	4,111	-	-
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>226</b>	<b>4,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>4,111</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>7,147</b>	<b>(3,843)</b>	<b>(1,120)</b>	<b>621</b>	<b>-</b>	<b>-</b>	<b>(5,108)</b>	<b>(96)</b>	<b>(940)</b>	<b>(658)</b>	<b>-</b>	<b>-</b>

## 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 2023/24.

	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
Corporate Property Reserve	289	(25)	50	314	-	-	314
Covid 19 Support Reserve	1,747	(1,737)	-	10	-	-	10
Other Commuted Sums	1,389	(109)	(14)	1,266	(38)	265	1,493
Restructuring Reserve	431	(310)	400	521	(70)	-	451
Renewals	837	(237)	462	1,062	(127)	495	1,430
Capital Support	373	(300)	-	73	-	-	73
Corporate Priorities (Budget Support)	2,117	(1,696)	-	421	(116)	150	455
Economic Growth	248	(248)	-	-	-	-	-
Invest to Save Reserve	826	(631)	107	302	(38)	-	264
Lancaster District Hardship Fund	377	(136)	-	241	(135)	-	106
Business Rates Retention Reserve	9,091	(2,019)	400	7,472	(1,633)	5,474	11,313
Welfare Reforms Reserve	325	-	-	325	-	-	325
Homelessness Support	110	-	-	110	-	-	110
Revenue Grants Unapplied	4,358	(3,920)	204	642	(202)	-	440
Other Reserves £100K and under	336	(72)	52	316	(163)	102	255
<b>Total</b>	<b>22,854</b>	<b>(11,440)</b>	<b>1,661</b>	<b>13,075</b>	<b>(2,522)</b>	<b>6,486</b>	<b>17,039</b>
<b>HRA:</b>							
Hsg Mgt System Replacement	579	(174)	39	444	(70)	600	974
Flats Planned Maintenance	817	(62)	33	788	(416)	33	405
Sheltered Housing Reserves	1,456	(343)	-	1,113	(584)	334	863
Business Support Reserve	7,437	(1,568)	-	5,869	(5,287)	-	582
Other Reserves £100K and under	39	-	-	39	(39)	-	-
<b>Total</b>	<b>10,328</b>	<b>(2,147)</b>	<b>72</b>	<b>8,253</b>	<b>(6,396)</b>	<b>967</b>	<b>2,824</b>

### 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.

#### **Covid-19 Support Reserve**

Established to provide support to businesses and vulnerable people in response to the Covid-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 2023/24 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.

	2022/23	2023/24
	£000	£000
Parish council precepts	970	2,014
Payments to the Government Housing Capital Receipts Pool	-	-
(Gains)/losses on the disposal of non-current assets	(384)	(557)
	586	1,457

## 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.

	2022/23	2023/24
	£000	£000
Interest payable and similar charges	2,853	2,820
Pensions interest cost and expected return on pensions	1,681	(1,461)
Interest receivable and similar income	(884)	(1,607)
Income and expenditure in relation to investment properties and changes in their fair value	(5,475)	821
Other investment income and expenditure	1	1
	(1,824)	574

## 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.

	2022/23	2023/24
	£000	£000
Council tax income	(11,125)	(12,533)
Non domestic rates	(6,549)	(7,783)
Non-ringfenced government grants:		
Section 31 Grant	(5,252)	(5,782)
Covid 19 emergency funding, new burdens & Miscellaneous grants	(398)	(134)
New Homes Bonus	(547)	(188)
Revenue Support Grant	(211)	(406)
Services Grant	(395)	(223)
Lower Tier Services Grant	(262)	-
Funding Guarantee	-	(615)
Capital grants and contributions	(2,319)	(1,878)
	(27,058)	(29,542)

### 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
<b>Cost/Valuation</b>							
<b>Balance as at 1 April 2023</b>	<b>155,539</b>	<b>66,393</b>	<b>30,797</b>	<b>8,719</b>	<b>2,551</b>	<b>140</b>	<b>264,139</b>
Additions	4,621	4,049	1,801	-	233	631	11,335
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	7,671	12,073	-	-	(4)	-	19,740
Revaluation Increases/(Decreases) Recognised on the Surplus/Deficit on the Provision of Services	(4,554)	1,376	-	-	(233)	(136)	(3,547)
Derecognition - Disposals	(760)	-	(787)	-	(296)	-	(1,843)
Assets Reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-
Other Transfers	(42)	(972)	-	-	-	42	(972)
<b>Balance as at 31 March 2024</b>	<b>162,475</b>	<b>82,919</b>	<b>31,811</b>	<b>8,719</b>	<b>2,251</b>	<b>677</b>	<b>288,852</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>Balance as at 1 April 2023</b>	<b>(4,309)</b>	<b>(8,712)</b>	<b>(18,492)</b>	<b>(49)</b>	<b>(88)</b>	<b>-</b>	<b>(31,650)</b>
Depreciation Charge	(4,769)	(3,475)	(2,231)	(5)	(54)	-	(10,534)
Depreciation on Revaluations Written Back Recognised in the Revaluation Reserve	4,105	6,130	-	-	88	-	10,323
Depreciation on Revaluations Written Back Recognised in the Surplus/Deficit on Provision of Services	170	324	-	-	-	-	494
Derecognition - Disposals	39	-	765	-	24	-	828
<b>Balance as at 31 March 2024</b>	<b>(4,764)</b>	<b>(5,733)</b>	<b>(19,958)</b>	<b>(54)</b>	<b>(30)</b>	<b>-</b>	<b>(30,539)</b>
<b>Net Book Value</b>							
at 31 March 2023	151,230	57,681	12,305	8,670	2,463	140	232,489
at 31 March 2024	157,711	77,186	11,853	8,665	2,221	677	258,313

	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
<b>Cost/Valuation</b>							
<b>Balance as at 1 April 2022</b>	<b>145,261</b>	<b>57,090</b>	<b>26,066</b>	<b>8,719</b>	<b>4,930</b>	<b>1,481</b>	<b>243,547</b>
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)
<b>Balance as at 31 March 2023</b>	<b>155,539</b>	<b>66,393</b>	<b>30,797</b>	<b>8,719</b>	<b>2,551</b>	<b>140</b>	<b>264,139</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>Balance as at 1 April 2022</b>	<b>(3,787)</b>	<b>(6,966)</b>	<b>(17,304)</b>	<b>(44)</b>	<b>(43)</b>	<b>-</b>	<b>(28,144)</b>
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
<b>Balance as at 31 March 2023</b>	<b>(4,309)</b>	<b>(8,712)</b>	<b>(18,492)</b>	<b>(49)</b>	<b>(88)</b>	<b>-</b>	<b>(31,650)</b>
<b>Net Book Value</b>							
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

## Infrastructure Assets

Movements on Balances	2022/23 £000	2023/24 £000
Opening Net Book Value	39,670	37,941
Additions	347	13
De-recognition	-	-
Other Transfers	-	-
Depreciation	(2,076)	(2,000)
Closing Net Book Value	37,941	35,954

Total Property Plant & Equipment	2022/23 £000	2023/24 £000
Infrastructure Assets	37,941	35,954
Other PPE Assets	232,489	258,313
<b>Total PPE Assets</b>	<b>270,430</b>	<b>294,267</b>

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

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide 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 2024, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 anticipated to cost £2.865M. Similar commitments at 31 March 2023 were £1.640M. The major commitments are:

■ Vehicle Fleet Programme	£0.427M
■ Local Full Fibre Network	£0.765M
■ HRA Capital Works	£1.505M

### Revaluations

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

The significant assumptions applied in estimating the fair values are:

- Values are given as at 01 April for the given year.



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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	-	11,853	-	11,853
Valued at current value as at:	-	-	-	-	-
31 March 2024	157,713	67,199	-	2,221	227,133
31 March 2023	-	6,146	-	-	6,146
31 March 2022	-	1,778	-	-	1,778
31 March 2021	-	-	-	-	-
31 March 2020	-	-	-	-	-
<b>Total Cost or Valuation</b>	<b>157,713</b>	<b>75,123</b>	<b>11,853</b>	<b>2,221</b>	<b>246,910</b>

## 14 HERITAGE ASSETS

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

	2022/23	2023/24
	£000	£000
<b>Opening Balance</b>		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	<b>9,518</b>	<b>9,518</b>
<b>Disposals</b>	-	-
<b>Revaluations</b>	-	-
<b>Closing Balance</b>		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	<b>9,518</b>	<b>9,518</b>

### 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 MA in Museums Studies together with a BA (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.

	2022/23	2023/24
	£000	£000
Rental income from investment property	(3,204)	(2,975)
Direct operating expenses arising from investment property	3,524	1,653
<b>Net (gain)/loss</b>	<b>320</b>	<b>(1,322)</b>

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.

	2022/23	2023/24
	£000	£000
<b>Balance as at 1 April</b>	<b>34,025</b>	<b>40,763</b>
Additions:		
- Purchases	-	-
- Construction	154	-
- Subsequent Expenditure	419	(6)
Disposals:	(150)	-
Net gains/losses from fair value adjustments	5,518	(807)
Transfers:		
- to/from Property, Plant & Equipment	797	972
<b>Balance as at 31 March</b>	<b>40,763</b>	<b>40,922</b>

## Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2024 are as follows:

2023/24	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 2024
	£000	£000	£000	£000
<i>Recurring fair value measurements using:</i>				
Office	-	-	5,038	5,038
Retail	-	3,438	2,738	6,176
Agriculture & Allotments	-	3	31	34
Commercial Land	-	6,888	1,974	8,862
Commercial Buildings	-	9,771	1,953	11,724
Mixed Commercial	-	-	9,089	9,089
<b>Total</b>	-	<b>20,100</b>	<b>20,823</b>	<b>40,923</b>

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
	£000	£000	£000	£000
<i>Recurring fair value measurements using:</i>				
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
<b>Total</b>	-	<b>21,330</b>	<b>19,433</b>	<b>40,763</b>

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, the highest and best use of the properties is their current use.

If the land was to be sold it has a potential alternative use as a solar farm. It has, therefore, been valued at £6.9M 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

	2023/24
	£000
<b>Balance as at 1 April</b>	<b>19,433</b>
Transfers in	972
Transfers out	-
Total gains/losses for the period included in Surplus or Deficit on the Provision of Services resulting from changes in fair value	424
Additions	(6)
Disposals	-
<b>Balance as at 31 March</b>	<b>20,823</b>

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.

	2022/23	2023/24
	£000	£000
<b>Balance at start of year:</b>		
- Gross carrying amounts	934	934
- Accumulated amortisation	(915)	(932)
<b>Net carrying amount at start of year</b>	<b>19</b>	<b>2</b>
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	(17)	(2)
<b>Net carrying amount at the end of year</b>	<b>2</b>	<b>-</b>
<b>Comprising:</b>		
- Gross carrying amounts	934	934
- Accumulated amortisation	(932)	(934)
<b>Balance as at 31 March</b>	<b>2</b>	<b>-</b>

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 2023	31 March 2024	31 March 2023	31 March 2024
	£000	£000	£000	£000
<b>Investments</b>				
Amortised Cost	-	-	-	-
Fair value through profit or loss	-	-	-	-
Fair value through other comprehensive income - designated equity	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
<b>Total investments</b>	-	-	-	-
<b>Debtors</b>				
Amortised Cost	96	93	18,521	20,982
Fair value through profit or loss	-	-	-	-
Fair value through other comprehensive income - designated equity	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
<b>Total Debtors</b>	<b>96</b>	<b>93</b>	<b>18,521</b>	<b>20,982</b>
<b>Bank account</b>	-	-	24,251	10,784
<b>Total assets</b>	<b>96</b>	<b>93</b>	<b>42,772</b>	<b>31,766</b>
<b>Borrowings</b>				
Amortised Cost	(57,960)	(56,919)	(1,041)	(1,041)
Fair value through profit or loss	-	-	-	-
Lease liabilities	-	-	-	-
<b>Total borrowings</b>	<b>(57,960)</b>	<b>(56,919)</b>	<b>(1,041)</b>	<b>(1,041)</b>
<b>Creditors</b>				
Amortised Cost	(239)	(169)	(38,748)	(32,999)
Fair value through profit or loss	-	-	-	-
<b>Total Creditors</b>	<b>(239)</b>	<b>(169)</b>	<b>(38,748)</b>	<b>(32,999)</b>
<b>Bank (Overdraft) / Cash in Hand</b>	-	-	-	-
<b>Total liabilities</b>	<b>(58,199)</b>	<b>(57,088)</b>	<b>(39,789)</b>	<b>(34,040)</b>

## Income, Expenses, Gains and Losses

	2022/23					2023/24				
	Financial Assets measured at amortised cost £000	Financial Assets measured at Fair value through profit or loss £000	Financial Assets Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Liabilities measured at Fair value through profit or loss £000	Financial Assets Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest payable	2,853	-	-	-	2,853	2,820	-	-	-	2,820
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>2,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,853</b>	<b>2,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,820</b>
Interest income	(884)	-	-	-	(884)	(1,607)	-	-	-	(1,607)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains and derecognition	-	-	-	-	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>(884)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(884)</b>	<b>(1,607)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,607)</b>
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (gain)/loss for the year</b>	<b>1,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,969</b>	<b>1,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,213</b>

## 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 4.27% and 4.29%.

	31 March 2023		31 March 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	97,749	111,593	90,959	99,441
Long-term creditors & provisions	5,003	5,003	4,146	4,146
<b>Total</b>	<b>102,752</b>	<b>116,596</b>	<b>95,105</b>	<b>103,587</b>

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 2023		31 March 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	42,772	42,772	31,766	31,766
Long-term debtors *	96	96	93	93
<b>Total</b>	<b>42,868</b>	<b>42,868</b>	<b>31,859</b>	<b>31,859</b>

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 April</b>	-	-	704	842	116	115	820	957
Purchases	-	-	1,498	1,382	637	282	2,135	1,664
Recognised as an expense in the year	-	-	(1,360)	(1,415)	(637)	(326)	(1,997)	(1,741)
Written off balances	-	-	-	-	(1)	(11)	(1)	(11)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance as at 31 March</b>	-	-	842	809	115	60	957	869

## 19 SHORT TERM DEBTORS

	31 March 2023	31 March 2024
	£000	£000
Council Taxpayers	1,576	1,691
Central Government Bodies	1,703	3,759
Housing Rents	313	285
Other Local Authorities	10,361	11,589
Commercial Ratepayers	450	543
Other Entities and Individuals	4,118	3,115
	<b>18,521</b>	<b>20,982</b>

## 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 2023 £000	31 March 2024 £000
Bank current account	251	284
Investments < 3 months	24,000	10,500
	<b>24,251</b>	<b>10,784</b>

## 21 ASSETS HELD FOR SALE

The Council currently has no assets held for sale.

## 22 SHORT TERM CREDITORS

	31 March 2023 £000	31 March 2024 £000
Council Taxpayers	(306)	(305)
Central Government Bodies	(24,719)	(19,210)
Housing Rents	(470)	(496)
Other Local Authorities	(4,288)	(3,669)
Commercial Ratepayers	(184)	(171)
Other Entities and Individuals	(8,781)	(9,148)
	<b>(38,748)</b>	<b>(32,999)</b>

## 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
<b>Balance as at 1 April 2023</b>	<b>(237)</b>	<b>(4,478)</b>	<b>(49)</b>	<b>(4,764)</b>
Contribution to Provision	(462)	-	-	(462)
Amounts Paid	231	1,018	-	1,249
<b>Balance as at 31 March 2023</b>	<b>(468)</b>	<b>(3,460)</b>	<b>(49)</b>	<b>(3,977)</b>

### **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.

	<b>31 March 2023 £000</b>	<b>31 March 2024 £000</b>
General Fund Balance	11,678	10,327
HRA Balance	623	750
HRA Business Plan Reserve	5,869	582
Housing Mgt System Replacement Reserve	444	974
Flats Planned Maintenance	788	405
Major Repairs Reserve	121	779
Sheltered Equipment	234	299
Sheltered Planned Maintenance	387	284
Sheltered Support Grant Maintenance	492	280
Renewals Reserve	834	1,171
Other Commuted Sums	1,266	1,493
Corporate Property Reserve	314	314
Restructuring Reserve	521	451
Welfare Reforms Reserve	325	325
Invest to Save Reserve	302	264
Capital Grants Unapplied	102	102
Capital Receipts Unapplied	2,389	3,331
Business Rates Retention Reserve	7,472	11,313
Revenue Grants Unapplied	642	440
Corporate Priorities (Budget Support) Reserve	421	455
Homelessness Support Reserve	111	111
Car Parks Reserve	123	135
Lancaster District Hardship Fund	240	106
City Council Elections Reserve	115	17
Other Reserves under £100K	429	444
<b>Total usable reserves</b>	<b>36,242</b>	<b>35,152</b>

## 25 UNUSABLE RESERVES

	31 March 2023 £000	31 March 2024 £000
Revaluation Reserve	104,783	128,467
Financial Instruments Adjustment Account	(143)	(143)
Capital Adjustment Account	117,331	117,754
Pensions Reserve	31,149	44,689
Deferred Credits	-	-
Accumulated Absences Account	(229)	(231)
Collection Fund Adjustment Account	3,801	1,330
<b>Total unusable reserves</b>	<b>256,692</b>	<b>291,866</b>

### 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.

	2022/23 £000	2023/24 £000
<b>Balance as at 1 April</b>	<b>93,433</b>	<b>104,783</b>
Upwards revaluation of assets	16,062	30,724
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(232)	(661)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	15,830	30,063
Difference between fair value depreciation and historical cost depreciation.	(4,053)	(5,757)
Accumulated gains on assets sold or scrapped	(427)	(622)
Amount written off to the Capital Adjustment Account	(4,480)	(6,379)
<b>Balance as at 31 March</b>	<b>104,783</b>	<b>128,467</b>

### 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 amortisation 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.

	2022/23	2023/24
	£000	£000
<b>Balance as at 1 April</b>	<b>110,063</b>	<b>117,331</b>
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	(10,369)	(12,528)
- Revaluation gains/(losses) on Property, Plant and Equipment	(576)	(3,053)
- Amortisation of Intangible Assets	(17)	(2)
- Revenue Expenditure funded from Capital under statute.	(3,029)	(3,010)
- 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	(1,025)	(1,014)
<b>Sub total</b>	<b>96,088</b>	<b>98,765</b>
Adjusting amounts written out of the Revaluation Reserve	4,480	6,379
Write down long-term loan debtor by principal repaid in year	(3)	(3)
<b>Net written out amount of the cost of non current assets consumed in the year.</b>	<b>100,565</b>	<b>105,141</b>
Capital financing applied in the year:		
- Use of Capital Receipts Reserve	226	75
- Use of the Major Repairs Reserve	4,938	4,111
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement (including those in respect of donated assets)	5,152	4,518
- 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	105	2,660
- Capital expenditure charged against the General Fund and HRA balances	827	2,056
<b>Sub total</b>	<b>111,813</b>	<b>118,561</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure statement	5,518	(807)
<b>Balance as at 31 March</b>	<b>117,331</b>	<b>117,754</b>

### 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 benefitting 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.

	2022/23	2023/24
	£000	£000
<b>Balance as at 1 April</b>	<b>(143)</b>	<b>(143)</b>
Premiums and discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements	-	-
<b>Balance as at 31 March</b>	<b>(143)</b>	<b>(143)</b>

### 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.

	2022/23 Restated £000	2023/24 £000
<b>Balance as at 1 April</b>	<b>(53,440)</b>	<b>31,149</b>
Actuarial gains or (losses) on pensions assets and liabilities	90,323	11,916
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(9,784)	(2,612)
Employer's pension contribution and direct payments to pensioners payable in the year	4,050	4,236
<b>Balance as at 31 March</b>	<b>31,149</b>	<b>44,689</b>

### 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.

	2022/23 £000	2023/24 £000
<b>Balance as at 1 April</b>	<b>(2,444)</b>	<b>3,801</b>
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	6,245	(2,471)
<b>Balance as at 31 March</b>	<b>3,801</b>	<b>1,330</b>

### 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.

	2022/23 £000	2023/24 £000
<b>Balance as at 1 April</b>	<b>(213)</b>	<b>(229)</b>
Settlement or cancellation of accrual made at the end of the preceding year	213	229
Amounts accrued at the end of the current year	(229)	(231)
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	(16)	(2)
<b>Balance as at 31 March</b>	<b>(229)</b>	<b>(231)</b>

## 26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2022/23 £000	2023/24 £000
Interest received	634	1,642
Interest paid	(2,854)	(2,820)

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

	2022/23	2023/24
	£000	£000
Depreciation	10,369	12,528
Impairment & downward valuations	584	3,059
Amortisation	17	2
Increase/(decrease) in creditors	(13,937)	1,581
(Increase)/decrease in debtors	(628)	(1,850)
(Increase)/decrease in inventories	(137)	88
Movement in pension liability	7,772	(1,624)
Carrying amount of non-current assets and assets held for sale sold or derecognised	1,026	1,014
Other non- cash items charged to the net surplus of deficit on the provision of services	(7,415)	20
	<b>(2,349)</b>	<b>14,818</b>

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

	2022/23	2023/24
	£000	£000
Proceeds from short-term and long-term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,370)	(1,512)
Any other items for which the cash effects are investing or financing cash flows	(5,152)	(4,518)
	<b>(6,522)</b>	<b>(6,030)</b>

## 27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2022/23	2023/24
	£000	£000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(12,601)	(11,187)
Purchase of short-term and long-term investments	-	-
Receipts from sale of Property, Plant and Equipment, investment property and intangible assets	1,417	357
Other payments from investing activities	3,037	1,512
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	5,553	4,434
<b>Net cash flows from investing activities</b>	<b>(2,594)</b>	<b>(4,884)</b>

## 28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2022/23	2023/24
	£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	(2,187)	(8,436)
<b>Net cash flows from financing activities</b>	<b>(3,228)</b>	<b>(9,477)</b>

## 29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2023/24

## 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.

	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Trade Waste</b>					
Turnover	(1,493)	(1,190)	(1,538)	(1,649)	(1,899)
Expenditure	1,015	983	1,052	1,023	1,158
(Surplus)/Deficit	(478)	(207)	(486)	(626)	(741)
<b>Garden Waste</b>					
Turnover	(901)	(961)	(992)	(989)	(1,024)
Expenditure	1,064	1,165	1,268	1,487	1,490
(Surplus)/Deficit	163	204	276	498	466
<b>Markets</b>					
Turnover	(400)	(117)	(359)	(389)	(401)
Expenditure	340	315	365	409	352
(Surplus)/Deficit	(60)	198	6	20	(49)
<b>Commercial Properties / Industrial Units</b>					
Turnover	(1,400)	(1,601)	(2,487)	(3,017)	(2,640)
Expenditure	700	538	878	1,902	1,493
(Surplus)/Deficit	(700)	(1,063)	(1,609)	(1,115)	(1,147)
<b>Consolidated</b>					
Turnover	(4,194)	(3,869)	(5,376)	(6,044)	(5,964)
Expenditure	3,119	3,001	3,563	4,821	4,493
(Surplus)/Deficit	(1,075)	(868)	(1,813)	(1,223)	(1,471)

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.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Net (surplus)/deficit on trading operations	(1,075)	(868)	(1,813)	(1,223)	(1,471)
Trading expenditure and income included within Surplus or Deficit on the Provision of Services	-	-	-	-	-
<b>Net (surplus)/deficit</b>	<b>(1,075)</b>	<b>(868)</b>	<b>(1,813)</b>	<b>(1,223)</b>	<b>(1,471)</b>

## 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.

	2022/23	2023/24
	£000	£000
Expenditure on agency arrangement	228	251
Income on agency arrangement	(162)	(172)
<b>Net deficit arising on agency arrangements</b>	<b>66</b>	<b>79</b>

## 32 MEMBERS' ALLOWANCES

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

	2022/23	2023/24
	£000	£000
Basic Allowances	240	253
Special Responsibility Allowances	90	92
Expenses	1	2
<b>Total</b>	<b>331</b>	<b>347</b>

### 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)
2023/24	£000	£000	£000	£000	£000	£000
Chief Executive	128			128	21	149
Deputy Director Communities & the Environment	73		39	112	14	126
Head of Community Involvement & Leisure	102			102	13	115
Chief Officer Resources (S151)	83			83	14	97
Chief Officer Governance	83			83	14	97
Chief Officer Housing & Property	75			75	12	87
Chief Officer Planning & Climate Change	75			75	12	87
Chief Officer Sustainable Growth	74			74	12	86
Chief Officer Environment & Place	74			74	12	86
Chief Officer People & Policy	74			74	12	86
Head of Public Protection	72			72	12	84
Engagement Manager	64			64	11	75
Accountancy Manager	56			56	9	65
Neighbourhoods & Support Services Manager	58			58	9	67
Principal Housing Options Manager	57			57	9	66
Senior Solicitor	56			56	9	65
Repairs & Maintenance Manager	55			55	9	64
Culture & Heritage Manager	55			55	9	64
Digital Transformation Lead	55			55	9	64
Leisure General Manager	55			55	9	64
ICT Operations Manager	53			53	9	62
Principal Accountant	53			53	9	62
Service Manager - Planning & Housing Strategy	53			53	8	61
Service Manager - Development Management	53			53	8	61
Licensing Manager	52			52	9	61
Regeneration Service Manager	52			52	8	60
Service Lead Energy & Sustainability	52			52	8	60
Lawyer (Criminal)	51			51	8	59
Museums Development Manager	51			51	8	59
Lawyer (Civil)	51			51	8	59
Property and Contracts Solicitor	51			51	8	59
Public Realm Operations Manager	50			50	8	58
National Landscape Manager	50			50	8	58
Projects and Performance Manager	50			50	8	58
Home Improvement Agency Manager	50			50	8	58
Community Hub and Performance Manager	50			50	8	58
Senior HR Business Partner	48			48	8	56
Housing Development Manager	48			48	8	56
Community Protection Team Leader	48			48	8	56
Operations Manager (Waste & Recycling)	48			48	8	56
Planning Applications Manager	47			47	8	55
Estates Surveyor	47			47	8	55
Senior EHO (Food)	47			47	8	55
Electrical Manager	47			47	8	55
Commercial Protection Manager	47			47	7	54
Principal Conservation Officer	47			47	7	54
Principal Democratic Support Officer	47			47	7	54
Principal Planning Policy Officer	47			47	7	54
Principal Housing Strategy Officer	47			47	7	54
Technical Manager	47			47	7	54
Principal Democratic Support Officer	47			47	7	54
Principal Planning Officer	47			47	7	54
Elections Manager	47			47	7	54
Exchequer Services Manager	47			47	7	54
Public Realm Improvement Lead	47			47	7	54
Community Housing Manager	47			47	7	54
Principal Planning Policy Officer	46			46	7	53
Facilities Manager	46			46	7	53
Asset Manager	46			46	7	53
HR Business Partner	46			46	7	53
Energy & Sustainability Project Manager	46			46	7	53
Housing Adaptions Manager	46			46	7	53
Operations Manager	46			46	7	53
Responsive Repairs Manager	46			46	7	53
Service Support Manager	46			46	7	53
Communications & Media Relations Manager	46			46	7	53
Customer Services Manager	46			46	7	53
Arboricultural Officer	46			46	7	53
Project Engineer	46			46	7	53
Planned Maintenance / Stores Manager	45			45	7	52

	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

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £	2023/24 £
£0 - £20,000	-	-	2	21	2	21	6,424	186,683
£20,001 - £40,000	-	-	2	6	2	6	58,686	172,719
£40,001 - £60,000	-	-	-	4	-	4	-	188,316
£60,001 - £80,000	-	-	-	1	-	1	-	65,047
£80,001 - £100,000	-	-	-	1	-	1	-	82,212
£100,001 - £150,000	-	-	-	2	-	2	-	237,635
£150,001 - £200,000	-	-	-	1	-	1	-	178,956
<b>Total</b>	-	-	4	36	4	36	65,110	1,111,568

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.

	2022/23 £000	2023/24 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	-	40
Additional Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for previous years	-	-
Fees payable in respect of other services provided by external auditors for the year	56	41
<b>Total</b>	<b>56</b>	<b>81</b>

In 2022/23 Deloitte LLP were the designated auditors to perform the main audit and KPMG provided other services. In 2023/24 KPMG performed the main audit and provided other services.

### 35 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2022/23	2023/24
Credited to Taxation and Non Specific Grant Income	£000	£000
DLUHC	-	1,043
Environment Agency Caton Road Flood Relief Scheme	347	-
Funding Guarantee	-	606
Homes & Communities Agency	576	-
Lancashire County Council	-	87
Leaseholder Contributions	-	650
Lower Tier Service Grant	262	232
New Burdens	329	64
New Homes Bonus	547	188
Revenue Support Grant	211	406
S31 Business Rates Grants	5,252	5,782
Salix Public Sector Decarbonisation Scheme	1,303	-
Services Grant	395	-
Other Grants Under £50K	162	168
<b>Total</b>	<b>9,384</b>	<b>9,226</b>

	2022/23	2023/24
Credited to Services	£000	£000
Active Lives: Other Grants	100	67
Arnsdale & Silverdale AONB Grants	166	166
BEIS Heat Networks Delivery Unit Grant	-	63
Benefits DWP grant	707	883
COVID Clinically Extremely Vulnerable	415	-
COVID COMF	802	148
COVID Community Vaccine Champions	184	135
COVID Emergency Assistance Grant	1,903	1,720
DCLG Cyber Security Grant	98	-
DCLG EU Exit Grant	126	84
DCLG Housing Options	981	1,253
DCLG Local Council Tax Support Grant	171	-
DEFRA Farming in Protected Landscapes	148	191
DEFRA Port Health Authority	121	66
Discretionary Energy Rebate Scheme	300	-
Discretionary Housing Payments	169	184
DLUHC Changing Futures	410	445
DLUHC Changing Places Fund	83	-
DLUHC Emergency Incident	-	830
DLUHC Neighbourhood Planning Grant	60	74
DLUHC New Burdens - Voter ID Regulations	-	83
DLUHC Rural England Prosperity Fund	-	102
DLUHC Transformation Challenge Award	-	122
DLUHC UK Shared Prosperity Fund	82	1,500
Friends of Greaves Park	55	-
Friends of Torrisholme Play Park	50	-
Heritage England - Lancaster Heritage Action Zone	289	234
Homes & Communities Agency - Bailrigg Garden Village	8	-
Homes & Communities Agency - Next Steps Accommodation	-	80
Lancashire County Council - Economic Recovery & Growth	-	72
Lancashire County Council - Morecambe Sparkle	287	213
Lancashire County Council - Refugees	347	375
MHCLG (formerly DCLG) Disabled Facilities Grant	2,457	2,023
NNDR Administration: Government Grants	210	210
Rent Rebates - Council Housing: Government Grants	5,751	6,102
Standard Rent Allowances: Government Grants	17,706	18,346
Supporting People	548	597
Other Grants Under £50K	416	348
<b>Total</b>	<b>35,150</b>	<b>36,716</b>

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:

	2022/23	2023/24
Capital Grants Receipts in Advance	£000	£000
BEIS	1,015	-
DEFRA Electric Taxis Air Quality Grant	-	342
DFG Grant	1,149	1,431
DLUHC Brownfield Land Release Fund	-	3,435
DLUHC UK Shared Prosperity Fund	3,729	201
Environment Agency	868	1,663
Other Grants Under £50K	73	119
<b>Total</b>	<b>6,834</b>	<b>7,191</b>

### 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 2024 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 2023/24 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 2023/24, most notably:

- Lancaster Citizens Advice Bureau
- The Dukes Playhouse
- Lancaster CVS

The total of members’ allowances paid in 2023/24 is shown in Note 32. During 2023/24, 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, Morehomes For The Bay (Investments) Ltd and Morehomes For The Bay (Developments) Ltd. The companies are currently not trading and do not hold any assets.

#### **Partnership Working**

During 2023/24 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 (alongside Lancaster City Council)
Revenues & Benefits Shared Services	Preston City Council
Corporate Enquiry Team	Preston City Council / Fylde Borough Council
Lancaster Business Improvement District	Lancashire County Council / NW Chamber of Commerce / Lancashire Constabulary / Local Businesses
Morecambe Business Improvement District	Lancashire County Council / NW Chamber of Commerce / Lancashire Constabulary / Local Businesses
Building Control Service Partnership	Urban Vision
Global Link	Lancashire County Council
Lancaster High Street Heritage Action Plan	Historic England / Lancashire County Council
Supported Temporary Accommodation	Calico
Rough Sleeper Floating Support	Calico-Acom Group
Lancashire Home Energy Officers Group	All Lancashire Authorities with Blackpool as Accountable Body and Rhea Projects as Delivery Agent
Community Safety Partnership	Lancashire County Council / Lancashire Constabulary / Lancashire Fire & Rescue Service / Lancashire Police Authority / North Lancashire PCT / Youth Offending Team / Lancashire Probation Service
Community Development Partnership	Lancashire County Council / Ridge Community Centre (YMCA & EMUES CIC) / March Community Centre
Lancashire Parking Services	Lancashire County Council / Wyre Borough Council / South Ribble Borough Council
Changing Futures	Lancashire County Council / Blackburn with Darwen Council / The Well Communities CIC / Probation / Police / Lancashire Care NHS Foundation
Lapwing Housing Co-operative	Lapwing Housing Co-Operative
Eden Project Morecambe Steering Group	Eden Project / Lancashire County Council / Lancashire Enterprise Partnership / Lancaster University.
England's Historic Cities	Other historic cities in England; Carlisle / Durham / Lancaster / York / Chester / Lincoln / Stratford Upon Avon / Cambridge / Oxford / Bath / Greenwich / Salisbury / Canterbury
Lancaster District Armed Forces Partnership	MOD / Lancashire Covenant Group / DWP / Lancashire Constabulary / Lancashire Fire Service / Bay Medical Group / Lancaster Medical Practice / University Hospitals of Morecambe Bay / Royal British Legion / SSAFA / RAF Association / First Light Trust / Morecambe Football Club and various support groups in the district
Lancaster District Strategic Partnership	Lancaster University / University of Cumbria / Lancaster District CVS / Lancaster Arts Partnership / Lancaster and Morecambe College / Lancaster District Chamber of Commerce / University Hospitals of Morecambe Bay / Lancashire and South Cumbria ICB / Lancashire County Council
Lancashire Strategic Flood Risk Partnership - Tactical Officers Group	Lancaster City Council / Lancashire County Council / Environment Agency / United Utilities
Northern Coastal Subgroup	Lancaster City Council / Lancashire County Council / EA / Sefton / West Lancashire / Wyre / Fylde / Blackpool / Westmorland & Furness / Cumberland / Natural England / MMO

### 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.

	2022/23	2023/24
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>95,237</b>	<b>98,694</b>
<i>Capital investment:</i>		
Property, Plant and Equipment	12,152	11,116
Investment Properties	573	227
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	3,029	3,010
<i>Sources of financing:</i>		
Capital Receipts	(226)	(75)
Government Grants and Other Contributions	(5,152)	(4,518)
Direct Revenue Contributions	(827)	(2,056)
Minimum Revenue Provision	(1,146)	(3,702)
Depreciation of HRA non dwellings	(7)	(6)
Major Repairs Reserve	(4,939)	(4,111)
<b>Closing Capital Financing Requirement</b>	<b>98,694</b>	<b>98,579</b>
<i>Explanation of movements in year:</i>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	3,457	(115)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>3,457</b>	<b>(115)</b>

## 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 2023	31 March 2024
	£000	£000
Not later than 1 year	1,613	1,731
Later than 1 year and not later than 5 years	5,531	5,860
Later than 5 years	4,814	4,941
<b>Minimum lease payments</b>	<b>11,958</b>	<b>12,532</b>

## 39 IMPAIRMENT LOSSES

During 2023/24 the Council has not recognised any impairment losses in relation to non-current asset valuations.

## 40 TERMINATION BENEFITS

There were 36 terminations in 2023/24 totalling £1,111,568 (4 totalling £65,110 in 2022/23).

## 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. This arrangement ended in 2022/23 and contributions are now made annually based on salaries.

### Transactions Relating to Post-Employment Benefits

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

	Local Government Pension Scheme	
	Restated	
Comprehensive Income and Expenditure Statement	2022/23	2023/24
	£000	£000
<i>Cost of services:</i>		
Current service cost	8,257	3,950
Past service cost	-	-
Administration expenses	128	136
Settlements and curtailments	-	123
<i>Financing &amp; Investment Income &amp; Expenditure:</i>		
Interest costs	7,557	9,121
Expected return on scheme assets	(6,158)	(10,718)
<b>Total Post Employment Benefit Charged to Provision of Services</b>	<b>9,784</b>	<b>2,612</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>		
Actuarial gains and losses	(90,323)	(11,916)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(80,539)</b>	<b>(9,304)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for net Provision of Services for post employment benefits in accordance with the Code	(9,784)	(2,612)
Reversal of actuarial gains and losses recognised in other Comprehensive Income and Expenditure	90,323	11,916
<b>Net charge in relation to pension adjustments</b>	<b>-</b>	<b>-</b>
Actual amount charged against Funds for pensions in the year - employers contributions	4,050	4,236
<i>* Net Movement on Pension Fund Reserve</i>	<i>84,589</i>	<i>13,540</i>

### 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	
	Restated		Restated	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
Present value of the defined benefit obligation	190,336	193,381	2,792	2,623
Fair value of plan assets	(224,277)	(240,693)	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(33,941)</b>	<b>(47,312)</b>	<b>2,792</b>	<b>2,623</b>

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 2024 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	
	Restated	
	2022/23	2023/24
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>215,816</b>	<b>224,277</b>
Interest income	6,053	10,718
Remeasurement gain/(loss)	4,666	7,810
Administration expenses	(128)	(136)
Employer contributions	4,050	4,236
Contributions by scheme participants	1,395	1,468
Benefits paid	(7,575)	(7,680)
<b>Closing fair value of scheme assets</b>	<b>224,277</b>	<b>240,693</b>

#### Reconciliation of Present Value of the Scheme Liabilities:

	Funded Liabilities		Unfunded Liabilities	
	Restated		Restated	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>270,156</b>	<b>190,336</b>	<b>2,854</b>	<b>2,792</b>
Current service cost	8,257	3,950	-	-
Interest cost	7,482	8,993	75	128
Contributions from scheme participants	1,395	1,468	-	-
Remeasurement (gains) and losses	(89,674)	(4,069)	158	(37)
Past service cost	-	-	-	-
Curtailments	-	123	-	-
Benefits paid	(7,280)	(7,420)	(295)	(260)
<b>Closing balance at 31 March</b>	<b>190,336</b>	<b>193,381</b>	<b>2,792</b>	<b>2,623</b>

#### Local Government Pension Scheme assets comprised:



	2022/23	2023/24
	£000	£000
Equities:		
Financials	261	264
Bonds:		
UK corporate	-	-
Overseas corporate	462	192
UK Fixed gilts	-	-
UK index linked	-	-
Overseas Fixed Interest	-	-
Property:		
Offices	42	42
Offices/Warehouse	-	-
Industrial/Warehouse	1,618	1,256
Shops	451	806
Retail Warehouse	-	-
Shopping Centre	-	-
Multi let Commercial Building	1,267	989
Alternatives:		
UK private equity	3,882	3,898
Overseas private equity	14,913	14,228
Infrastructure	34,887	36,400
Credit funds	32,545	35,595
Pooled Fixed Income	3,232	9,296
Indirect Property Funds	19,743	19,140
UK Pooled Equity Funds	2,374	728
Overseas Pooled Equity Funds	106,818	113,408
Cash:		
Cash and cash equivalents	-	-
Cash accounts	1,783	4,450
Net current assets	-	-
<b>Closing fair value of scheme assets</b>	<b>224,277</b>	<b>240,692</b>

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	196,004	181,860	203,484	197,227	200,684
Assets	(240,693)	(240,693)	(240,693)	(240,693)	(240,693)
Deficit/(Surplus)	(44,689)	(58,833)	(37,209)	(43,466)	(40,009)
Projected Service Cost for next year	3,775	3,226	4,077	3,775	3,876
Projected Net Interest Cost for next year	(2,287)	(3,284)	(1,913)	(2,220)	(2,051)

### 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 £4.236M expected contributions to the scheme in 2023/24 (£4.050M in 2022/23). The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2023/24, (17 years 2022/23).

#### 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 2024:

**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 2024. 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 2024.

#### 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 2023/24 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 mths
Banks	green	£3m	≤100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (for non-specified investments)	n/a	£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 £10.5M cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, 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 £10.5M, there was no evidence at 31 March 2024 that this was likely to materialise.

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

	Balance 31/03/24	Historical experience of default	Exposure at 31/03/24	Exposure at 31/03/23
	£000	%	£000	£000
	(a)	(b)	(a * b)	
AAA rated counterparties	-	0%	0%	0%
Trade debtors	3,115	Bad debt provision	2,630	2,239
<b>Total</b>	<b>3,115</b>		<b>2,630</b>	<b>2,239</b>

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 £2.4M 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:

	31/03/23	31/03/24
	£000	£000
Current, < 28 Days	744	679
28-59 Days	318	303
60-91 Days	194	91
92-183 Days	291	427
184-364 Days	153	407
365+ Days	1,347	1,158
<b>Total</b>	<b>3,047</b>	<b>3,065</b>

### 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.

	31/03/23	31/03/24
	£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	9,388	8,332
21-30 Years	-	23,915
More than 30 Years	39,200	15,300
<b>Total</b>	<b>59,001</b>	<b>57,960</b>

## 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 5.25%. 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 4.9%, an increase of 1.0% on interest rates during 2023/24 would have had the following marginal effect:

	Actual £000	+1% £000
<b>New or variable investments:</b>		
Call accounts	1,607	1,935
<b>Total</b>	<b>1,607</b>	<b>1,935</b>

This highlights that investments are very sensitive, as 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, Morehomes For The Bay (Investments) Ltd and Morehomes For The Bay (Developments) Ltd. The companies are currently not trading and do not hold any assets and as such, there are no Group Accounts included in the Financial Statements.

Morehomes For The Bay (Investments) Ltd and Morehomes For The Bay (Developments) Ltd. The companies are currently not trading and do not hold any assets.

## 46 PRIOR YEAR RESTATEMENT

### 1. Restructure

During 2023/24 the management structure of the authority was revised from five directorates to service areas headed by the Chief Executive and eight Chief Officers.

Both the Comprehensive Income & Expenditure Statement and the Expenditure and Funding Analysis have, therefore, been restated to take account of the restructure as follows:

Old Directorate	2022/23				Restructure			2022/23 Restated				New Service Area
	Gross Exp £000	Gross Inc £000	NET	£000	Gross Exp £000	Gross Inc £000	Gross Exp £000	Gross Inc £000	NET	£000		
Central Services	1,479	(100)		1,379	(1,479)	100	-	-				
Communities & Environment	31,398	(24,421)		6,977	(31,398)	24,421	-	-				
Economic Growth & Regeneration	17,917	(6,118)		11,799	(17,917)	6,118	-	-				
Corporate Services	36,286	(29,634)		6,652	(36,286)	29,634	-	-				
	-	-		-	22,465	(9,718)	22,465	(9,718)			12,747	Environment & Place
	-	-		-	2,020	(543)	2,020	(543)			1,477	Governance
	-	-		-	13,785	(9,010)	13,785	(9,010)			4,775	Housing & Property
Housing Revenue Account	22,733	(16,413)		6,320	-	-	22,733	(16,413)			6,320	Housing Revenue Account
	-	-		-	3,579	(242)	3,579	(242)			3,337	People & Policy
	-	-		-	3,069	(1,099)	3,069	(1,099)			1,970	Planning & Climate Change
	-	-		-	30,162	(26,043)	30,162	(26,043)			4,119	Resources
	-	-		-	8,580	(10,292)	8,580	(10,292)			(1,712)	Sustainable Growth
	-	-		-	3,420	(3,326)	3,420	(3,326)			94	Corporate Accounts
<b>Cost of Services</b>	<b>109,813</b>	<b>(76,686)</b>		<b>33,127</b>	<b>-</b>	<b>-</b>	<b>109,813</b>	<b>(76,686)</b>			<b>33,127</b>	

	2022/23			Restructure			2022/23 Restated			New Service Area
	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	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	£000	£000	£000	
<b>Old Directorate</b>										
<i>Continuing Operations:</i>										
Central Services	1,236	(143)	1,379	(1,236)	143	(1,379)	-	-	-	
Communities & Environment	7,931	954	6,977	(7,931)	(954)	(6,977)	-	-	-	
Economic Growth & Regeneration	5,781	(6,018)	11,799	(5,781)	6,018	(11,799)	-	-	-	
Corporate Services	5,729	(923)	6,652	(5,729)	923	(6,652)	-	-	-	
	-	-	-	8,882	(3,865)	12,747	8,882	(3,865)	12,747	Environment & Place
	-	-	-	1,264	(213)	1,477	1,264	(213)	1,477	Governance
	-	-	-	1,737	(3,038)	4,775	1,737	(3,038)	4,775	Housing & Property
Housing Revenue Account	(3,217)	(9,537)	6,320	-	-	-	(3,217)	(9,537)	6,320	Housing Revenue Account
	-	-	-	2,937	(400)	3,337	2,937	(400)	3,337	People & Policy
	-	-	-	1,645	(325)	1,970	1,645	(325)	1,970	Planning & Climate Change
	-	-	-	3,490	(629)	4,119	3,490	(629)	4,119	Resources
	-	-	-	629	2,341	(1,712)	629	2,341	(1,712)	Sustainable Growth
	-	-	-	94	-	94	94	-	94	Corporate Accounts
<b>Net Cost of Services</b>	<b>17,460</b>	<b>(15,667)</b>	<b>33,127</b>				<b>17,461</b>	<b>(15,666)</b>	<b>33,127</b>	
Other Income and Expenditure	(9,325)	18,971	(28,296)				(9,325)	18,971	(28,296)	
<b>(Surplus) or Deficit</b>	<b>8,135</b>	<b>3,304</b>	<b>4,831</b>				<b>8,136</b>	<b>3,305</b>	<b>4,831</b>	
Opening General Fund & HRA Balances & Reserves	41,764						41,764			
Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(8,135)						(8,135)			
<b>Closing General Fund and HRA Balance &amp; Reserves at 31/3/2023</b>	<b>33,629</b>						<b>33,629</b>			

## 2. Impact of 21/22 Triennial pensions valuation on unaudited 22/23 Accounts

NAO guidance was issued in May 2023 relating to the impact of the triennial pensions valuation on Statements of Account for 21/22 which had not been signed off by audit.

This provided support for authorities deciding reasonably that the unaudited 2021/22 statements do not need to be updated for revised IAS 19 figures.

Amended IAS 19 schedules were requested from Mercer and received on 17 July 2023 in order to determine the size of any adjustment relating to 21/22 should it have been made. There was also a knock on impact on 22/23 figures arising from this.

The impact in 22/23 resulted in the pensions reserve being £0.145M less than reported and the liability being £0.145M more than reported (resulting in a reduction in the net pensions asset). Due to the timing of the receipt of the amended schedules no amendment was made to the 22/23 accounts.

A prior year adjustment has been made during 23/24 to adjust the pensions liability and pensions reserve figures in line with Mercers latest figures as these opening figures have been used by the actuary for the 23/24 IAS 19 figures

### Effect on line items in the Balance Sheet

	31 March 2023 £000	Impact of 21/22 triennial valuation	31 March 2023 Restated £000
Other Long Term Liabilities	31,294	(145)	31,149
Unusable Reserves	256,837	(145)	256,692

## 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.

2022/23		NOTES	2023/24	
£000			£000	£000
	<b>Expenditure</b>			
6,990	Repairs and maintenance		7,803	
6,505	Supervision and management		5,676	
514	Rent, rates, taxes and other charges		454	
8,719	Depreciation and impairment of non-current assets	4&5	9,144	
-	Debt management costs		-	
45	Movement in the allowance for bad debts	8	198	
-	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP	9	-	
<b>22,773</b>	<b>Total Expenditure</b>			<b>23,275</b>
	<b>Income</b>			
(14,343)	Dwelling rents		(15,304)	
(269)	Non-dwelling rents		(277)	
(1,734)	Charges for services and facilities		(2,415)	
(8)	Contributions towards expenditure		(18)	
(99)	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP		(102)	
<b>(16,453)</b>	<b>Total Income</b>			<b>(18,116)</b>
<b>6,320</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<b>5,159</b>
-	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			-
<b>6,320</b>	<b>Net Cost for HRA Services</b>			<b>5,159</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
(289)	Gain or Loss on sale of HRA non-current assets			(297)
1,704	Interest payable and similar charges			1,688
(150)	Interest and investment income			(192)
281	Pension interest cost and expected return on pension assets	7		(308)
(21)	Capital grants and contributions receivable			(650)
<b>7,845</b>	<b>(Surplus) or deficit for the year on HRA Services</b>			<b>5,400</b>

## 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.

2022/23 £000		2023/24 £000
(2,551)	<b>Balance on the HRA at the end of the previous year</b>	(624)
7,845	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	5,400
(3,843)	Adjustments between accounting basis and funding basis under statute	(96)
<b>4,002</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>5,304</b>
(2,075)	Transfers to or (from) reserves	(5,430)
<b>1,927</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>(126)</b>
<b>(624)</b>	<b>Balance on the HRA at the end of the year</b>	<b>(750)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 NUMBER AND VALUES OF DWELLINGS

As at 31 March 2024 the Council held the following number of dwellings, noting that during the year 16 properties were disposed of under the Right to Buy Scheme and two houses were acquired. Also, there was some minor re-classification of property types:

	2022/23	2023/24
Bedsits	86	84
1 Bedroom		
Houses & Bungalows	653	651
Flats & Maisonettes	545	547
2 Bedroom		
Houses & Bungalows	471	471
Flats & Maisonettes	663	658
3 Bedroom		
Houses & Bungalows	1,114	1,108
Flats & Maisonettes	8	8
4 or more bedroomed dwellings	90	90
<b>TOTAL DWELLINGS</b>	<b>3,630</b>	<b>3,617</b>



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

	Value as at 1 April 2023 £000	Value as at 31 March 2024 £000
<b>Operational Assets:</b>		
Council Dwellings	151,230	157,712
Other land and buildings	131	2,063
	<b>151,361</b>	<b>159,775</b>
<b>Non-operational Assets</b>	1,605	1,620
<b>Assets Under Construction</b>	-	255
<b>TOTAL</b>	<b>152,966</b>	<b>161,650</b>





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 £11.923M 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 2023 was £391.232M. The difference between this and the EUV-SH valuation of £162.481M (i.e. the updated figure after the valuation exercise effective as of 01 April 2023 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:

	2022/23	2023/24
	£000	£000
<b>Opening Balance 01 April</b>	<b>742</b>	<b>121</b>
Transfer to HRA – Depreciation	4,325	4,117
Transfer to HRA - Depreciation Adjustment	(7)	(6)
Transfer to HRA - Additional Capital Financing	-	658
Capital Expenditure - Houses	(4,939)	(4,111)
<b>Closing Balance 31 March</b>	<b>121</b>	<b>779</b>

## 3 CAPITAL EXPENDITURE

Capital expenditure of £6.757M was incurred during the year relating to works on improvements to dwellings. This was financed as follows:

	2022/23	2023/24
	£000	£000
Usable Capital Receipts	42	72
Earmarked Reserves	306	1,924
Majors Repairs Reserve	4,939	4,111
Grants and Contributions	21	650
<b>Total Capital Financing</b>	<b>5,308</b>	<b>6,757</b>

Capital receipts totalling £1.038M were received during the year from the following sources:

	2022/23	2023/24
	£000	£000
Sale of dwellings	1,189	1,038
Other disposal receipts	-	-
Repayment of Principal on Mortgages	-	-
<b>Total Capital Receipts</b>	<b>1,189</b>	<b>1,038</b>

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:

	<b>2022/23</b>	<b>2023/24</b>
	£000	£000
Council Dwellings	4,318	4,769
Other land and buildings	-	-
Non-operational Assets	7	6
Deferred Charges on Intangible Assets	-	-
<b>TOTAL</b>	<b>4,325</b>	<b>4,775</b>

#### **5 IMPAIRMENT CHARGES**

No impairment charges were made to the HRA for the financial year 2023/24. There was, however, a revaluation downwards of £4.532M in respect of non-enhancing capital expenditure on Council Housing stock. This was offset by £11.923M 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 2024 amounted to £490K (£524K for 2022/23). An amount of £715K (£591K for 2022/23) 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

	2022/23 £000	2023/24 £000
<b>Adjustments between accounting basis and funding basis under statute</b>		
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.	(4)	(2)
Gain or loss on sale of HRA non-current assets.	289	297
HRA share of contributions to or from the Pension Reserve.	(1,102)	364
Capital Expenditure funded by the Housing Revenue Account	306	1,924
Transfer to/(from) Major Repairs Reserve	-	658
Transfer to/(from) the Capital Adjustment Account	(3,332)	(3,337)
	<b>(3,843)</b>	<b>(96)</b>
<b>Transfers to or (from) reserves</b>		
Transfer to/(from) Earmarked Reserves	(2,074)	(5,430)
	<b>(5,917)</b>	<b>(5,526)</b>



## 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.

2022/23		NOTES	2023/24	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
<b>INCOME</b>				
	(88,163)	1		(93,578)
				(283)
(61,954)		2	(63,824)	
(64)			(2,299)	
(11,408)				(1,429)
<b>(73,426)</b>	<b>(88,163)</b>		<b>(66,123)</b>	<b>(95,290)</b>
<b>EXPENDITURE</b>				
<b>Precepts and Demands</b>				
	63,691	3		67,050
	11,146			12,624
	9,945			10,706
	3,250			3,503
29,028		2	31,301	
29,028			31,301	
-			-	
3,045			4,001	
210			210	
-			-	
163	291	2	208	644
(3,895)			(2,544)	
-	522		9,048	-
<b>57,579</b>	<b>88,845</b>		<b>73,525</b>	<b>94,527</b>
<b>(15,847)</b>	<b>682</b>		<b>7,402</b>	<b>(763)</b>
<b>MOVEMENT ON THE FUND</b>				
5,847	832		(10,000)	1,514
(10,000)	1,514		(2,598)	751
<b>(15,847)</b>	<b>682</b>		<b>7,402</b>	<b>(763)</b>

## 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 2023/24 the numbers are as follows:-

	<b>Chargeable Dwellings</b>	<b>Band D Equivalents</b>
Band A	16,630	9,113
Band B	14,139	9,889
Band C	11,368	9,283
Band D	6,308	6,012
Band E	4,013	4,678
Band F	2,025	2,776
Band G	822	1,307
Band H	48	92
<b>Total</b>	<b>55,353</b>	<b>43,150</b>
<i>Collection Rate</i>		98.68%
<b>Council Tax Base</b>		<b>42,579</b>

### 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 2023/24 (51.2p for 2022/23) For local businesses with a rateable value of less than £51,000, a discount of 1.3p was allowed giving a rate of 49.9p per £. The total rateable value for the district at 31 March 2024 was £168,491,732 (£160,523,394 for 2022/23).

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 2023/24 was £20.436M (£19.594M in 2022/23).

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 2023/24. 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 2024. Appeals are charged and provided for in proportion to the precepting shares. The total provision as at 31 March 2024 has been estimated at £8.652M (£11.196M in 2022/23), the Council's share of which is £3.461M.

### 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	Deficit Allocation	Precept	Surplus Allocation	
	£000	£000	£000	£000	
Lancashire County Council	67,050	(1,034)	5,634	814	72,464
Lancashire Police Authority	10,706	(161)	-	-	10,545
Lancashire Fire Authority	3,503	(53)	626	90	4,166
Lancaster City Council	12,624	(181)	25,041	3,619	41,103
	<b>93,883</b>	<b>(1,429)</b>	<b>31,301</b>	<b>4,523</b>	<b>128,278</b>





## 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.

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### 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 affect 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.