

LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

Statement of Accounts

For the year ended 31 March 2022





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Statement of Accounts

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Introduction to the 2021/22 Statement of Accounts

Councillor Anne Whitehead Cabinet Member for Finance

The Covid-19 pandemic continued to have a major impact on people's health and livelihoods throughout the year. The Council remained committed to supporting vulnerable people and businesses in our district, working with a strong network of partner organisations to understand the needs of our residents and to support them, whilst also maintaining vital frontline services. During the year, the Council received a range of Covid-related grants from Central Government, which were administered and distributed quickly and effectively to businesses and residents adversely affected. Over £14M was distributed in business grants and nearly £4M in hardship grants.

In February 2021, we set a balanced budget for 2021/22. This showed relatively low levels of revenue growth, and a Capital Programme position which reflected both the deferral of projects, and the need to realign those with Council priorities and a changing investment landscape. During the year, the Council reviewed its priorities, and developed a refreshed framework to provide a structure for budget and prioritisation decisions going forward for the period up to 2030. Referred to as the 'Core Plan 2030' this will be developed further alongside local stakeholders into a comprehensive medium-term plan and programme of activities. The proposed four Strategic Priorities are 'A Sustainable District', where our immediate priority is to take action to meet the challenges of the Climate Emergency, 'An Inclusive and Prosperous Local Economy', where our immediate priority is to build a sustainable and just local economy that benefits people and organisations, 'Healthy and Happy Communities', where our immediate priority is to empower and support healthy ways of living and tackle the causes of inequality, and 'A Co-operative, Kind and Responsible Council', where our immediate priority is to draw on the wealth of skills and knowledge in the community and work in partnership. For each of the strategic priorities the Council has determined desired outcomes, which we would like to develop and pursue alongside our partners for the benefit of our residents and businesses.

During the year, the Council has engaged in a number of significant initiatives, which have delivered on our outcomes and will have a long-term positive impact on the district. We have taken delivery of our first electric powered refuse collection vehicle and implemented route optimisation software to make refuse collection more efficient. Work has been completed on decarbonising our Salt Ayre Leisure Centre, after the Council received £6.8M in funding from the government's Public Sector Decarbonisation Scheme. Natural gas has been eliminated from the site, reducing the Council's net CO₂ emissions by 12%. The project also delivered £156K of social value through the use of local contractors and supply chains.

The Eden Project North visitor attraction planned for Morecambe seafront is expected to provide a catalyst for the new vision and regeneration of Morecambe and should also contribute significantly to the local and regional visitor economies. Planning permission for the attraction was granted during the year and the Council continues to work with its strategic partners Lancashire Enterprise Partnership, Lancaster University and Lancashire County Council to ensure that this project delivers significant benefits for the district and forms the basis of the Council's bid to the government's flagship Levelling Up Fund. An announcement on the success of the bid and progress of the project is expected in late 2022. Together with the Council's purchase of the Frontierland site, this project will be transformational for Morecambe.

During the year, the Council delivered the £2.1M Disabled Facilities Grant programme by improving 340 homes, and secured government funding towards the purchase of twelve City Centre apartments in Lancaster to help rough sleepers. The Council will continue its award-winning work to improve the energy efficiency of Council Homes, which has seen solar panels fitted to properties and over 200 new, energy-efficient boilers fitted.

Our funding as a District Council is highly geared to fees and charges, council tax, retained business rates and the New Homes Bonus, all of which have been hit hard by the pandemic or are under review. The situation is exacerbated by the constraints on our ability to raise income. The one-year Government settlements have preserved the boundaries for raising council tax but given no extra flexibility. Our business rates base and fees and charges income remain depressed by the impact of the pandemic. Our residents need a council focused on supporting them not only in terms of the climate crisis, but in terms of the cost-of-living crisis, the worsening economic situation, and the inequalities that bring down health, education and employment outcomes.

In February 2022, we set a balanced budget for 2022/23, but identified budget gaps for the following three years, during which the Council's forecast spending exceeds the income it expects to receive and this is compounded year on year. This position represents a significant challenge to the Council over the short and medium term. Following years of government funding reductions, it is becoming more and more difficult for the Council to identify further savings without impacting on services. As well as the challenges created by Covid-19, Brexit, and decommissioning plans for the Heysham power stations, the Council is now faced with inflationary increases and increases in energy prices and contract prices. Based on current assumptions the expected budget deficit exceeds £3.9M, with the year-on-year cumulative structural deficit forecast to exceed £9M by 2025/26.

In order to address the structural deficit, work is scheduled to begin on an Outcomes Based Resourcing project. This will align our strategic priorities with available financial and officer resources. The intention is to ensure that funds are allocated according to a set of predefined desired outcomes, and directed toward the Council's strategic priorities and statutory functions and away from areas which contribute less or not at all against the predetermined outcomes. It will represent a radical overhaul of the Council's budgeting, monitoring, and reporting methods, and look to examine in detail how we deliver our services to achieve the Council's stated outcomes in the most effective manner, whilst realising savings to address the structural deficit. Determining the priority outcomes for the Lancaster District for the benefit of our residents and businesses, alongside our partners, and ensuring that our resourcing decisions are based on these outcomes, will enable us to make the best use of the Council's resources to deliver the services that residents and businesses want.

I should like to thank the finance team for their dedication through the particularly challenging times of the last few years, and in working hard to produce and publish the 2021/22 statement of accounts by the statutory deadline.

Narrative Report of the Chief Financial Officer

Introduction

Welcome to the narrative report and Statement of Accounts for Lancaster City Council. 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 narrative report aims to enable readers to understand and interpret the accounting statements and tells the story of the financial and non-financial performance past year, as well as the outlook for the future.

The Department for Levelling Up, Housing and Communities (DLUHC) has put in place revised regulations to extend statutory audit deadlines again for 2021/22. The Councils draft Statement of Accounts are required to be published by 31 July 2022 and to be audited by 30 November 2022. I am proud to say that given the significant challenges faced by the Finance Team over the past 2 years as we all moved through the various phases of the COVID-19 pandemic the draft Statement of Accounts were published on the Council's website and submitted to the External Auditor ahead of the revised statutory deadline.

The accounts are audited by the Council's External Auditors, Deloitte LLP, who also review whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to issue a conclusion on this as part of their report to those charged with governance which will be prepared for the Council's Audit Committee at the conclusion of the audit.

The format of the Statement of Accounts is 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 2021/22 (the Code), and the Service Reporting Code of Practice for Local Authorities 2021/22 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The Finance Team prepares the Statement of Accounts to the highest standards and I would like to take this opportunity to thank them all for their hard work, effort and selfless commitment throughout this challenging time which has seen them deliver not only these financial statements but key financial documents such as Medium Term Financial Strategy (MTFS), Annual Revenue and Capital budget preparation, performance management and reporting, as well as a number of key documents including the Treasury Management and Capital strategies.

An Introduction to Lancaster District

The administrative area of Lancaster City Council is the largest of all the Lancashire authorities, covering 576 square kilometres.

Lancaster is the county town of Lancashire. The district is ambitious and is at the forefront of innovation and growth, embracing the changing face of industry and welcoming new business. It boasts a portfolio of assets stretching out across two Areas of Outstanding Natural Beauty.

Lancaster is one of England's most vibrant historic cities, where culture and heritage captivate and inspire visitors. The prospect of the Eden Project in Morecambe only adds to the momentum building in the region, as businesses and organisations recognise the potential on offer.

The city is now harnessing its many sectoral opportunities, to diversify its business base, to create more opportunities for local people and local businesses and to create a stronger, more sustainable economy.

Characteristics of the Lancaster district economy

- 4,670 enterprises in 2021
- A skilled workforce – 37.7% of residents hold NVQ Level 4+ qualifications
- Economic activity rate of 77.4%, higher than the North West
- Employee jobs have increased from 57,000 in 2017 to 69,300 in 2021
- Full-time employment has played a significant role in the growing base of jobs

Lancaster University is an internationally renowned centre for study and research, awarded 'International University of the Year 2020 in the Times. With over 16,000 students and around 2,500 staff, it comprises a significant economic asset for the region. The district also hosts a very large campus of the University of Cumbria.

The district has the highest rate of self-containment of all the Lancashire local authorities. This means that comparatively more people live and work in the district than in other places in the county. This allows great potential for the benefits of economic growth to be captured locally, for the benefit of its residents and businesses.

Economy

Lancaster district is ambitious and is at the forefront of innovation and growth, embracing the changing face of industry and welcoming new business. This is a £3 billion economic area with a population reach of 148,000 people, including almost 70,000 economically active people. This represents 80.2% of people aged 16 to 64 in the district, which exceeds both the North West and GB average. In 2021, there are 4,670 active enterprises in Lancaster district.

Digital

Lancaster has an ever-growing cluster of digital businesses. Digital Lancaster, the local agency for the sector, has estimated that the growing business cluster in Lancaster City Centre comprises more than 300 digital companies, employing more than 1,200 people. The diversity of digital activities encompasses web design, product development, software and e-commerce.

Health Innovation

The new Health Innovation Campus at Lancaster University is a £160M investment project and a national exemplar. The campus will comprise 34,000 square metres floor space and will be divided into three phases. Business space of about 18,000 square metres will be developed with the aim of targeting business investment and occupation from health, medicine and wellbeing industries.

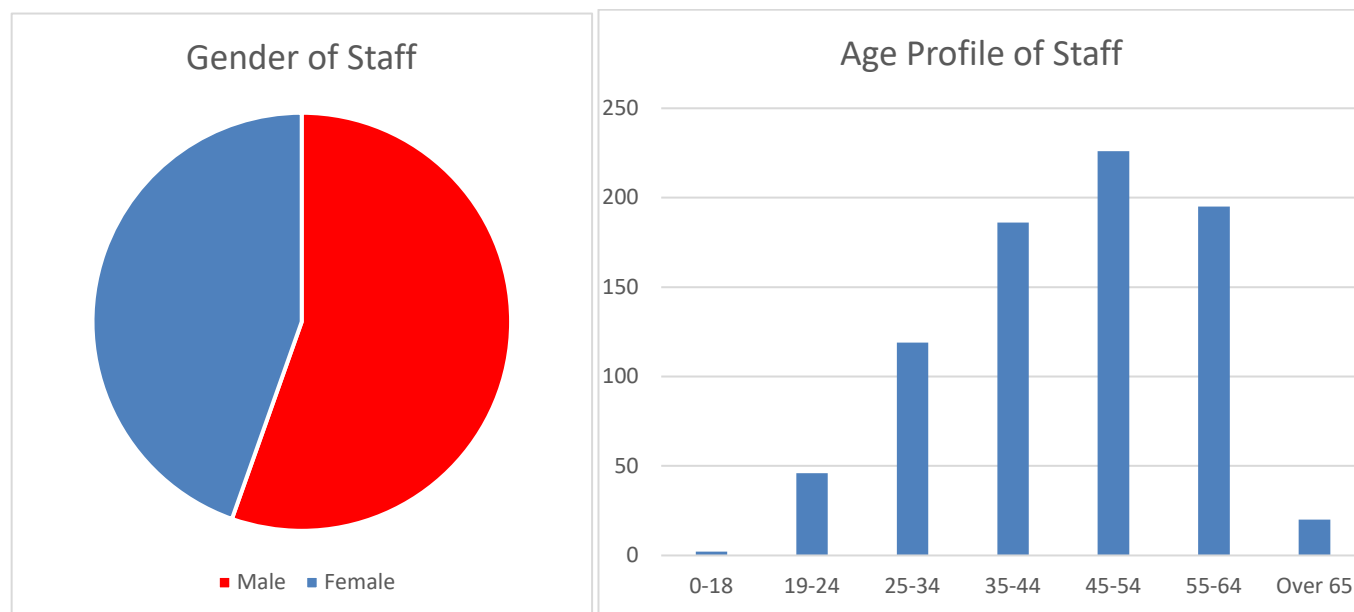
Visitor Economy

Visitor numbers are steadily growing year-on-year, currently at more than 7.5 million visitors per annum (2019), creating an economic impact of £492M within the local economy. The wider region is located between two Areas of Outstanding Natural Beauty, contains the sweep of Morecambe Bay, the coastline and offers ease of access to two National Parks. Beyond built heritage, this area has been recognised by Arts Council England as having one of the most significant clusters of culture in the North West after

Manchester and Liverpool. This strongly supports the visitor economy but is also an important contributor to quality of life for those that live and work in the area.

Our People

Lancaster City Council is a significant employer within the local areas and employs approximately 794 people in full time or part time positions, reflecting the diversity of the residents of the city.



COVID-19 Government Grants and Support for the Local Economy

The Council received a range of grants from Central Government in 2021/22 to support the overall response to the COVID-19 pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. The grants were administered by the Council in line with the guidance received from Central Government.

In usual circumstances, the Council received an allocation and the grant in advance which assisted with cash flow. It then had to be determined whether the Council were administering the grant acting as either an agent or as principal.

In acting as agent the following conditions applied:

- It was acting as an intermediary between the recipient and the Government Department;
- It did not have “control” of the grant conditions and there was no flexibility in determining the level of grant payable.

In acting as principal, it was able to use its own discretion when allocating the amount of grant payable.

For the months covering September 2020 to March 2021, the Government introduced a range of grants under the general heading of Local Restrictions Support Grant (LRSG).

From 1 April 2021, the Council began administering a new round of business support grants known as Restart Grants and continued to administer this grant regime until the closing date for final payments on 31 July 2021.

On 21 December 2021, and in recognition of the rise of the Omicron variant throughout the country, the Government announced the introduction of grant support for hospitality, leisure and accommodation businesses. Funding was made available to all Local Authorities from January 2022 and the scheme was to close in March 2022 with all final payments being made and dispersed to recipients by 31 March 2022.

The table below summarises the business grant activity during 2021/22.

	Grant allocation 2020/21	Unspent Grant as at 31 March 2021	Grant allocation 2021/22	The Council acting as Agent	The Council acting as Principal	Expenditure as at 31 March 2022	Amount Returned / to be Returned
Grants	£000	£000	£000	£000	£000	£000	£000
Closed Tier 3 17th October 2020 (19 days)	89	12	-	-	-	-	12
Closed Addendum 5th November 2020 (28 days)	2,860	954	-	92	-	92	862
Closed Tier 3 3rd December 2020 (28 days)	420	(448)	-	57	-	57	(505)
Closed Tier 4 31st December 2020 (5 days)	1,045	707	-	18	-	18	689
Closed Addendum 5th January 2021 (42 days)	4,290	1,442	-	149	-	149	1,293
Closed Business Lockdown One-Off Payment	8,577	2,882	-	304	-	304	2,578
Closed Addendum 16th February 2021 (44 days)	4,494	1,553	-	210	-	210	1,343
Christmas Support Payment (Wet Led Pubs)	90	2	-	-	-	-	2
Restart Grants	-	-	9,786	8,415	-	8,415	1,371
Omicron Hospitality and Leisure Grant	-	-	1,986	1,491	-	1,491	495
Open/Additional Restrictions Grant	5,375	2,696	1,063	-	3,376	3,376	383
	27,240	9,800	12,835	10,736	3,376	14,112	8,523

In total the Council administered and forwarded grant payments of £14.112M during 2021/22 and met the final deadline of 31 March 2022. Now all rounds have been completed the reconciliation process is underway (completed in most cases) and any remaining funds are to be repaid to Central Government as appropriate.

As outlined in the table below, the COVID-19 pandemic led the Government to introduce further specific grant regimes for the Council to administer. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

	Grant allocation 2020/21	Unspent Grant as at 31 March 2021	Grant allocation 2021/22	The Council acting as Principal	Unspent Grant as at 31 March 2022
Grants	£000	£000	£000	£000	£000
Community Vaccine Champions	-	-	485	166	319
Contain Outbreak Management Fund	1,606	1,606	220	989	837
Council Tax Hardship Fund	1,425	414	-	16	398
COVID Winter Grant Scheme	14	14	-	14	-
Holiday Activity Fund	-	-	393	383	10
Household Support Fund	-	-	435	430	5
Local Authority Compliance and Enforcement Grant	77	27	-	-	27
Play and Skills at Teatime Activities	-	-	30	-	30
Reopening the High Street Safely Grant	70	-	284	281	3
Self Isolation Practical Support	-	-	283	261	22
Support for Clinically Extremely Vulnerable Individuals	422	422	-	7	415
Test and Trace Allocation (Lancs County Council)	-	-	151	34	117
Test and Trace Support Payments	422	214	1,066	1,280	-
	4,036	2,697	3,347	3,861	2,183

All remaining unspent funds as at 31st March 2022 are included in the Council's balance sheet within Short Term Creditors and the funds are available to be utilised within 2022/23.

In addition to the business grant funding and COVID-19 specific grants, the Council also received non-ringfenced general grants to support its COVID-19 response. These were:

- General grant allocation of £0.852M alongside unspent monies of £0.505M from previous years totalling £1.357M. The Council applied £0.863M of these allocations to expenditure in 2021/22 with the remaining £0.494M being used to contribute to the net financial position of the Council;
- Compensation for the loss of Sales, Fees and Charges income of £0.731M.

As per the previous financial year, the government and local businesses have relied upon an expeditious, yet robust, application process. The Council have generally met this through the hard work, dedication and diligence of its staff, widespread throughout the Council.

Lancaster City Council Priorities and Performance












The Council's agreed priorities are for-








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

Three key themes are:

- Climate Change
- Community Wealth Building
- Community Engagement

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

A Sustainable District	An Inclusive and Prosperous Local Economy	Healthy and Happy Communities	A Co-operative, Kind and Responsible Council
<ul style="list-style-type: none"> • The first electric refuse vehicle is now in use, and many more have been ordered.  <ul style="list-style-type: none"> • Trial of litter bin sensors in Silverdale implemented, with further rollout now planned.  <ul style="list-style-type: none"> • Tree warden scheme launched in December 2021 together with tree council 	<ul style="list-style-type: none"> • Last year saw return of Light Up Lancaster fireworks with over 55,000 visitors.  <ul style="list-style-type: none"> • Initiation of talks for HS2 stopping station to be put in place in Lancaster.  <ul style="list-style-type: none"> • Purchase of frontierland site in Morecambe to improve regeneration  <ul style="list-style-type: none"> • The centre markets moved 	<ul style="list-style-type: none"> • Delivered £2.1m Disabled Facilities Grant programme by improving 340 homes for the year  <ul style="list-style-type: none"> • Secured government funding towards purchase of 12 x city centre apartments to aid rough sleepers.  <ul style="list-style-type: none"> • Many events and festivals opened to levels before pandemic.  <ul style="list-style-type: none"> • SALC reached the finalist stages of the UK Active 	<ul style="list-style-type: none"> • Plan 2030 put together to achieve 4 council priorities  <ul style="list-style-type: none"> • New customer services system in place to offer a better customer service  <ul style="list-style-type: none"> • Processed over 16,000 grant transactions to local businesses with a value of over £64M, with the majority of successful applicants receiving their grants within 3 working days

<ul style="list-style-type: none"> 7% decrease in diesel consumption and 4 tonnes of CO2 emissions saved per month with waste rounds  <ul style="list-style-type: none"> On average 38% of waste was recycled in the district throughout the year 	<p>back to their original allocated spaces in the city centre following from the pandemic.</p> 	<p>Awards for Regional club of the year (North)</p>  <ul style="list-style-type: none"> A total of 227 properties improved throughout the year by removing category 1 hazards. 	 <ul style="list-style-type: none"> A rise in digital audience from last year, across all social media platforms from 407,770 to 430,485 followers 
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Financial Performance

General Fund

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, with the exception of council housing. On 24 February 2021 Council approved a General Fund Revenue Budget for 2021/22 of £17.774M (£17.903M 2020/21). The net underspend on the General Fund was £0.571M allowing for all budgeted contributions to/from reserves, which has been transferred to the General Fund unallocated reserve.

The table below provides details of the General Fund revenue income and expenditure for 2021/22 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 and the removal of various COVID-19 grants initially charged to Service.

	2021/22			Remove Covid-19 Related Variances	Remove Reserve Funded Variances	Variance from Working Budget	Note
	Original Budget	Working Budget	Actual				
Expenditure:	£000	£000	£000	£000	£000	£000	
Central Services	1,342	1,342	1,140	-	(159)	43	
Communities and Environment	9,576	9,701	9,966	1,087	(522)	300	1
Corporate Services	6,479	7,573	5,851	33	(1,122)	633	2
Economic Growth and Regeneration	7,824	9,241	6,743	171	(2,533)	136	3
Other Corporate Income & Expenditure Items	(5,180)	(7,736)	(4,150)	(1,291)	4,336	(541)	4
Contribution from General Fund Balance	(2,267)	(2,347)	(1,776)	-	-	(571)	5
NET REVENUE EXPENDITURE	17,774	17,774	17,774	-	-	-	

A core element of the Council's budget is salary driven. During the year, top-up pension payments were made to the Lancashire County Pension Fund following a review of the base data in which the Council entered into a 3 year prepayment arrangement. The variances relating to salaries are summarised in the table below.

Service/Section	SALARIES				
	VARIANCE (EXCL. SUPERANN) £'000	SUPERANN VARIANCE £'000	AGENCY VARIANCE £'000	OTHER £'000	VARIANCE £'000
Central Services	16	(25)	-	-	(9)
Communities and Environment	398	(359)	(282)	79	(164)
Corporate Services	441	(52)	(10)	-	379
Economic Growth & Regeneration	743	(127)	(254)	(243)	119
Staff Turnover Target	(481)	-	-	-	(481)
TOTAL VARIANCE FAVOURABLE / (ADVERSE)	1,117	(563)	(546)	(164)	(156)

For clarity, the staff turnover target is usually included within Corporate Services but has been separated out for illustrative purposes. Overall, salaries performed well with the exception of the pension top-up which was unforeseen resulting in an overall salary related overspend for 2021/22 of £0.156M.

Further explanations to variances including salaries are detailed as follows.

Note 1 Communities & Environment

Salt Ayre Leisure Centre Income (£470K increase)

The forecasted income targets were reduced during the pandemic. The recovery surpassed all expectations in particular areas such as swimming and the café. Budget levels have since been returned to pre-pandemic times.

Non-Realisation of Feed in Tariff Credits (£130K shortfall)

As part of a previous budget setting process, an anticipated credit amount was included in the budget for the sale of electricity to the grid as part of a solar farm project at Salt Ayre. Whilst the project took place and was completed during 2021/22, the basis for charging had changed resulting in the budgetary shortfall highlighted.

Car Parking (£565K increase)

The forecasted income targets were reduced during the pandemic. Car parking income net of increased transaction costs has far exceeded the pre-pandemic expectancy level of 65% and the addition of Castle Car Park has resulted in substantial additional income. Budget levels have since been returned to pre-pandemic times.

Transport Related Costs (£351K overspend)

Increased transport costs due to vehicle R&M and associated hire costs arising from delayed delivery of new fleet plus increased fuel costs (delays to electric-RCV's and roll-out of route optimisation plus unforeseen inflationary increases).

Note 2 Corporate Services

Removal of Staff Turnover Target (£481K removal)

The Council sets an annual target for staff turnover during the year which offsets the net financial position of the Council. The budget is included within Corporate Services but all services are responsible for working towards achieving this.

Interest Payments (£403K underspend)

Due to changes to the Capital Programme the amount set aside in relation to borrowing for new schemes was not required in 2021/22.

Revenues & Benefits (£283K underspend)

Due to the pandemic, delays in court action resulted in reduced income levels due to the non-recovery of legal and court costs recovered (£184K). The government provided additional grants during the year, namely Local council tax Support Schemes grant £243K and Housing Benefit grant £150K. The Shared Service performed well financially during the year and Council benefitted from a £122K rebate at the end of the year.

Note 3 Economic Growth & Regeneration

Energy Costs (£130K overspend)

Energy costs across Municipal Buildings increased during the year resulting in a year end overspend. It is expected that this will create substantial further pressures in 2022/23 due to the rising cost of energy and will be subject to close scrutiny throughout the year.

Planning Fees (£177K increase)

The forecasted income targets were reduced during the pandemic. However, there has been a general upturn in the market for both residential and larger fee earning applications resulting in increased levels of income returning to pre-pandemic levels.

Note 4 Other Items

Sales, Fees & Charges Compensation (£276K credit)

As part of the pandemic the government introduced a scheme which allowed Councils to reclaim a portion of their in-year income losses relating to sales fees and charges. The scheme was extended to 30 June 2021 and additional losses were assessed against pre-pandemic income levels.

Interest Payments (£264K underspend)

The delays and removal of schemes within the Capital Programme resulted in unrequired borrowing during the year. This was addressed as part of the 2022/23 budget setting process where the Capital Programme was subject to review and schemes were slipped/removed as appropriate.

Note 5 Contribution from General Fund Balance (£571K reduction)

Balances are a fundamental component in protecting the Council's financial standing, as well as being an important element in helping to address the Council's financial challenges and establishing a sustainable budget, through their appropriate use. As part of the 2021/22 General Fund budget setting process, the Council approved the use of £2.267M (revised to £2.347M in year) of unallocated reserves in order to deliver its strategic priorities and stated outcomes within a balanced budget. The General Fund outturn position was favourable resulting in a reduction of £571K being required from the reserve. At 31 March 2022, the General Fund's unallocated reserve balance stands at £6.032M which is £2.532M above the minimum recommended level.

Housing Revenue Account

At the end of the financial year, the Council owns 3,644 homes generating rental income of £13.8M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring-fenced account, the Housing Revenue Account (HRA). Full details of the HRA are included within these accounts.

	£000
Repairs & Maintenance costs	15
Rent Income from Dwellings	(154)
Net pension adjustment re IAS19	230
Reduced use of Reserves	(519)
Net increase in Capital funded from Revenue	508
Other minor variances	38
	118

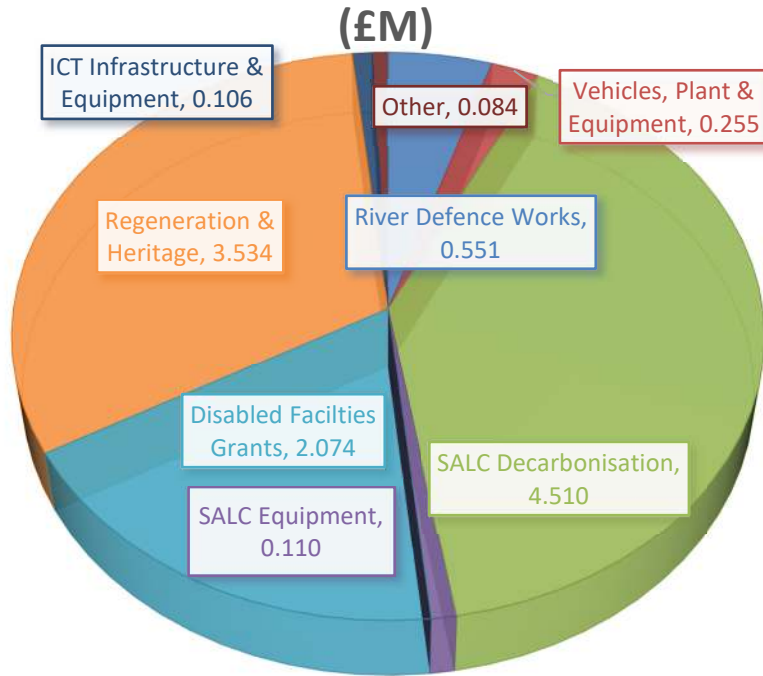
As part of the 2021/22 General Fund budget setting process, the Council approved the use of £1.023M (revised to £0.854M in year) of unallocated reserves in order to deliver its strategic priorities and stated outcomes within a balanced budget. The outturn position was favourable resulting in a reduction of £118K being required from the reserve. At 31 March 2022, the HRA's unallocated reserve balance stands at £2.552M which is £2.052M above the minimum recommended level. 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

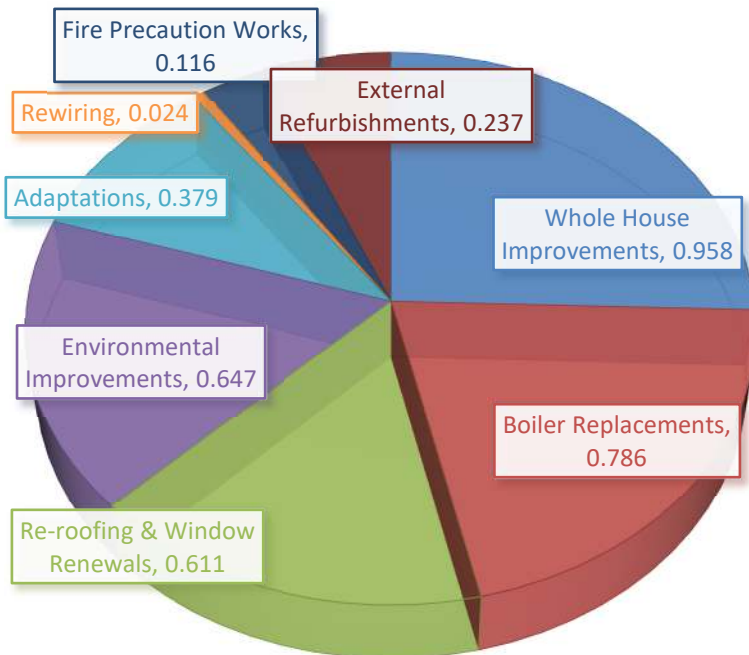
In 2021/22 the Council spent £14.982M in total on capital schemes (£22.068M 2020/21). Total spend on the General Fund was £11.224M against a budget £43.338M, with the HRA spending being £3.758M against a budget of £4.753M.

The charts below summarises expenditure:

GENERAL FUND CAPITAL EXPENDITURE 2021/22



HOUSING REVENUE ACCOUNT 2021/22 (£M)

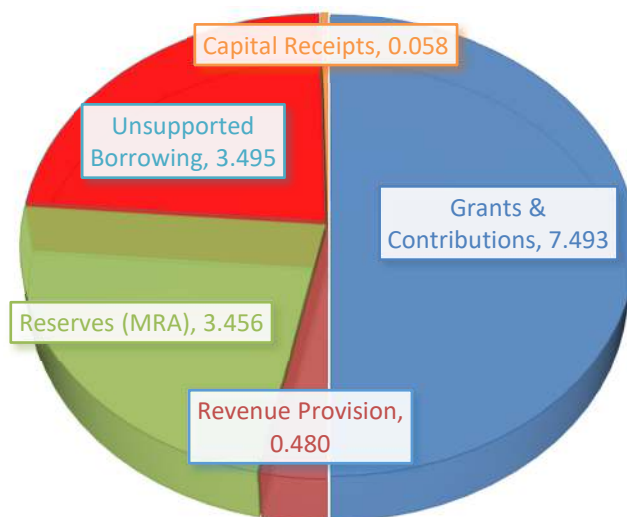


This expenditure is financed from a combination of capital receipts, grant funding and the Council's own internal financial resources. The Council can borrow money for capital purposes provided it can demonstrate it is able to meet certain criteria linked to affordability, sustainability, and prudence,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

The chart below summarises how this capital investment was financed:

CAPITAL FINANCING 2021/22

£M



Treasury Management

The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council 24 February 2021. 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

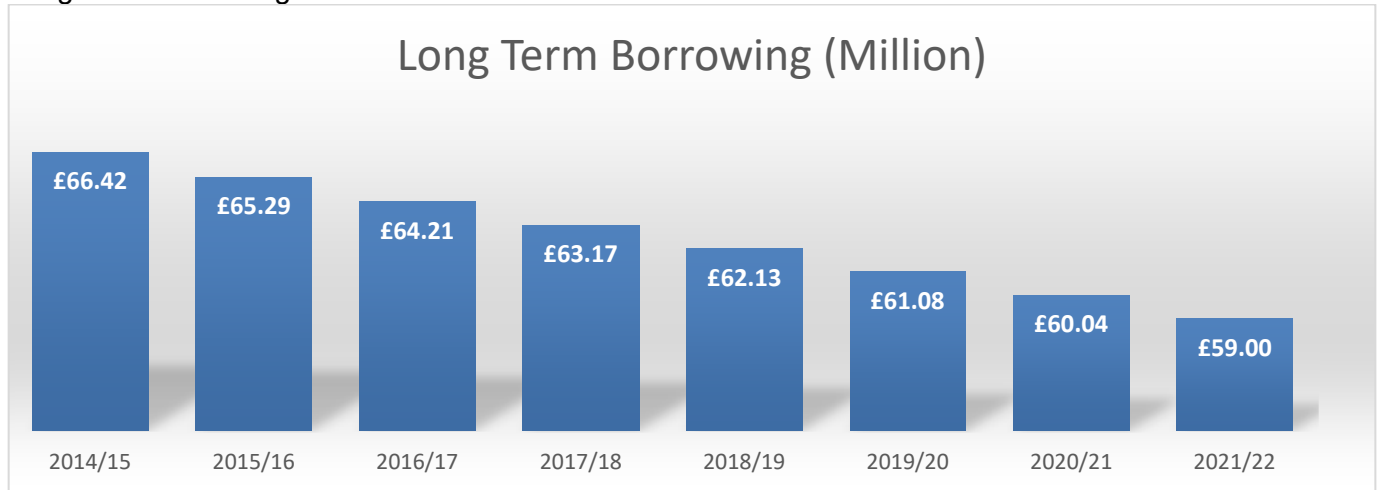
In 2021/22 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested increased to £45.00M (£38.54M 2020/21) with short term investments on 31 March 2022 (all held in the balance sheet as cash and cash equivalents) totalling £42.70M (£22.00M 2020/21). The overall return on investments was £0.03M at an average interest rate of 0.07% (£0.061M and 0.12% 2020/21).

Borrowing

The Council did not undertake any short-term borrowing in 2021/22.

Total long-term debt at 31 March 2022 amounted to £59.00M (£60.04M 2020/21) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months. The table below provides historic analysis of the levels of long-term borrowing.

Long Term Borrowing

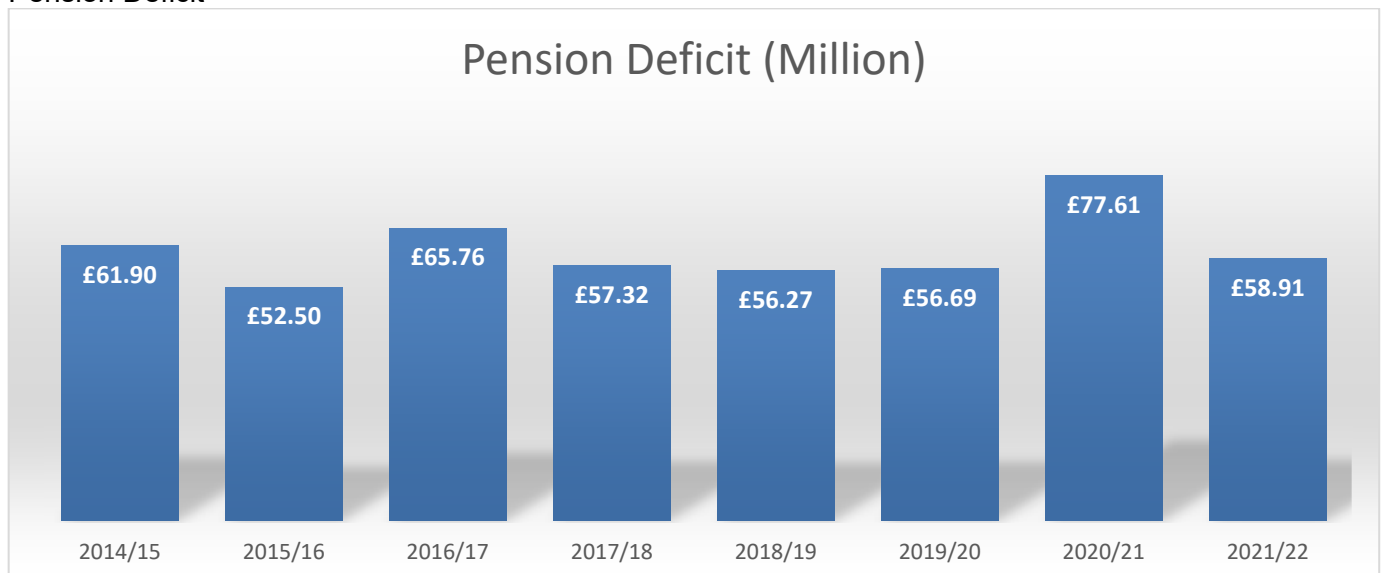


In determining its council tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2022 the Council's CFR was £95.237M (£94.948M 2020/21) an increase of £0.289M. The amount of MRP charged in 2021/22 totalled £3.199M (GF £2.158M HRA £1.04M (£2.801M 2020/21)).

Pension Fund Liability

In accordance with accounting practice, the Council must show the present surplus or deficit position for its share of the Pension Fund. The Local Government Pension Scheme administered by Lancashire County Council underwent a full valuation as at March 2019. Interim information provided annually in the intervening years, the next full revaluation is taking place during 2022. Given the financial instabilities over the recent years the Council's share of the 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 deficit position share of the Pension Fund has decreased by £18.71M to £58.91M (£77.61M 2020/21).

Pension Deficit



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

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

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

Local Taxation

Collection Fund

The Collection Fund accounts for all the council tax and Business Rates income for the district with the Council acting as billing authority. Income is collected by the Council (council tax £84.432M (£78.991M 2020/21) and Business Rates £60.260M (£48.408M 2020/21) 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 2021/22 council tax was increased by £5 the maximum amount allowable by the Government to £236.95 for a Band D equivalent property.

On 31 March 2022 there was an in-year surplus of £0.591M (deficit £0.789M 2020/21) in relation to council tax. This represents the actual tax base being lower than estimated. As the Council retains approximately 12% of any surplus this would mean a potential credit of £0.071M against the 2022/23 revenue budget.

Business Rates

The Council also benefited from £3.037M (£3.026M for 2020/21) of rating income from renewable energy schemes within the district. Such income currently falls outside of the main rate retention scheme, and so the Council retains the full benefit from it.

The Council has reduced its provision for appeals arising from challenges to the 2010 and 2017 valuation lists by £1.022M from. The provision is calculated using both analysis of historical data and external professional advice.

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

Collection Rates

Table 6: below shows the in-year collection rates for both council tax and Business Rates

Table 6: Collection Rates

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

Managing Risks and Uncertainties

The Council recognises that effective risk management should be integral to the Council’s corporate governance arrangements. The Strategic Risk Register (SRR) is how the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which, therefore, need to be managed strategically. The Council exists in an ever changing political, economic, and financial environment and so the SRR is a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.

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

The Council purchased "Grace" risk management software which allows managers to identify, record and manage risks from their particular areas of responsibility. Whilst the Council recognises there is some work still to do to embed risk management, there are clearly defined steps to support the Council's decision making through the better understanding of risk and the likely impact.

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 2021/22

The Council is made up of 60 councillors for 27 wards. The political make-up of the Council as at 31 March 2022 was:

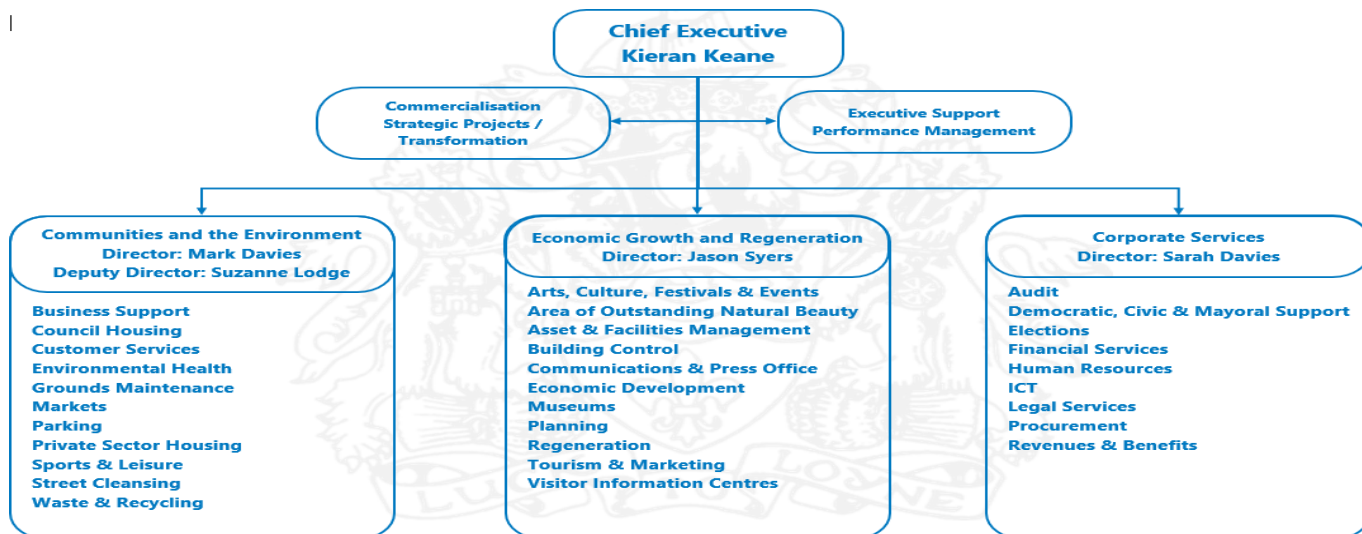
Labour Party	16 Councillors
Conservative Party	10 Councillors
The Green Party	10 Councillors
Morecambe Bay Independents	10 Councillors
Independent Group	5 Councillors
Eco-Socialist Independents	4 Councillors
Liberal Democrats	4 Councillors
Vacant Seat	1

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

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

Chief Officer Structure

Councillors are supported by the Executive Management Team, which was headed by the Council's Chief Executive, Kieran Keane. Executive Management Team are responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Along with the Chief Executive, the team is made up of three Directors, Mark Davies, Director for Communities and the Environment, Jason Syers, Director for Economic Growth and Regeneration and Sarah Davies, Director for Corporate Services.



On 16 March 2022 Council approved the appointment of Mark Davies as Chief Executive from 1 April 2022

Strategic and Transformational Initiatives

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

Climate Emergency

In January 2019, the Council declared a climate emergency and is committed to working towards reducing carbon emissions to net-zero by 2030, bringing forward the previously agreed goal of 2050. As part of its priorities the Council recognised that addressing the climate emergency was a central theme. During 2021/22 the Council committed to several ambitious plans to support this key priority, these include:-

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

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

Salt Ayre Leisure Centre Decarbonisation Project

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

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

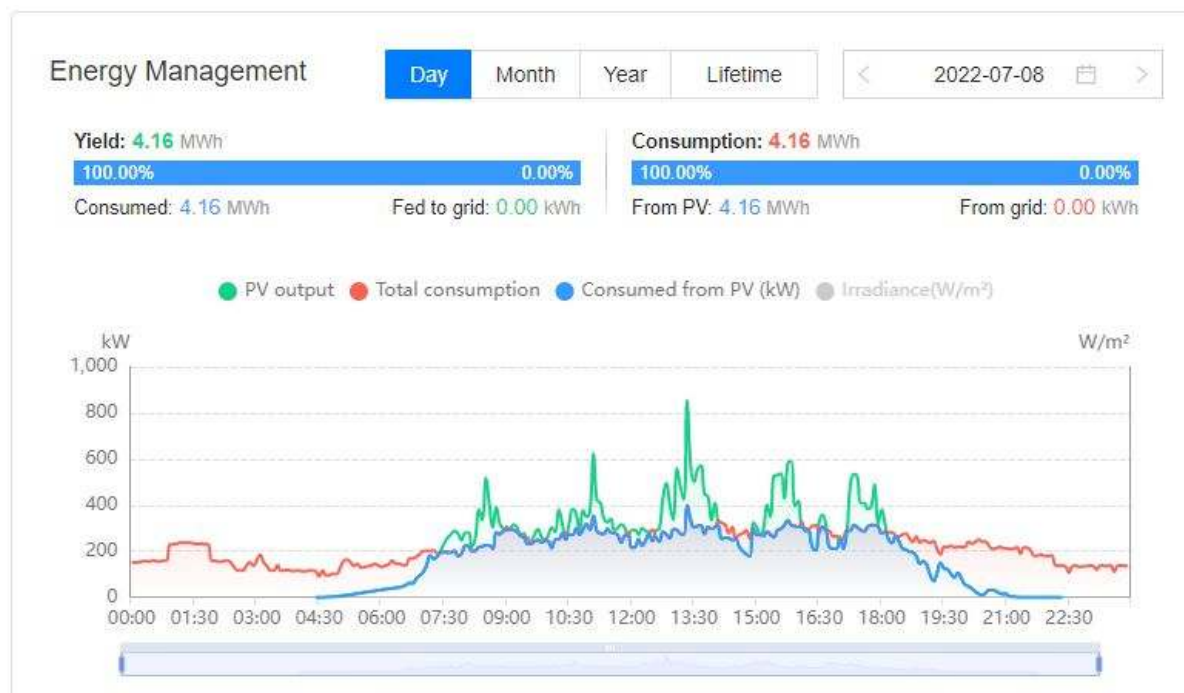
With any project of this size and nature a number of challenges were presented such as:

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

The project achieved Practical Completion on 31 March 2022, 12 months after funding was allocated. Natural gas has been eliminated from site, generating a CO2 saving of over 640 tonnes p/a, reducing the Council's net CO2 emissions by 12%. The project also delivered £0.156M of social value through local contractors and supply chains.

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

backed green energy tariff creating what the Council believe to be one of the first carbon neutral leisure centres in the UK.



Decarbonisation of the Council's Wider Estate

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

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

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

Future Opportunities

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

- <1MW of solar PV on a tenanted building which could provide a ROI of as little as 5 years
- ~4MW ground-mounted solar array on low value land in South Lancaster, with potential to generate a significant income stream for the Council from direct sales to grid and provide a CO2 offset.
- Roof mounted PV systems on Palatine Hall & the Storey, combined with decarb heating solutions in preparation the PSDS 3b announcement in September 2022.

Morehomes for the Bay

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

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

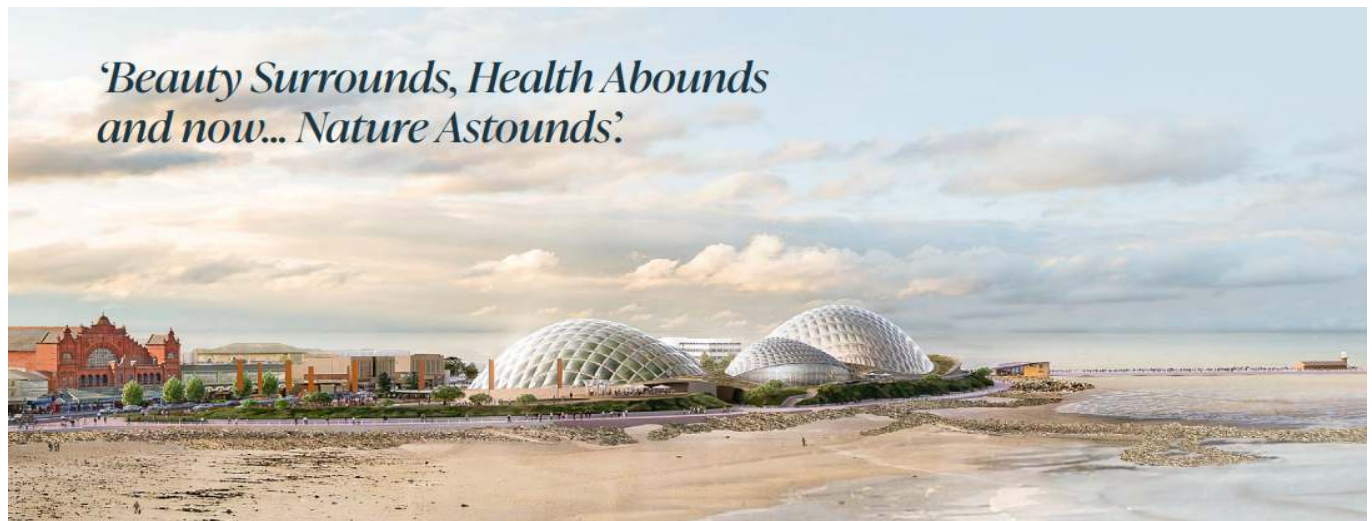
Governance arrangements for both companies consist of

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

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

Eden Project North

The Eden Project recently unveiled its vision for Eden Project North, a visitor attraction situated on the former Bubbles swimming pool and Dome theatre site on Morecambe seafront. The multi-million-pound project will deliver a world class internationally recognised cultural destination and tourism experience drawing visitors from a national and international stage. The attraction will combine indoor and outdoor experiences, connecting people with the natural environment of Morecambe Bay whilst also enhancing well-being. Initial estimates suggest that, once up and running, the Eden Project North could attract between 500,000 and 1,000,000 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.



Planning permission for the attraction has been granted and the Council continues to work with its strategic partners Lancashire Enterprise Partnership, Lancaster University and Lancashire County Council to ensure that this transformational project delivers significant benefits for the district and forms the basis of the Council's bid to the government's flagship Levelling Up Fund. An announcement on the success of the bid and progress of the project is expected late 2022.

Canal Quarter

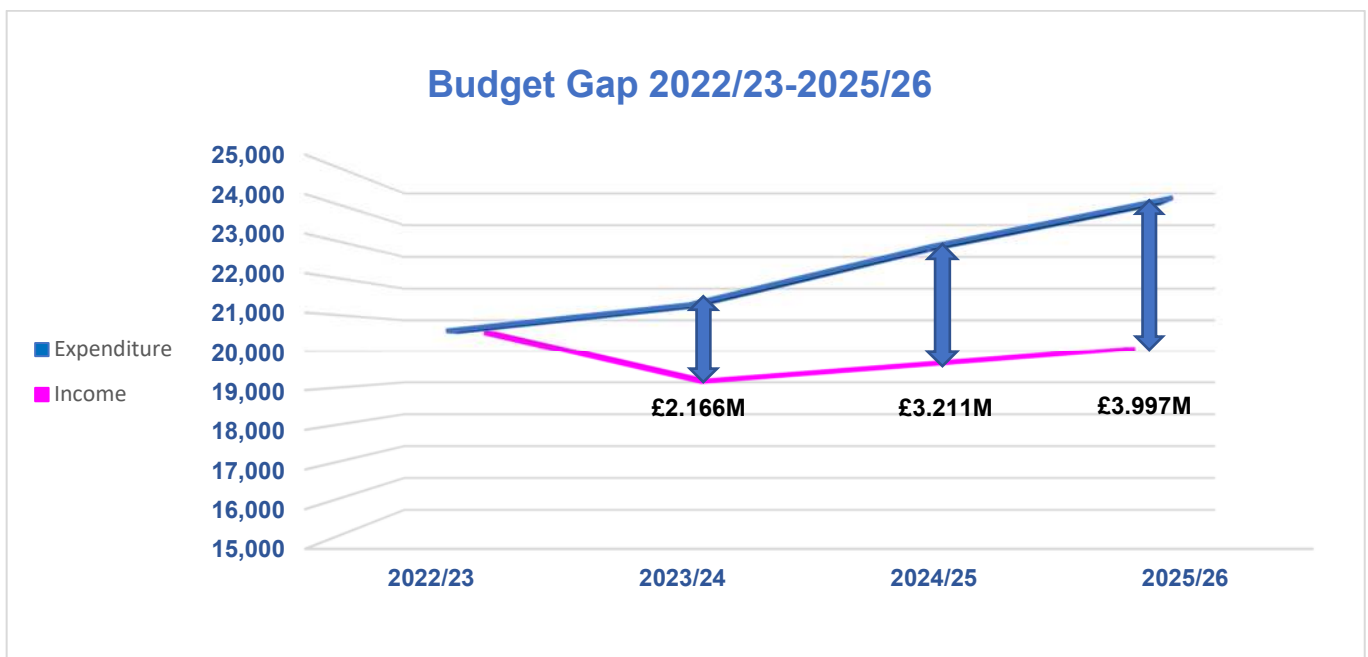
Regeneration of this partly derelict and under-utilised city centre location will be mixed-use, rather than retail focused, creating an inclusive, accessible city centre experience, and supporting the development of a vibrant evening and night-time economy. This will include new uses for historic buildings, opportunities to enhance Lancaster University's physical footprint in the City Centre and to deliver an arts village, new homes, and business space.

The aim is that the development of creative business space will encourage digital sector businesses and provide opportunities for enhanced collaborative working, whilst an arts village will further enhance the reputation of Lancaster and the wider area. This facility will provide a focus for the arts within the wider city region and will assist in making Lancaster the North West's primary cultural centre outside of Manchester and Liverpool.

Medium Term Financial Strategy and Sustainability

National issues around single year financial settlements for 2020/21 and 2021/22, together with the impacts of the COVID-19 pandemic and ongoing uncertainty and reform of future funding mechanisms for local government makes financial planning problematic, even over the short and medium term. These have been exacerbated by increasing inflation which is exerting significant upward pressure on prices for utilities, fuel, and on supplies and services across all sectors of the economy, which in turn increases the pressure on pay expectations all of which impact the base costs for both revenue and capital budget items. In addition, local issues around decommissioning plans for the H1 and H2 nuclear reactors at Heysham power station currently scheduled for 2024 and 2028 respectively have impacted business rates forecasts.

The table below outlines the forecast budgetary position for 2022/23 to 2025/26 in line with the MTFS presented to Council 23 February 2022.

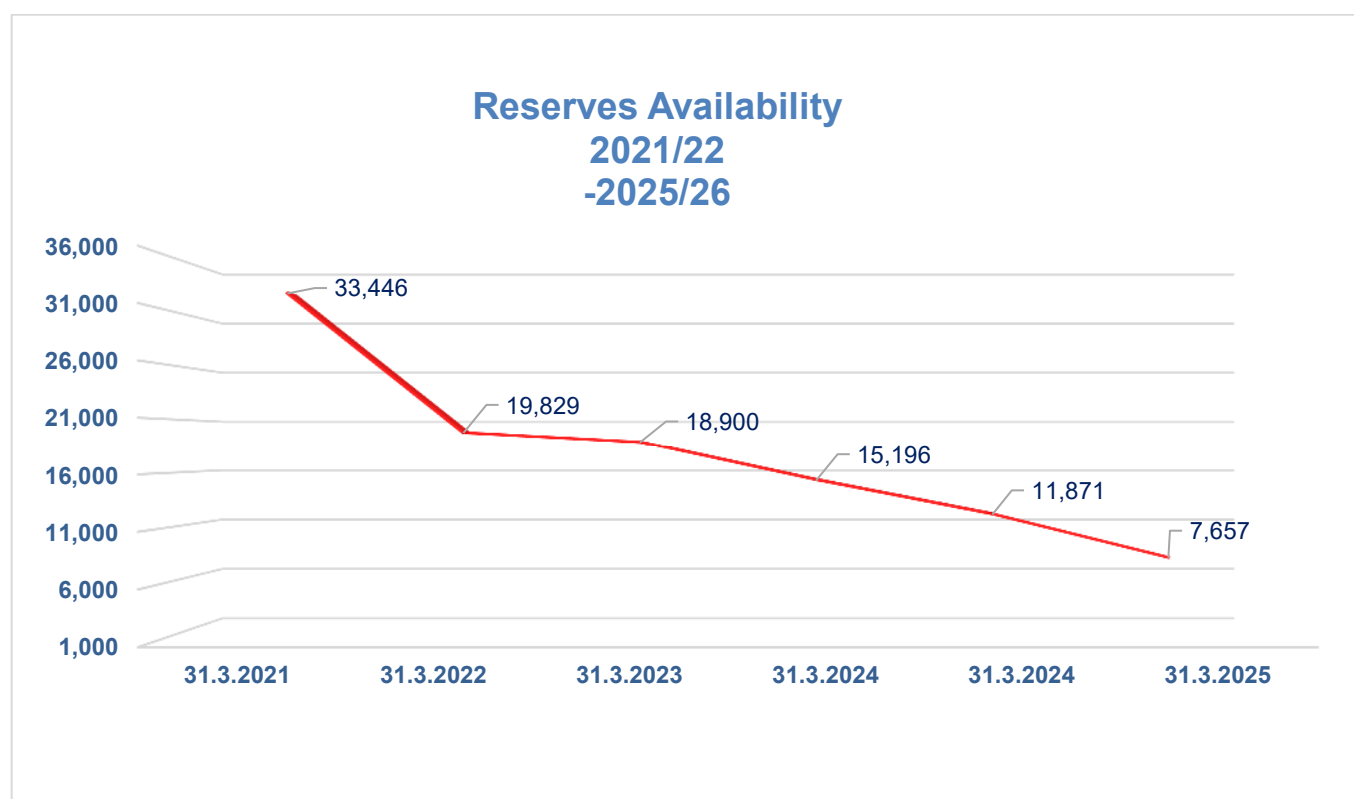


Based on current assumptions the forecast structural budget deficit exceeds £3.9M, with the year-on-year cumulative deficit forecast to exceed £9M by 2025/26. Although there are many variables contained within the calculation of the deficit, funding purely from the Council's reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit.

The forecast gaps are cumulative and structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year should any remedial action not be undertaken. This position represents a significant challenge to the Council over the short and medium term. Re-iterating the commentary in the 07 December 2021 Cabinet report, *it is now imperative that a thorough and detailed review of our cost base is undertaken through application of Outcomes Based*

Resourcing (OBR), or other similar budget principles. This will have a particularly important part to play alongside the other pillars of the Funding the Future strategy in driving down budget gaps from 2023/24 and beyond and in realising financial sustainability.

The Council's forecast level of reserves is impacted by historic as well as current decisions. The graph and the tables below provide details of our current forecast level of reserves including the impact of funding the forecast deficit from reserves.



	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M
Balance brought forward	(33.445)	(19.829)	(18.900)	(15.196)	(11.871)
Impact of 2022/23 budget decisions	0.000	(0.434)	0.743	0.316	0.216
Impact of previous decisions, COVID-19 & outturn	13.616	1.363	0.796	-0.202	0
Funding of Deficit	0	0	2.165	3.211	3.997
Balance carried forward	(19.829)	(18.900)	(15.196)	(11.871)	(7.658)

It must be recognised that the overall size of the challenge the Council faces in addressing its underlying structural deficit is significant and the formulation of a balanced budget over the medium and longer term will require the delivery of considerable savings.

Continued focus on delivering the Funding the Future Strategy and the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. The Council must recognise that it will face a number of key decisions over the next financial year which will affect the manner in which it delivers its services.

Accounting Policy Changes

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

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

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

The accounting policies have been reviewed for ongoing compliance with IFRS and amended as required. Approved by the Council's Audit Committee 23 March 2022.

There have been no significant changes in accounting policies for the 2021/22 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 usable reserves totalled £43.875M (£48.427M 2020/21).

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 2021/22 budget. The deficit on the provision of services totalled £11.559M (£4.713M deficit 2020/21)

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 £185.662M (£157.907M 2020/21).

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 an increase in cash and cash equivalents of £18.675M

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

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

The Supplementary Financial Statements

Housing Revenue Account Income and Expenditure Account

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

Collection Fund

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

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

Group Accounts

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

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

Annual Governance Statement

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASTER CITY COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Lancaster City Council ("the Authority") for the year ended 31 March 2022. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the Movement in Reserves Statement;
- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the related Notes 1 to 45;
- the Housing Revenue Account (HRA) Income and Expenditure Statement;
- the Movement on the HRA Statement;
- the Notes to the Housing Revenue Account 1 to 10;
- Note 1 to the Statement of Movement on the HRA Balance;
- the Collection Fund; and
- the Notes to the Collection Fund 1 to 3.

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

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with an accompanying auditor's report for the year ended 31 March 2022 by 13 December 2024.

The Authority was required by the Audit and Accounts Regulations (2015) to publish its draft statement of accounts for the year ended 31 March 2022 for public inspection by the first working day of August 2022. The Authority published its draft statement of accounts on 31 July 2022. Following the introduction of the Regulations, there was insufficient time to complete the necessary financial statement audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items within the statement of accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASTER CITY COUNCIL (CONTINUED)

From the procedures that we have performed, we have identified that:

- The pension membership data used in the 31 March 2022 statement of accounts has not been updated for the results of the 31 March 2022 triennial valuation issued on 30 March 2023. The pension liabilities of £55,981k disclosed in note 41 should have been adjusted to reflect the results of 31 March 2022 triennial valuation as required by paragraph 6.4.3.28 of the Code. As a result of the pervasive limitations set out above we were unable to determine the value of any adjustments required to the pension liability and related amounts in the Actuarial (Gains) / Losses on Pension Assets / Liabilities.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASTER CITY COUNCIL (CONTINUED)

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the Authority and its control environment, and review the Authority's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the Authority operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have nothing to report in respect of this matter.

Respective responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASTER CITY COUNCIL (CONTINUED)

Other matter on which we are required to report by exception

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

- in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit

Notwithstanding our disclaimer of an opinion on the financial statements, and subject to the pervasive limitation described above, we have nothing to report in respect of this matter.

Reports in the public interest or to the regulator

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

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

We have nothing to report in respect of these matters.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to the years ended 31 March 2021, 31 March 2022 and 31 March 2023. We are satisfied that our remaining work in this area is unlikely to have a material impact on the financial statements or on our value for money conclusion.

Use of our report

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



Paul Hewitson (Key Audit Partner)
For and on behalf of Deloitte LLP
Newcastle upon Tyne, United Kingdom
12 December 2024

Annual Governance Statement 2021/22

INTRODUCTION AND ACKNOWLEDGEMENT OF RESPONSIBILITY

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

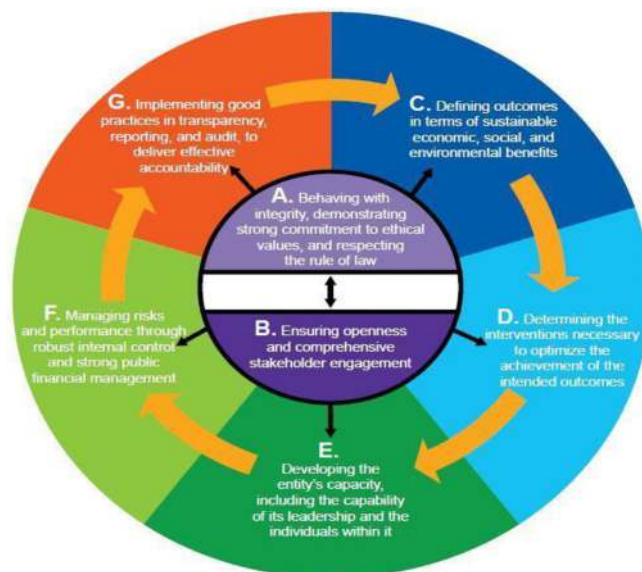
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the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

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

THE GOVERNANCE FRAMEWORK

The Council has adopted a Code of Corporate Governance which is currently under review. The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework). The Framework contains seven core interlinked principles detailed in table 1 below

Table 1. Principles for Delivering Good Governance in Local Government



The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

Key elements of the Council’s governance framework are summarised below.

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

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

HOW WE COMPLY WITH THE CIPFA / SOLACE FRAMEWORK

The COVID - 19 pandemic continued to have a significant effect on the Council’s governance in 2021-2022. During this period, the district has transitioned through different government coronavirus lockdowns and measures. In early April 2021 restrictions started to lift including the re-opening of non-essential retail and public buildings. Restrictions were re-introduced in early December 2021 with the Prime Minister’s announcement of a move to plan B measures in England following the spread of the Omicron variant. The plan B measures were lifted by the end of January 2022. The Council has, wherever required, adapted existing governance arrangements as part of its response to the pandemic and plans for recovery. We have set out below, for each governance principle, our self-assessment of compliance in the year and highlighted where COVID-19 has impacted governance arrangements and where this has actually been an opportunity to enhance and seek to sustain the benefits of these changes.

THE COVID – 19 PANDEMIC

The Council has continued to support the wider Government response to the pandemic. The Council both directly and acting as an agent for Government departments, delivered services in response to the pandemic and provided Financial Support to third parties including businesses within the area. This support has been significant and where appropriate has required the reallocation of staffing resources from business as usual to ensure the administration process used was sound and effectively undertaken as follows:

- Maintaining front line services- in accord with the Council’s emergency and business continuity plans essential services continued to be delivered throughout the pandemic. Staff from non-essential services were reallocated to help deliver essential services or to deliver and support new pandemic related services- e.g., the formation of a COVID-19 response team including outbreak

management, surveillance and monitoring, the creation of a community hub and the business hub. Furthermore, additional staff capacity was allocated to supporting the pan Lancashire work of the resilience forum.

- Supporting businesses - Rate relief together with grants for businesses in the retail, hospitality or leisure sector have to date helped out thousands of businesses with grants totalling £64M. Front line officers supported businesses to trade safely and the Council trailblazed a COVID-19 safe award which became a national award. Officers from the Council also worked with civil servants from many government departments to support drafting guidance and policies and sharing good practice.
- Supporting residents – the Council has supported vulnerable residents and tenants through the community hub. With the help of volunteers, community groups and businesses, the Council contacted and supported residents, and continues to offer support to those who are vulnerable. This support took many forms including provision of food, ongoing phone calls, pickup and delivery of medicines, commissioning of bereavement counselling and distribution of funds to help families with practical household needs.
- ICT infrastructure so that staff can work remotely from home wherever possible, and providing office equipment and furniture to support that.
- Virtual Council meetings, affording appropriate access to members of the public and transparency in decision making whilst observing social distancing, continued until 7 May 2021 in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.
- In person meetings held after 7 May 2021 were rearranged to ensure appropriate social distancing and COVID-19 measures were put in place.
- COVID-19 pages on the Council website provide further information see [Coronavirus information - Lancaster City Council](#)

As the circumstances of the pandemic changed and restrictions started to be lifted, the Council started planning to support the district with reopening. An Economic Re-opening, Recovery and Renewal Framework was approved by Cabinet in September 2021. The Framework sets out the Council’s broad approach to supporting the local economy following the Pandemic.

The impact of the pandemic on the Council will be long term. It has and will continue to affect our communities, business and residents in many ways and create significant resource implications for the Council and our partners.

For the Council itself we have already seen significant financial impacts through increasing demand for services and a potential for reduction in income. The impact upon the long-term financial position is very difficult to accurately assess with key elements of the Statutory Accounts such as the Collection Fund (which manages council tax and Business Rate collection) severely impacted. The Government is allowing Councils to manage Collection Fund losses over a three-year period to phase the impact of income lost in 2020/21 and allow time for collection to recover. If this recovery does not happen then there is a risk of the legacy of COVID-19 having a more longer lasting financial impact on the Council.

Set out below is how the Council has specifically complied with the seven core principles set out in the CIPFA / SOLACE framework during 2021/22.

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

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
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"> • Code of Conduct for both members and staff • The Council’s ‘values and behaviours framework’ • Registers of interest policies for both staff and members

	<ul style="list-style-type: none"> • Council and Committee minutes show any declarations made at meetings are viewable on each Councillor's record on the website • An electronic Gifts and Hospitality register for both staff and Members • Both Standards and Overview and Scrutiny Committees • There are policies and procedures in place for dealing with unacceptable behaviours for both officers and Members • Effective monitoring and review of counter fraud policies are in place and are monitored and reviewed annually by the Corporate Enquiry Team to ensure they are applied consistently • A 'Raising Concerns' Policy is in place and sits with the Council's Monitoring Officer • The Council complies with CIPFA's Role of the Chief Financial Officer and the role of the Head of Audit in Local Government (provided by MIAA) • Training is provided for regulatory committees on a regular basis. • Compliance with specific legislation, law or guidance is documented in decision making documents • The Constitution includes terms of references, defines decision making powers and describes roles and functions • The Constitution is regularly reviewed and kept up to date
COVID-19 Impact and Council response	<p>Council, Cabinet and Committee continued to be held virtually until 7 May 2021. Virtual meetings were compliant with access to information and public access requirements. Key decisions to be made by Cabinet continued without delay or deferment of Council business, with some decisions taken by the Leader/ Portfolio Holders as necessary. Face to face council meetings started again in May 2021 following risk assessment, testing requirements and increased ventilation. Measures were put in place to ensure appropriate social distancing, sanitation, and face coverings.</p> <p>We applied, wherever required, our statutory powers and our scheme of delegation to ensure continuity of core Council services and to deliver the emergency response and outbreak management activity at pace, in line with COVID-19 related funding conditions and regulations. All such decisions and actual expenditure are recorded and evidenced.</p>

Principle B: Ensuring openness and comprehensive stakeholder engagement	
Compliance Overview	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • The Council's Corporate Plan is published to all staff, elected members, partners and the community • An annual 'Narrative Report' is published and accompanies the Statement of Accounts • The Section 151 Officer publishes annual accounts within statutory deadlines to the community to report on the organisation's activities, achievements and its financial position and performance • The Council publishes information in accordance with the Local Government Transparency Code 2015 and is working towards greater publication in accordance with the Code. • An Overview and Scrutiny and Budget and Performance Panel report is published annually • The Council publishes all key decisions on its website • A Freedom of Information publication scheme is in place • Standardised report pro-forma for decision making are in place and a published timetable of reporting deadlines for committees is published • The Council ensures that appropriate consultation and engagement takes place • The Council publishes all current and closed consultations on its website • Customer feedback forms are in place in key outlets e.g. Salt Ayre Leisure Centre

	<ul style="list-style-type: none"> • The Council has a Consultation Strategy 2018 – 2022 and has subscribed to the Engagement HQ Platform, Keep Connected. The platform is an easy and secure way for the public to participate in projects (https://keepconnected.lancaster.gov.uk) • Participative democracy (People’s Jury) has been used to inform the Council’s strategy for dealing with climate change • The Council has a Community Connector team whose role is to engage and connect with partners, communities and elected members. • During the year virtual meetings and events for stakeholders and residents were held. Officers have been able to arrange extra ordinary meetings via Microsoft Teams when concerns arise, increasing the Council’s partnership working • The Council has several communication guidance documents in place e.g. the Intranet Policy and the Plain English and Style Guide • The Council complies with publication dates for reports and the ‘forthcoming decisions list (forward plan) • Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team • The Budget and Performance Panel was fully consulted in relation to the Council’s budget • The Council’s vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders • Online publication of Councillors’ interest in accordance with the Localism Act 2011
<p>COVID-19 Impact and Council response</p>	<p>We continued to contribute to and collaborate with partner organisations to deliver a joined-up response to COVID-19 through joint working in a wide variety of settings, notable examples are:</p> <ul style="list-style-type: none"> • Developing and delivering coordinated policy and support for vulnerable citizens and those shielding, distributing food and household essential parcels to clinically extremely vulnerable people and those who needed it, through the community hub. • Supporting the national test and trace operation through our customer service centre. • Providing buildings to allow the delivery of the national testing system and the NHS vaccination program, as well as Nightingale Court. • Business engagement through the local Chamber of Commerce as well as both the Morecambe and Lancaster BIDS and directly via the Business Grants helpline and through the business hub. • Contributing to the recourses of the Lancashire Local Resilience forum in particular specific role taken up by the Chief Executive and Head of Public Protection in addition to their existing duties. Contributory roles taken up by many other Council staff.

<p>Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits</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"> • Corporate key performance indicators (revised as and when appropriate) are reported quarterly to Cabinet and the Budget and Performance Panel • A ‘Narrative Report’ is published within the Statement of Accounts to reflect the Council’s key achievements • There are effective arrangements in place to deal with failure in service delivery via the Council’s corporate complaints procedure • The Medium-Term Financial Plan, Revenue Budget and Capital Programme are designed to deliver the strategic priorities • The Council has a capital programme of works • The Council has an approved Capital Investment Strategy • Individual capital projects are equality impact assessed

	<ul style="list-style-type: none"> • All key decisions are required to consider (where applicable) the impact on Climate, Equality, Wellbeing & Social Value, Health & Safety and Community Safety. This includes consideration of fair access to services • The Council has an approved local plan • 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. • Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers. • The Council has declared a climate change emergency and has committed to becoming net carbon zero by 2030. A strategy has been developed to deliver on this • Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision
<p>COVID-19 Impact and Sustainable Recovery Council response</p>	<p>Lancaster District Plan 2030 - Beyond the Crisis was approved by Cabinet in September 2020, to provide leadership on recovery from the pandemic and address challenges, uncertainty and new opportunities. This plan remains in place.</p> <p>Its overall aim is to deliver the Council's strategic priorities and to support recovery to a sustainable, safe and socially just district that is healthy, connected, empowered and enabled.</p> <p>The plan is delivered through 5 themed groups, all of which are interdependent-</p> <ul style="list-style-type: none"> • Group 1- Climate Emergency • Group 2- Finance and Resources (internal focus) • Group 3a- Healthy and Happy Communities • Group 3b- Community Power and Resilience • Group 4- Regenerative and Distributive Economy <p>The Plan is underpinned by principles that ensure the plan remains dynamic and flexible enough to respond to changes in need.</p> <p>In September 2021 Cabinet approved an Economic Re-opening, Recovery and Renewal Framework which provides a basis for the Council's support for the economy following the COVID-19 Pandemic. This includes setting outcomes around sustainable economic recovery, restored local confidence, stronger partnerships and safe and healthy economy.</p>

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

<p>Compliance Overview</p>	<p>The key arrangements for managing performance and delivery, to inform interventions, continued to operate throughout the year. These included</p> <ul style="list-style-type: none"> • Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based • Member and Officer briefings took place for more complex areas of decision making • The MTFs, Revenue Estimates and Capital Programme are configured to meet the requirements of the Council Plan and Ambitions document and are published annually. They are key documents for forecasting budget requirements and planning ahead • The MTFs sets out the framework for corporately managing the Council's resources in the years ahead • Corporate Key Performance Indicators are in place and are reported quarterly to Cabinet and the Budget and Performance Panel
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	<ul style="list-style-type: none"> • Both Capital and Revenue bids consider 'social value'. • Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making • The Council considers public surveys, demographic information and public health reports when developing the Council Plan
COVID-19 Impact and Council response	<p>Progress against the COVID-19 Recovery Plan continued to be reported to Cabinet, Council, Overview and Scrutiny throughout 2021 and COVID-19 related issues continue to be addressed into 2022. Since March 2021 corporate activity and resources have largely reverted back to pre-pandemic levels although the Pandemic has had a lasting impact on how the Council uses and organises its resources. There is now a greater degree of flexibility in staff being able to work from home remotely and office accommodation has been changed to allow increase 'hot-desking'.</p> <p>A temporary scheme of delegation addressing decision making and spending during the pandemic was introduced in June 2020 to ensure each allocation of the Council's resources was carefully considered and approved.</p>

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

Compliance Overview	<p>The key arrangements for building our capacity and capability continued to operate throughout the year. The process for annual appraisals was temporarily paused early in the pandemic. Leadership forums, including Wider Leadership Forum were maintained</p> <ul style="list-style-type: none"> • The Council is a member of APSE and regularly benchmarks several key Council services e.g. Street Cleansing, Council Housing, Internal Audit, Waste Management, Pest Control and Leisure • The Council has received both blue and green flag status for its clean beaches and parks and open spaces • The Chief Executive and Section 151 Officer regularly attend Lancashire Leaders and Lancashire Chief Finance Officer meetings • The Chief Executive is responsible and accountable to the Authority for all aspects of operational management and has regular meetings/1-1's with the Leader, Cabinet and the Senior Leadership Team. • The Executive Team meet regularly with portfolio holders and Cabinet as a whole. • The Section 151 Officer is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control and attends Executive Team meetings on invitation. • There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a Protocol for Officer and Member relations • All new members receive a full corporate induction, ongoing support and role-specific training • An Accreditation review for Investors in People was carried out in January 2021, resulting in an upgrade to Silver accreditation, and an additional Health and Wellbeing Good Practice Award • An induction programme is provided for all new staff and Members • The Council has several policies and incentives to support the Health and Wellbeing agenda e.g. Agile Working, Absence Management, discounted gym membership and the Cycle to Work Scheme.
COVID-19 Impact and	<p>The health & wellbeing of our employees during the COVID-19 pandemic and lockdown period has been a top priority, and as well as ensuring we engage with staff as stakeholders, we have focused on building a resilient and high performing workforce:</p>

Council response	<ul style="list-style-type: none"> • Maintaining wellbeing and HR policy information on dedicated staff intranet sites with links to active internal and external support networks, resources and staff well-being check in surveys; and actions arising from those surveys; and • Regular live broadcast to staff from Executive to communicate key well-being messages, updates and Q&A.
	<p>The Council's move to the Cloud-based Microsoft 365 environment continues to secure communication and data security and has also enhanced our ability to work remotely and collaboratively.</p>

Principle F: Managing risks and performance through robust internal control and strong financial management

Compliance Review	<ul style="list-style-type: none"> • The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied through the year for the Council. Examples of these include • The Council has a Risk Management Policy • All services have Information asset registers and privacy notices are now in place for most the Council's service areas and are being reviewed by Internal Audit Service • 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 • An effective Internal Audit Service was in place from October 2021 following the resignation of the Council's previous Internal Audit and Assurance Manager in April 2021, 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 2022 • The Council has an 'Anti Money Laundering Reporting Officer' • The Council's Annual Governance Statement is prepared in compliance with CIPFA's 'delivering good governance in Local Government' • The Council uses an on-line e-learning portal to promote the General Data Protection Regulations (GDPR) and information security and is mandatory for all new starters
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	<ul style="list-style-type: none"> • 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 review and update on all Data Protection Policies, documenting the basis for type and category of information held, work in Privacy Notices and work around GDPR and contracts. • Secure arrangements are in place for the transfer of sensitive data (SFTP and encryption tools available within Office 365) • The Council has both a records management policy and a confidential waste policy in place. The records management policy is currently under review and being updated. • Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications • Budget monitoring reports are issued to budget holders on a regular basis
COVID-19 Impact and Council response	Quarterly budget monitoring reports provided a COVID-19/ Non-COVID-19 forecast information as well as commentary on the position of the Capital Programme and any delays in delivery.
	COVID-19 related expenditure was coordinated and governed centrally in accordance with delegated authorities. All specific grant funds and allocations were accounted for and controlled in compliance with the terms of the conditions of the grant and our financial rules and procedures.

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

Compliance Review	<p>The Council endeavours always to be open and transparent. The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied throughout the year for the Council and can be accessed here:</p> <ul style="list-style-type: none"> • The Council endeavours to publishes information in accordance with the Local Government Transparency Code 2015. • Each year we publish information on our website outlining how we spend council tax income. • A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements • The Council's website is comprehensive, accurate and user friendly • The Council has an on-line Planning Application Policy • Annual presentations are delivered for elected Members concerning the Council's finances as part of the production of the Revenue Estimates, the Capital Programme and the update of the MTFS • An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion • The Council ensures that there is a process in place for the follow up of audit recommendations • The Council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2019) • In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed annually • The Audit Committee members are able to have private and confidential discussions with the Head of Internal Audit and Assurance. This is safeguarded by the functions and responsibilities of the Audit Committee in the Council's Constitution. • In accordance with the Public Sector Internal Audit Standards (PSIAs) the Head of Audit & Assurance developed an Internal Audit Plan (2021/2022). This was approved by Audit Committee in November 2021.
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	<ul style="list-style-type: none"> The Council has a RIPA Policy in place and officers who use social media to carry out surveillance have received relevant training. The RIPA Policy was reviewed by the Audit Committee in March 2022 and remains under annual review. Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules
COVID-19 Impact and Council response	<p>At the onset of the pandemic in accordance with regulations face to face meetings were temporarily cancelled with virtual meetings commencing 28 April 2020 and ending on 7 May 2021. Reports and minutes were published and made available to the public in the usual way.</p> <p>A temporary scheme of delegation addressing decision making and spending during the pandemic was introduced in June 2020 to ensure each allocation of the Council's resources was carefully considered and approved.</p>

Financial Management Code

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

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

Table

Standard	Action Required	Responsible Officers	Timescale
Responsibilities of the Leadership Team and Chief Financial Officer (CFO)	Increased use of benchmarking data and peer review and rigorous risk management analysis for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.	Executive Team	February 2023 - To be incorporated as part of 2023/24 budget process)
	Recruitment to address the capacity issues within finance function	Director of Corporate Services & CFO	August 2022

Governance and Financial Management Style	Ensure that Internal Audit deliver sufficient audit work and coverage to support the annual HoIA Opinion and AGS	Head of Internal Audit Chief Finance Officer	July 2022
	Review of financial procedure rules	Chief Finance Officer	March 2023
	Undertake a comprehensive review of the local code of Corporate Governance	Chief Finance Officer/ Monitoring Officer	November 2022
Long to Medium Term Financial Management	Utilisation of OBR principles as it works to address the structural deficit as part of the 2023/24 budget process	Cabinet Executive Team	December 2022 – As part of the 2023/24 budget process
	As part of the process to address the structural deficit service plans will need to be re-aligned to reflect Council's ambitions and outcomes	Chief Finance Officer Cabinet Executive Team	December 2022 – As part of the 2023/24 budget process
Annual Budget	Seek an in-year reduction in the use of reserves to deliver a balanced budget for 2023/24 and beyond	CFO, Executive Team Cabinet	December 2022 – As part of the 2023/24 budget process
Stakeholder Engagement and Business Plans	Review and consideration of the most effective methods of stakeholder engagement on financial matters	Executive Team Cabinet	February 2023 – As part of the 2023/24 budget process
	Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that it is consistently applied.	Executive Team and Programme Manager	December 2022 – As part of the 2023/24 budget process

REVIEW OF EFFECTIVENESS

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

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

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

Assurance from Internal and External Audit

Internal Audit Assurance

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

The 2021/2022 Internal Audit Annual Report and Head of Internal Audit Opinion recognises that the Council, like other organisations across the public sector, has continued to face unprecedented challenges due to COVID-19. The overall opinion of the Head of Audit *"...for the period 1st April 2021 to 31 March 2022 provides Limited Assurance that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls has impacted on the overall system of internal control puts achievement of the organisation's objectives at risk."*

In October 2021, Mersey Internal Audit Agency (MIAA) were requested to support the Council, both in terms of providing a Head of Internal Audit service and delivery of the 2021/22 internal audit plan. The previous in-house internal audit provision had ceased and there had been little or no internal audit activity for the period April – October 2021. As such, the Internal Audit Plan developed by MIAA, focused upon mandated and core assurances and priority areas highlighted within Lancaster City Council's 2020/21 Annual Governance Statement.

Reviews have focused upon risk management, core financial systems, conflicts of interest, grants and confirmation of compliance with specific grant conditions. Eighteen recommendations have been raised as part of the work completed by MIAA, including one critical and four high risk rated recommendations relating to the review of risk management. Actions and timescales for implementation of the recommendations have been discussed and agreed with the Council. Assessment of the progress of the implementation of agreed actions is a key part of the internal audit plan and will be included within the regular reports to the Audit Committee.

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

External Audit Assurance

The Council's external auditors, Deloitte LLP provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The revised COVID-19 deadlines have impacted the external auditor's ability to resource the audit and as a result both the 2019/20 and 2020/21 financial statements audit is yet to be concluded.

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

A review of key performance indicators

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

Indicator	Performance in 2021/22
Formal reports issued by the Section 151 Officer or Monitoring Officer	No formal reports have been issued by the Section 151 Officer or the Monitoring Officer.
Number of data incidents reported to the Data Protection Officer (DPO)	23 incidents were reported to the DPO in 2021/22 All were checked and none were reported to the ICO
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of the 23 incidents reported to the DPA, one breach was reported to the ICO with no sanction being imposed.
Outcomes from Standards Committee or Monitoring Officer investigations	8 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 2021/22
Local Government Ombudsman (LGO) referrals upheld	One referral has been made to the LGO in 2021/22. This was partly upheld. No referrals to the Housing Ombudsman were made in 2021/22.

GOVERNANCE ISSUES AND SIGNIFICANT CHALLENGES

Issues Identified in Prior Years

Risk Management and Information Governance were identified as governance issues in 2019/20 and commented on during the last Governance review 2020/21, further commentary on the progress to address these is provided below.

Significant Governance Issues

Human Resources Assurance Work

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

The HR Assurance Update provided to Audit Committee on 21 July 2021 summarised steps taken in 2020 and in early 2021. This included twenty actions recorded as either having been undertaken or planned to be completed. The Report indicated that the recruitment process for an interim Head of HR had begun and that an offer had been made.

A new head of Human Resources was appointed in March 2022 and is currently reviewing the Action Plan with a view to taking further steps to address outstanding recommendations of the Internal Audit.

Information Governance

The Council's Information Governance (IG) Team continues to work on compliance with the General Data Protection Regulations which came into force on the 25 May 2018. Our Internal Audit carried out a review of IG policy and processes in May 2020. Internal Audit recommendations 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.

As the circumstances of the COVID-19 pandemic have changed over the course of 2021/22, the IG team have made progress against the recommendations made by Internal Audit. Although, much of the work required under the recommendations is collaborative and requires significant participation from all Council departments. This means that change is not as quick as one would like. Moreover, progress remained limited until early 2022 owing to the need to prioritise the response to the pandemic and the re-allocation of large numbers of staff.

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.

Provision of Internal Audit

In April 2021, the Council's Internal Audit Manager left the Authority. The Council appointed MIAA to provide Internal Audit Services in October 2021. There was therefore a six-month period when the Council did not have staff delivering the internal audit function. This created a significant governance issue.

MIAA have been appointed to deliver the Council Internal Audit Service and will be part of the Council internal control, governance, and risk management framework.

Other Governance Issues

A number of other governance issues were identified following the Annual Governance meetings with key officers. These have been documented in an action plan which will be monitored by the Executive Team on a quarterly basis and the Audit Committee will be kept updated on progress.

Significant Challenges for 2022/23 and Beyond

Risk Management

Risk management continues to be raised as an area of concern. Whilst the Council has a Strategic Risk Register, it still requires significant improvement. It currently does not align all of the Council's key strategic risks, within the context of the Council's agreed priorities and outcomes. As a result, Internal Audit have not been able to utilise this risk register to inform and prioritise their audit work. Consistent risk management practice is also needed across all departments of the Council to allow effective oversight and escalation of risk ownership and reporting.

The Executive are taking this matter seriously. From 2022/23 oversight of strategic risk management will belong to the Office of the Chief Executive. The executive team have prioritised a comprehensive review of the end-to-end policies, plans, controls, and capacity in place for Risk Management, included in which will be the recognition of areas of good practice with regular updates on this work to Audit Committee. This will lead to a significant improvement in the Council's risk management strategy and framework.

Financial Sustainability

There remain significant uncertainties in terms of Local Government funding over the next couple of years. These have been exacerbated by national circumstances such as COVID-19, Brexit as well as significant increases in utilities and contract prices and also by local issues around decommissioning plans for the Heysham power station.

Following significant work by Cabinet and Executive to carefully consider a series of options and proposals, including a detailed review of the Council's capital programme mitigating the associated revenue consequences the 2022/23 revenue budget was approved at Full Council 23 February 2022 without a draw on the Council's reserves.

However, based on current assumptions the forecast budget deficit exceeds £3.9M, with the year-on-year cumulative structural deficit forecast to exceed £9M by 2025/26. Although there are many variables contained within the calculation of the deficit, funding purely from the Council's reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit.

It must be recognised that the overall size of the challenge the Council faces in addressing its underlying structural deficit is significant and the formulation of a balanced budget over the medium and longer term will require the delivery of considerable savings.

Continued focus on delivering the Funding the Future Strategy and the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. The Council must recognise that it will face a number of key decisions over the next financial year which will affect the manner in which it delivers its services.

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.

Owing to the COVID-19 pandemic and key staff being redeployed to work in other areas, this year the Annual Governance Statement for 2021/22 has been pulled together via engagement with all key officers, who have the most appropriate knowledge, expertise and levels of seniority providing information and key evidence to support how the organisation has complied with the principles set out in guidance.

As well as demonstrating how the Council is meeting each of the principles, it is also an opportunity to identify any issues or gaps that could lead to a weaker governance structure.

The AGS is submitted for consideration by the Leader and Chief Executive who then sign to certify they are aware of the governance issues within the Council and of the measures that are required to improve the controls around the Council's governance framework.

CERTIFICATION

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

Signed on behalf of Lancaster City Council:

A handwritten signature in black ink that reads "C Jackson". The letters are cursive and somewhat stylized.

Councillor Caroline Jackson
Leader of Lancaster City Council

A handwritten signature in black ink that reads "Mark Davies". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Mark Davies
Chief Executive of Lancaster City Council

Date: 28th July 2022

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 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 2022 and the income and expenditure for the year then ended.

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

Date 31 July 2022

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

Date 11 December 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 11 December 2024

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.

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

2020/21	General Fund Balance £000	General Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31/03/2020	5,361	15,320	2,858	10,579	-	36	103	34,257	133,573	167,830
Movements in 2020/21										
Total Comprehensive Income and Expenditure	(3,154)	-	(1,559)	-	-	-	-	(4,713)	(5,210)	(9,923)
Adjustments between accounting & funding basis under regulations (Note 8)	15,918	-	2,076	-	404	483	-	18,881	(18,881)	-
Net Increase/(Decrease) before transfers to earmarked reserves	12,764	-	517	-	404	483	-	14,168	(24,091)	(9,923)
Transfers (to)/from earmarked reserves (Note 9)	(10,317)	10,317 *	(89)	89	-	2	-	2	(2)	-
Increase/(decrease) in 2020/21	2,447	10,317	428	89	404	485	-	14,170	(24,093)	(9,923)
Balance at 31/03/2021	7,808	25,637	3,286	10,668	404	521	103	48,427	109,480	157,907

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.

2020/21				2021/22			
Gross Exp £000	Gross Inc £000	NET £000	NOTES	Gross Exp £000	Gross Inc £000	NET £000	
<i>Continuing Operations:</i>							
1,257	(21)	1,236	Central Services	1,354	(76)	1,278	
23,601	(7,731)	15,870	Communities & Environment	33,910	(15,460)	18,450	
15,233	(15,387)	(154)	Housing Revenue Account	17,273	(15,598)	1,675	
12,363	(2,994)	9,369	Economic Growth & Regeneration	14,404	(5,501)	8,903	
39,563	(33,079)	6,484	Corporate Services	39,160	(32,497)	6,663	
92,017	(59,212)	32,805	Cost of Services	106,101	(69,132)	36,969	
2,185	(1,208)	977	Other Operating Expenditure	10	2,421	(1,595)	826
5,804	(64)	5,740	Financing and Investment Income and Expenditure	11	4,565	(834)	3,731
-	-	-	(Surplus) / Deficit on discontinued operations	29	-	-	-
20,137	(54,946)	(34,809)	Taxation and Non Specific Grant Income and Expenditure	12	20,895	(50,862)	(29,967)
		4,713	(Surplus)/Deficit on Provision of Services			11,559	
		(11,661)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			(14,619)	
		16,871	Actuarial (Gains)/Losses on Pension Assets/Liabilities	41		(24,695)	
		5,210	Other Comprehensive Income and Expenditure			(39,314)	
		9,923	Comprehensive Income and Expenditure			(27,755)	

The net income of £27.755M 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 2021 £000		NOTES	31 March 2022 £000
248,527	Property, Plant & Equipment	13	255,073
9,518	Heritage Assets	14	9,518
33,203	Investment Property	15	34,025
68	Intangible Assets	16	18
-	Assets Held for Sale	21	
102	Long Term Debtors	17	99
291,418	Long Term Assets		298,733
-	Short Term Investments	17	-
623	Inventories	18	820
24,491	Short Term Debtors	19	15,317
25,100	Cash & Cash Equivalents	20	43,775
50,214	Current Assets		59,912
-	Bank Overdraft	20	-
(1,041)	Short Term Borrowing	17	(1,041)
(43,465)	Short Term Creditors	22	(50,065)
(44,506)	Current Liabilities		(51,106)
(170)	Long Term Creditors	17	(234)
(7,142)	Provisions	23	(6,661)
(60,043)	Long Term Borrowing	17	(59,001)
(71,864)	Other Long Term Liabilities	41	(55,981)
(139,219)	Long Term Liabilities		(121,877)
157,907	Net Assets		185,662
48,427	Usable Reserves	24	43,875
109,480	Unusable Reserves	25	141,787
157,907	Total Reserves		185,662

The net movement between years is £27.755M 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.

2020/21 £000		NOTES	2021/22 £000
	Cash (Out) / In		Cash (Out) / In
(4,713)	Net surplus or (deficit) on the provision of services		(11,559)
24,573	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	35,961
(8,866)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(9,058)
10,994	Net cash flows from Operating Activities		15,344
(4,105)	Investing Activities	27	(6,384)
(22,682)	Financing Activities	28	9,715
(15,793)	Net increase or (decrease) in cash and cash equivalents		18,675
40,893	Cash and cash equivalents at the beginning of the reporting period		25,100
25,100	Cash and cash equivalents at the end of the reporting period		43,775

Notes to the Accounts

The notes to the accounts have three significant roles:

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

A list of the notes provided is as follows:

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

1. ACCOUNTING POLICIES

1.1 Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position on 31 March 2022. The accounts of the Council have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), taking account of the supplementary guidance notes issued by CIPFA on the application of the Code to local authorities, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

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

1.2 Revenue Recognition and Accruals of Income and Expenditure

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

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

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

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature or are available for recall in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This category includes cash on call and 3 months or less term deposit and instant access money market funds.

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-Current Assets

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

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

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

1.6 Council tax and Non-Domestic Rates

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

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, as employees can carry this forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the

Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

The Local Government Pension Scheme

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

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

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

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. Liabilities are discounted to their value at current prices using a discount rate.

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

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

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

Component	Description	Treatment
Service Costs		
Current service costs	Measures the future service cost to the employer estimated to have been generated in the year.	Charged to the comprehensive income and expenditure statement to the services for which employees worked.
Past service costs	The increase in liabilities as a result of a current year scheme amendment or curtailment whose effect relates to years of service earned in earlier years.	Charged to comprehensive income and expenditure statement as part of non-distributed costs.
Interest costs	The expected increase in the present value of liabilities as members of the plan are one year closer to receiving their pension. The provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.	Charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement.

Re-measurements		
Return on plan assets	This is a measure of the return on the investment assets held by the plan for the year.	Charged to the pensions reserve as other comprehensive income and expenditure.
Actuarial gains and losses	These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have been changed.	Charged to the pensions reserve as other comprehensive income and expenditure.
Contributions		
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities.	These are not accounted for as an expense.

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

Discretionary Benefits

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

1.8 Events after the Balance Sheet Date

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

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

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

1.9 Financial Instruments

Financial Liabilities

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

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

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

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

Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

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

Financial Assets

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

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

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

Financial Assets measured at Amortised Cost

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

Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

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

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

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

Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected credit loss model

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

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

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

1.10 Government Grants and Contributions

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

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

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

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

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

1.11 Business Improvement Districts

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

1.12 Heritage Assets

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

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

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

1.13 Intangible Assets

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

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

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

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

1.14 Inventories and Long-term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.15 Investment Property

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

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

Rentals received in relation to properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Council as Lessee

Finance Leases

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carry value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.17 Overheads and Support Services

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

1.18 Property, Plant and Equipment

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

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Componentisation

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.19 Impairment

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

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

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

1.20 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over the time of their useful lives. Assets are not depreciated in the year of acquisition and a full year's depreciation is charged in the year of disposal.

Depreciation is calculated on the following basis:

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

1.21 Infrastructure Assets

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

Recognition

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

Measurement

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

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

Depreciation

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

Annual depreciation is the depreciation amount allocated each year.

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

Asset Type	Useful Life
Sea & River Defences	40 years
Environmental Improvement Works	40 years
Street Furniture, lighting & landscaping	40 years
Footways & Cycleways	20 years

1.22 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.

1.23 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.

1.24 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.

1.25 Value Added Tax (VAT)

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

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

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 (deferral to 1 April 2024)

This standard will require local authorities to review all their lessor and lessee accounting arrangements to comply with the new financial reporting standard, with potential balance sheet implications, and the initial assessment should be completed by the Council during 2024-25. The key aspect is for lessees to recognise appropriate leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition of de minimis thresholds for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024 (from 1 April 2020). As IFRS16 is effective on or after 1 April 2022, there will be no impact on 2021-22 comparatives.

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

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 126 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

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:

Local Government Funding

There is still a high degree of uncertainty about future levels of funding for local government, the full impact of COVID-19 pandemic and revisions to the Business Rate Retention scheme is unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Pension Prepayment

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

In April 2020 the Council prepaid an amount of £8.459M to Lancashire County Council Pension Fund in April 2020. The prepayment covers estimated employee contributions for the period 2020/21 – 22/23 and will generate an estimated saving of £0.491M over the period based on an estimated pensionable payroll £17.95M.

In line with the Council's accounting policies. In 2020/21 the amounts relating to 2021/22 and 2022/23 were 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.

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 2020. Any material changes after the valuation date have been accounted for.

Council Dwellings

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

Investment Properties

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

Provisions

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

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Balance Sheet on 31st March 2022 for which there is a significant risk of material adjustment in the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment Valuations	<p>The Code prescribes the detailed bases for measuring the different classes of property, plant and equipment (PPE). Valuations are undertaken by qualified valuers in accordance with Royal Institute of Chartered Surveyors Guidance on the basis of a three year rolling programme.</p> <p>HRA assets are revalued at least every five years on a rolling programme, while investment properties are revalued on an annual basis.</p> <p>A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings</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>with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy.</p> <p>There remains significant market uncertainty at the time of preparing this valuation and analysis following COVID-19, The UK's property markets have been significantly impacted and, as at the valuation date, we consider that this continued uncertainty and lower than usual transaction activity may distort the indexation data that we have relied on in preparing our assessment.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Councils internal valuers.</p> <p>Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuation of these properties is kept under frequent review.</p> <p>In addition, the Authority recognises pension assets held within the Lancashire County Pension Fund. 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. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Information relating to the pension scheme is contained in Note 41.</p>																																									
<p>Movement in property valuations analysis</p>																																										
<table border="1"> <thead> <tr> <th rowspan="2">Asset Category</th> <th rowspan="2">Net Asset Valuation 31st March 2022</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> </thead> <tbody> <tr> <td>Council Dwellings</td> <td>141,474</td> <td>142,889</td> <td>148,548</td> <td>140,059</td> <td>134,400</td> </tr> <tr> <td>Other Land & Buildings</td> <td>50,124</td> <td>50,625</td> <td>52,630</td> <td>49,623</td> <td>47,618</td> </tr> <tr> <td>Surplus Assets</td> <td>4,887</td> <td>4,936</td> <td>5,131</td> <td>4,838</td> <td>4,643</td> </tr> <tr> <td>Investment Properties</td> <td>34,025</td> <td>34,365</td> <td>35,726</td> <td>33,685</td> <td>32,324</td> </tr> <tr> <td>Total</td> <td>230,510</td> <td>232,815</td> <td>242,036</td> <td>228,205</td> <td>218,985</td> </tr> </tbody> </table>			Asset Category	Net Asset Valuation 31st March 2022	Increase in Valuation		Decrease in Valuation		1%	5%	1%	5%	Council Dwellings	141,474	142,889	148,548	140,059	134,400	Other Land & Buildings	50,124	50,625	52,630	49,623	47,618	Surplus Assets	4,887	4,936	5,131	4,838	4,643	Investment Properties	34,025	34,365	35,726	33,685	32,324	Total	230,510	232,815	242,036	228,205	218,985
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<p>Property, plant and equipment Depreciation</p>	<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 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 2021/22 for all assets with a UEL of 20 years or more,</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>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. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Note 15.</p>
Pensions Liability	<p>Estimation of the liability to pay pensions within the Local Government Pension Scheme depends on a number of complex judgements relating to: the rate for discounting scheme liabilities; the rate at which salaries are projected to increase; changes in retirement ages and mortality rates; and expected returns on pension fund assets. A firm of actuaries is engaged by the Lancashire County Pension Fund to provide all the authorities within that fund with expert advice about the assumptions to be applied in calculating the IAS19 figures for accounting purposes.</p>	<p>Several factors can impact on the valuation of the scheme liability. A sensitivity analysis of the factors is set out in more detail in Note 41 of these financial statements.</p>
Provision for Business Rate Appeals	<p>Since the introduction of the Business Rates Retention Scheme from 01 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2021/22 and earlier financial years in proportion to their share.</p> <p>The Authority has made a provision of £6.036M, based on the best estimate of the amount that businesses have been overcharged up to 31 March 2022. 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>	<p>An increase in the estimated settlement rate of 10% would have the effect of adding £0.604M to the provision needed.</p>
Debtors/ Arrears	<p>Note 19 shows non-public sector debtors of £4.290M</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>	<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 £400K to be set aside.</p>

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 31st July 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

6 THE EXPENDITURE AND FUNDING ANALYSIS

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

2020/21			2021/22		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
					<i>Continuing Operations:</i>
1,156	(80)	1,236	1,140	(138)	Central Services
10,904	(4,966)	15,870	7,243	(11,207)	Communities & Environment
(6,824)	(6,670)	(154)	(5,781)	(7,456)	Housing Revenue Account
6,142	(3,227)	9,369	4,674	(4,229)	Economic Growth & Regeneration
5,733	(751)	6,484	5,464	(1,199)	Corporate Services
17,111	(15,694)	32,805	12,740	(24,229)	Net Cost of Services
(30,392)	(2,300)	(28,092)	(7,105)	18,305	Other Income and Expenditure
(13,281)	(17,994)	4,713	5,635	(5,924)	(Surplus) or Deficit
34,118			47,399		Opening General Fund & HRA Balances & Reserves
13,281			(5,635)		Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year
47,399			41,764		Closing General Fund and HRA Balance & Reserves at 31/3/2021

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

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Central Services	-	(138)	-	(138)
Communities & Environment	(9,350)	(1,854)	(2)	(11,206)
Housing Revenue Account	(6,726)	(727)	(2)	(7,455)
Economic Growth & Regeneration	(3,315)	(913)	(2)	(4,230)
Corporate Services	(520)	(679)	(1)	(1,200)
Net Cost of Services	(19,911)	(4,311)	(7)	(24,229)
Other income and expenditure from the Expenditure and Funding Analysis	13,400	(1,682)	6,587	18,305

Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services

	(6,511)	(5,993)	6,580	(5,924)
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Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Central Services	-	(80)	-	(80)
Communities & Environment	(3,758)	(1,206)	(2)	(4,966)
Housing Revenue Account	(6,155)	(517)		(6,672)
Economic Growth & Regeneration	(2,628)	(596)	(3)	(3,227)
Corporate Services	(365)	(383)	(1)	(749)
Net Cost of Services	(12,906)	(2,782)	(6)	(15,694)
Other income and expenditure from the Expenditure and Funding Analysis	10,639	(1,264)	(11,675)	(2,300)

Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services

	(2,267)	(4,046)	(11,681)	(17,994)
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Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

Net Change for the Pensions Adjustments

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

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

Other Differences

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

- For financing and investment income and expenditure the other differences column recognizes adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forwards in future Surpluses or Deficits on the Collection Fund.

7 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2020/21	2021/22
	£000	£000
Employee benefits expenses	31,193	37,180
Other services expenses	63,340	66,022
Support service recharges	1,514	1,463
Depreciation, amortisation, impairment	11,676	19,890
Interest payments	2,916	2,882
Precepts and levies	1,232	2,116
Payments to Housing Capital Receipts Pool	654	745
Gain on the disposal of assets	(366)	(734)
Total Expenditure	112,159	129,563
Fees, charges and other service income	(38,976)	(50,122)
Interest and investment income	1,560	(833)
Net Income from council tax, non domestic rates, district rate income	(10,689)	(17,164)
Government grants and contributions	(59,341)	(49,885)
Total Income	(107,446)	(118,004)
(Surplus) or Deficit on the Provision of Services	4,713	11,559

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

	2020/21 Comparative Figures						2021/22					
	Usable Reserves						Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Earmarked Reserves £000	Capital Grants Unapplied £000	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Earmarked Reserves £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources:												
Amounts by which income and expenditure included in the Comprehensive income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.												
Pensions costs (transferred to (or from) the Pensions Reserve)	(3,315)	(731)	-	-	-	-	(4,994)	(999)	-	-	-	-
Financial instruments (transferred to the Financial instruments Adjustments Account)	-	-	-	-	-	-	-	-	-	-	-	-
Council tax and NDR (transfers to or from Collection Fund)	(11,675)	-	-	-	-	-	6,586	-	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(7)	1	-	-	-	-	(5)	(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)	(2,306)	(6,970)	-	-	-	-	(7,239)	(7,544)	-	-	-	-
Total Adjustments to Revenue Resources	(17,303)	(7,700)	-	-	-	-	(5,652)	(8,545)	-	-	-	-
Adjustments between Revenue and Capital Resources												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	13	1,161	(1,174)	-	-	-	56	1,509	(1,565)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(23)	23	-	-	-	-	(20)	20	-	-	-
Payments to the government housing receipts pool funded by a transfer from the Capital Receipts Reserve	(654)	-	654	-	-	-	(745)	-	745	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,317	-	(3,316)	-	-	-	3,794	-	(3,794)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,760	1,041	-	-	-	-	2,158	1,041	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	267	127	-	-	-	-	201	279	-	-	-	-
Total Adjustments between Revenue and Capital Resources	1,386	5,623	(497)	(3,316)	-	-	1,670	6,603	(800)	(3,794)	-	-
Adjustments to Capital Resources												
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	13	-	-	-	-	-	58	-	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,913	-	-	-	-	-	3,456	-	-
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	13	2,913	-	-	-	-	58	3,456	-	-
Total Adjustments	(15,917)	(2,077)	(484)	(403)	-	-	(3,982)	(1,942)	(742)	(338)	-	-

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 2021/22.

	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Corporate Property Reserve	339	-	-	339	(50)	-	289
Covid 19 Support Reserve	-	(187)	2,000	1,813	(66)	-	1,747
Other Commuted Sums	1,176	(376)	169	969	(41)	461	1,389
Restructuring Reserve	531	(80)	-	451	(20)	-	431
Renewals	381	(272)	493	602	(269)	504	837
Capital Support	258	(185)	-	73	-	300	373
Canal Quarter	69	(69)	-	-	-	-	-
Corporate Priorities (Budget Support)	2,153	(557)	882	2,478	(361)	-	2,117
Economic Growth	126	(55)	118	189	(37)	96	248
Invest to Save Reserve	1,397	(193)	29	1,233	(441)	34	826
Lancaster District Hardship Fund	-	-	-	-	-	377	377
Business Rates Retention Reserve	7,377	(814)	1,738	8,301	(96)	886	9,091
Welfare Reforms Reserve	325	-	-	325	-	-	325
Homelessness Support	110	-	-	110	-	-	110
Revenue Grants Unapplied	827	(260)	7,930	8,497	(7,528)	3,389	4,358
Other Reserves £100K and under	251	(47)	53	257	(14)	93	336
Total	15,320	(3,095)	13,412	25,637	(8,923)	6,140	22,854
HRA:							
Hsg Mgt System Replacement	583	(3)	-	580	(1)	-	579
Flats Planned Maintenance	692	(67)	133	758	(74)	133	817
Sheltered Housing Reserves	1,167	(22)	235	1,380	(74)	150	1,456
Business Support Reserve	8,098	(188)	-	7,910	(473)	-	7,437
Other Reserves £100K and under	39	-	-	39	-	-	39
Total	10,579	(280)	368	10,667	(622)	283	10,328

General Fund Earmarked Reserves

Amenity Improvements

Established to enable the continuation of the proactive regeneration focused programme of work to remedy untidy land and buildings in regeneration priority areas

Corporate Property

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

Open Spaces Commuted Sums

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

Other Commuted Sums

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

Restructuring

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

Renewals

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

Capital Support

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

Corporate Priorities (Budget Support)

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

Coved-19 Support Reserve

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

Elections

Established to manage the cost of Elections

Economic Growth

To support economic growth activities in the district.

Homelessness Support

To hold unspent homelessness grant monies

Investment Property Maintenance and Voids

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

Invest to Save

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

Business Rates Retention

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

Welfare Reforms

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

Morecambe Area Action Plan (MAAP)

To support implementation of the MAAP.

Museums Acquisitions

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

Planning Fee Income

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

Revenue Grants Unapplied

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

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

Established to fund future major IT systems replacement.

Flats – Planned Maintenance Reserve

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

Sheltered Housing Reserves

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

Business Support Reserve

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

10 OTHER OPERATING INCOME & EXPENDITURE

The Council's various income streams have been assessed and classified in line with Chapter 2 of the 2021/22 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.

	2020/21	2021/22
	£000	£000
Parish council precepts	688	815
Payments to the Government Housing Capital Receipts Pool	654	745
(Gains)/losses on the disposal of non-current assets	(365)	(734)
	977	826

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.

	2020/21	2021/22
	£000	£000
Interest payable and similar charges	2,916	2,882
Pensions interest cost and expected return on pensions	1,264	1,682
Interest receivable and similar income	(64)	(41)
Income and expenditure in relation to investment properties and changes in their fair value	1,623	(793)
Other investment income and expenditure	1	1
	5,740	3,731

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.

	2020/21 £000	2021/22 £000
Council tax income	(10,187)	(10,634)
Non domestic rates	41	(5,229)
Non-ringfenced government grants:		
* Section 31 Grant	(9,488)	(5,471)
MHCLC income compensation scheme for lost sales, fees and charges	(4,197)	(731)
Covid 19 emergency funding, new burdens & Miscellaneous grants	(2,910)	(1,411)
New Homes Bonus	(1,502)	(867)
75% Taxation Income Guarantee	(291)	-
Revenue Support Grant	(203)	(204)
Lower Tier Services Grant	-	(244)
Capital grants and contributions	(6,072)	(5,176)
	(34,809)	(29,967)

13 PROPERTY, PLANT AND EQUIPMENT

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation							
Balance as at 1 April 2020	132,868	64,375	21,880	8,614	981	4,018	232,736
additions	3,042	44	2,260	100	-	-	5,446
donations							-
revaluation increases/(decreases) recognised in the Revaluation Reserve	3,097	860	-	-	21	-	3,978
revaluation increases/(decreases) recognised on the Surplus/Deficit on the Provision of Services	(3,850)	(1,177)	-	-	24	-	(5,003)
derecognition - disposals	(837)	-	(222)	-	-	-	(1,059)
derecognition - other							-
assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	(3,882)	(3,882)
Balance as at 31 March 2021	134,320	64,102	23,918	8,714	1,026	136	232,216

Accumulated Depreciation and Impairment

Balance as at 1 April 2020	(3,102)	(7,611)	(15,621)	(34)	(30)	-	(26,398)
depreciation charge	(3,317)	(2,675)	(1,325)	(5)	(34)	-	(7,356)
depreciation on revaluations written back recognised in the Revaluation Reserve	2,140	5,513	-	-	30	-	7,683
depreciation on revaluations written back recognised in the Surplus/Deficit on Provision of Services	961	-	-	-	-	-	961
derecognition - disposals	20	-	220	-	-	-	240
Balance as at 31 March 2021	(3,298)	(4,773)	(16,726)	(39)	(34)	-	(24,870)

Net Book Value

at 31 March 2020	129,766	56,764	6,259	8,580	951	4,018	206,338
at 31 March 2021	131,022	59,329	7,192	8,675	992	136	207,346

Infrastructure Assets

Movements on Balances	2020/21 £000	2021/22 £000
Opening Net Book Value	32,625	41,180
Additions	6,066	551
De-recognition	-	-
Other Transfers	3,882	-
Depreciation	(1,393)	(2,061)
Closing Net Book Value	41,180	39,670

Total Property Plant & Equipment	2020/21 £000	2021/22 £000
Infrastructure Assets	41,180	39,670
Other PPE Assets	207,346	215,403
Total PPE Assets	248,526	255,073

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: 20 - 40 years.

Capital Commitments

At 31 March 2022, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 anticipated to cost £3.672M. Similar commitments at 31 March 2021 were £2.189M. The major commitments are:

- Solar Farm & Decarbonisation works £1.291M
- Vehicle Fleet Programme £1.596M
- Property & Regeneration works £0.786M

Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	-	8,762	-	8,762
Valued at current value as at:					
31 March 2022	141,475	8,841	-	4,887	155,203
31 March 2021	-	35,683	-	-	35,683
31 March 2020	-	5,599	-	-	5,599
31 March 2019	-	-	-	-	-
31 March 2018	-	-	-	-	-
Total Cost or Valuation	141,475	50,123	8,762	4,887	205,247

14 HERITAGE ASSETS

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

	2020/21 £000	2021/22 £000
Opening Balance		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	9,518	9,518
Disposals	-	-
Revaluations	-	-
Closing Balance		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	9,518	9,518

Civic Regalia and other donated assets

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

Museums' Collections

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

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

Public Artwork

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

Art Collection

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

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

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

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

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

15 INVESTMENT PROPERTIES

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

	2020/21	2021/22
	£000	£000
Rental income from investment property	(1,894)	(2,809)
Direct operating expenses arising from investment property	726	1,138
Net (gain)/loss	(1,168)	(1,671)

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.

	2020/21	2021/22
	£000	£000
Balance as at 1 April	26,002	33,203
Additions:		
- Purchases	8,767	-
- Construction	7	67
Disposals:		
Net gains/losses from fair value adjustments	(1,573)	767
Transfers:		
- to/from Property, Plant & Equipment	-	(12)
Balance as at 31 March	33,203	34,025

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2022 are as follows:

2021/22	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2022
	£000	£000	£000	£000
<i>Recurring fair value measurements using:</i>				
Office	-	-	4,116	4,116
Retail	-	4,188	2,486	6,674
Agriculture & Allotments	-	1,062	153	1,215
Commercial Land	-	1,450	711	2,161
Commercial Buildings	-	9,510	1,981	11,491
Mixed Commercial	-	-	8,368	8,368
Total	-	16,210	17,815	34,025

2020/21	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 2021
	£000	£000	£000	£000
<i>Recurring fair value measurements using:</i>				
Office	-	-	4,070	4,070
Retail	-	4,127	2,556	6,683
Agriculture & Allotments	-	1,062	153	1,215
Commercial Land	-	1,449	754	2,203
Commercial Buildings	-	8,777	2,023	10,800
Mixed Commercial	-	-	8,232	8,232
Total	-	15,415	17,788	33,203

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

If the properties were to be sold they have a potential alternative use as residential housing land. They have, therefore, been valued at £2.5M which is deemed to be the highest and best use value.

Valuation Techniques

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

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

	2021/22
	£000
Balance as at 1 April	17,788
Transfers in	
Transfers out	(12)
Total gains/losses for the period included in Surplus or Deficit on the Provision of Services resulting from changes in fair value	(28)
Additions	67
Disposals	-
Balance as at 31 March	17,815

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.

	2020/21	2021/22
	£000	£000
Balance at start of year:		
- Gross carrying amounts	934	934
- Accumulated amortisation	(751)	(866)
Net carrying amount at start of year	183	68
Additions:		
- Purchases	-	-
Amortisation for the period	(115)	(49)
Net carrying amount at the end of year	68	19
Comprising:		
- Gross carrying amounts	934	934
- Accumulated amortisation	(866)	(915)
Balance as at 31 March	68	19

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 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
Investments				
Amortised Cost	0	0	0	0
Fair value through profit or loss	0	0	0	0
Fair value through other comprehensive income - designated equity	0	0	0	0
Fair value through other comprehensive income - other	0	0	0	0
Total investments	0	0	-	-
Debtors				
Amortised Cost	102	99	24,491	15,317
Fair value through profit or loss	0	0	0	0
Fair value through other comprehensive income - designated equity	0	0	0	0
Fair value through other comprehensive income - other	0	0	0	0
Total Debtors	102	99	24,491	15,317
Bank account	0	0	25,100	43,775
Total assets	102	99	49,591	59,092
Borrowings				
Amortised Cost	(60,043)	(59,001)	(1,041)	(1,041)
Fair value through profit or loss				
Lease liabilities	0	0	0	0
Total borrowings	(60,043)	(59,001)	(1,041)	(1,041)
Creditors				
Amortised Cost	(170)	(234)	(43,465)	(50,065)
Fair value through profit or loss				
Total Creditors	(170)	(234)	(43,465)	(50,065)
Bank (Overdraft) / Cash in Hand	0	0	0	0
Total liabilities	(60,213)	(59,235)	(44,506)	(51,106)

Income, Expenses, Gains and Losses

	2020/21				Total £000	2021/22				Total £000
	Financial Assets measured at amortised cost £000	Financial Assets measured at Fair value through profit or loss £000	Financial Assets Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000		Financial Liabilities measured at amortised cost £000	Financial Liabilities measured at Fair value through profit or loss £000	Financial Assets Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	
Interest payable	2,916	-	-	-	2,916	2,882	-	-	-	2,882
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	2,916	-	-	-	2,916	2,882	-	-	-	2,882
Interest income	(64)	-	-	-	(64)	(41)	-	-	-	(41)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains and derecognition	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	(64)	-	-	-	(64)	(41)	-	-	-	(41)
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-
Net (gain)/loss for the year	2,852	-	-	-	2,852	2,841	-	-	-	2,841

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Carrying values are assumed to be equal to the fair value of short term assets and liabilities held. The value of long term creditors is reviewed at each balance sheet date based on the current values outstanding and best estimates of amounts required to settle liabilities of uncertain timing or amount. PWLB loans are the only financial instrument where the fair value is judged to be different from the carrying amount. The fair value is calculated based on premature repayment rates between 1.71% and 3.33%.

	31 March 2021		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	104,549	157,708	109,327	152,391
Long-term creditors & provisions	7,312	7,312	6,895	6,895
Total	111,861	165,020	116,222	159,286

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 2021		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	49,591	49,591	58,312	58,312
Long-term debtors *	102	102	99	99
Total	49,693	49,693	58,411	58,411

* Represents a new loan to the Winter Gardens, repayable over 25 years as approved by Cabinet 14 January 2020

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	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Balance as at 1 April	16	-	339	511	93	112	448	623
Purchases	3	4	1,246	1,345	129	449	1,378	1,798
Recognised as an expense in the year	(4)	(4)	(1,074)	(1,152)	(107)	(445)	(1,185)	(1,601)
Written off balances	(15)	-	-	-	(3)	-	(18)	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance as at 31 March	-	-	511	704	112	116	623	820

19 SHORT TERM DEBTORS

	31 March 2021 £000	31 March 2022 £000
Council Taxpayers	1,128	1,315
Central Government Bodies	10,924	2,295
Housing Rents	321	283
Other Local Authorities	9,186	8,732
Commercial Ratepayers	879	662
Other entities and individuals	2,053	2,030
	24,491	15,317

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 2021 £000	31 March 2022 £000
Bank current account	3,100	1,075
Investments < 3 months	22,000	42,700
	25,100	43,775

21 ASSETS HELD FOR SALE

The Council currently has no assets held for sale.

22 SHORT TERM CREDITORS

	31 March 2021 £000	31 March 2022 £000
Council Taxpayers	(235)	(235)
Central Government Bodies	(34,191)	(39,440)
Housing Rents	(414)	(481)
Other Local Authorities	(1,784)	(3,244)
Commercial Ratepayers	(110)	(184)
Other entities and individuals	(6,731)	(6,481)
	(43,465)	(50,065)

23 PROVISIONS

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

	Insurance £000	Business Rate Appeals £000	Back Pay £000	Total £000
Balance as at 1 April 2021	(648)	(6,445)	(49)	(7,142)
Contribution to Provision	(49)	409	-	360
Amounts Paid	121	-	-	121
Balance as at 31 March 2022	(576)	(6,036)	(49)	(6,661)

Insurance Provision

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

Business Rates

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

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

Back Pay

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

24 USABLE RESERVES

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

	31 March 2021 £000	31 March 2022 £000
General Fund Balance	7,808	6,032
HRA Balance	3,286	2,551
HRA Business Plan Reserve	7,910	7,437
Housing Mgt System Replacement Reserve	580	579
Flats Planned Maintenance	758	817
Major Repairs Reserve	403	742
Sheltered Equipment	411	383
Sheltered Planned Maintenance	401	446
Sheltered Support Grant Maintenance	568	627
Renewals Reserve	403	613
Capital Support	73	373
Other Commuted Sums	969	1,389
Corporate Property Reserve	339	289
Restructuring Reserve	451	431
Welfare Reforms Reserve	325	325
Invest to Save Reserve	1,233	825
Capital Grants Unapplied	102	102
Capital Receipts Unapplied	522	1,267
Business Rates Retention Reserve	8,301	9,091
Revenue Grants Unapplied	8,497	4,357
Corporate Priorities (Budget Support) Reserve	2,478	2,117
Covid-19 Support Reserve	1,813	1,747
Economic Growth Reserve	189	248
Homelessness Support Reserve	110	111
Car Parks Reserve	123	135
Lancaster District Hardship Fund	-	377
Other Reserves under £100K	374	464
Total usable reserves	48,427	43,875

25 UNUSABLE RESERVES

	31 March 2021 £000	31 March 2022 £000
Revaluation Reserve	82,876	93,433
Financial Instruments Adjustment Account	(143)	(143)
Capital Adjustment Account	113,594	110,063
Pensions Reserve	(77,611)	(58,909)
Deferred Credits	-	-
Accumulated Absences Account	(206)	(213)
Collection Fund Adjustment Account	(9,030)	(2,444)
Total unusable reserves	109,480	141,787

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.

	2020/21 £000	2021/22 £000
Balance as at 1 April	74,804	82,876
Upwards revaluation of assets	16,411	14,701
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,749)	(82)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	11,662	14,619
Difference between fair value depreciation and historical cost depreciation.	(3,262)	(3,722)
Accumulated gains on assets sold or scrapped	(328)	(340)
Amount written off to the Capital Adjustment Account	(3,590)	(4,062)
Balance as at 31 March	82,876	93,433

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

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

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

	2020/21	2021/22
	£000	£000
Balance as at 1 April	113,160	113,594
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	(8,742)	(10,152)
- Revaluation gains/(losses) on Property, Plant and Equipment	(4,042)	(9,608)
- Amortisation of Intangible Assets	(115)	(49)
- Revenue Expenditure funded from Capital under statute.	(1,679)	(2,392)
- 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	(818)	(841)
Sub total	98,805	91,593
Adjusting amounts written out of the Revaluation Reserve	3,590	4,062
Write down long-term loan debtor by principal repaid in year	(2)	(3)
Net written out amount of the cost of non current assets consumed in the year.	102,393	95,652
Capital financing applied in the year:		
- Use of Capital Receipts Reserve	13	58
- Use of the Major Repairs Reserve	2,913	3,456
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement (including those in respect of donated assets)	7,693	7,493
- Application of grants to capital financing from the Capital Grants Unapplied Account.	-	-
- Statutory provision for the financing of capital investment charged against General Fund and HRA balances	1,760	2,158
- Capital expenditure charged against the General Fund and HRA balances	395	480
Sub total	115,167	109,297
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure statement	(1,573)	766
Balance as at 31 March	113,594	110,063

Financial Instruments Adjustment Account (FIAA)

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

	2020/21	2021/22
	£000	£000
Balance as at 1 April	(143)	(143)
Premiums and discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements	-	-
Balance as at 31 March	(143)	(143)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, and changing assumptions and investment returns on any resources set aside to meet such costs. However, statutory arrangements require pensions to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2021/22
	£000	£000
Balance as at 1 April	(56,694)	(77,611)
Actuarial gains or (losses) on pensions assets and liabilities	(16,871)	24,695
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(7,108)	(9,916)
Employer's pension contribution and direct payments to pensioners payable in the year	3,062	3,923
Balance as at 31 March	(77,611)	(58,909)

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.

	2020/21	2021/22
	£000	£000
Balance as at 1 April	2,645	(9,030)
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	(11,675)	6,586
Balance as at 31 March	(9,030)	(2,444)

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.

	2020/21	2021/22
	£000	£000
Balance as at 1 April	(200)	(206)
Settlement or cancellation of accrual made at the end of the preceding year	200	206
Amounts accrued at the end of the current year	(206)	(213)
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	(6)	(7)
Balance as at 31 March	(206)	(213)

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2020/21	2021/22
	£000	£000
Interest received	89	31
Interest paid	(2,916)	(2,882)

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

	2020/21	2021/22
	£000	£000
Depreciation	8,742	10,152
Impairment & downward valuations	4,047	9,615
Amortisation	115	49
Increase/(decrease) in creditors	11,341	7,595
(Increase)/decrease in debtors	(1,097)	341
(Increase)/decrease in inventories	(176)	(196)
Movement in pension liability	(1,701)	8,811
Carrying amount of non-current assets and assets held for sale sold or derecognised	819	841
Other non-cash items charged to the net surplus of deficit on the provision of services	2,483	(1,248)
	24,573	35,960

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

	2020/21	2021/22
	£000	£000
Proceeds from short-term and long-term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,173)	(1,565)
Any other items for which the cash effects are investing or financing cash flows	(7,693)	(7,493)
	(8,866)	(9,058)

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2020/21 £000	2021/22 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(19,885)	(11,571)
Purchase of short-term and long-term investments	-	-
Receipts from sale of Property, Plant and Equipment, investment property and intangible assets	1,173	1,518
Other payments from investing activities	7,338	(4,422)
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	7,269	8,091
Net cash flows from investing activities	(4,105)	(6,384)

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2020/21 £000	2021/22 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Repayment of short-term and long-term borrowing	(16,041)	(1,041)
Cash receipts of long and short term borrowing	-	-
Other payments for financing activities	(6,641)	10,756
Net cash flows from financing activities	(22,682)	9,715

29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2021/22.

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.

	2017/18	2018/19	2019/20	2020/21	2021/22
Trade Waste					
Turnover	(1,378)	(1,435)	(1,493)	(1,190)	(1,538)
Expenditure	1,124	1,275	1,015	983	1,052
(Surplus)/Deficit	(254)	(160)	(478)	(207)	(486)
Garden Waste					
Turnover	(990)	(911)	(901)	(961)	(992)
Expenditure	1,190	1,378	1,064	1,165	1,268
(Surplus)/Deficit	200	467	163	204	276
Markets					
Turnover	(414)	(397)	(400)	(117)	(359)
Expenditure	318	389	340	315	365
(Surplus)/Deficit	(96)	(8)	(60)	198	6
Commercial Properties / Industrial Units					
Turnover	(1,208)	(1,246)	(1,400)	(1,601)	(2,487)
Expenditure	898	923	700	538	878
(Surplus)/Deficit	(310)	(323)	(700)	(1,063)	(1,609)
Consolidated					
Turnover	(3,990)	(3,989)	(4,194)	(3,869)	(5,376)
Expenditure	3,530	3,965	3,119	3,001	3,563
(Surplus)/Deficit	(460)	(24)	(1,075)	(868)	(1,813)

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.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Net (surplus)/deficit on trading operations	(460)	(24)	(1,075)	(868)	(1,813)
Trading expenditure and income included within Surplus or Deficit on the Provision of Services	-	-	-	-	-
Net (surplus)/deficit	(460)	(24)	(1,075)	(868)	(1,813)

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.

	2020/21 £000	2021/22 £000
Expenditure on agency arrangement	169	222
Income on agency arrangement	(129)	(154)
Net deficit arising on agency arrangements	40	68

32 MEMBERS' ALLOWANCES

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

	2020/21	2021/22
	£000	£000
Basic Allowances	221	219
Special Responsibility Allowances	91	92
Expenses	-	-
Total	312	311

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

	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)
2020/21	£000	£000	£000	£000	£000	£000
Chief Executive	117	1	-	118	18	136
Director for Economic Growth & Regeneration	84	-	-	84	13	97
Director Communities & Environment	84	-	-	84	13	97
Deputy Director Communities & Environment	72	-	-	72	11	83
Head of Human Resources	59	2	-	61	9	70
Head of Legal Services	59	-	-	59	9	68
Head of ICT	56	1	-	57	9	66
Head of Planning & Place	55	1	-	56	9	65
Head of Economic Development	56	-	-	56	8	64
Head of Financial Services & Section 151 Officer	56	-	-	56	8	64
Head of Public Protection	53	2	-	55	8	63
Head of Public Realm	53	-	-	53	8	61
Head of Community Involvement & Leisure	53	-	-	53	8	61
Democratic Services Manager	51	-	-	51	8	59
Repairs and Maintenance Manager	47	-	-	47	7	54
Culture & Heritage Manager	47	-	-	47	7	54
Business Improvement & Project Delivery Lead	45	-	-	45	7	52
ICT Operations Manager	43	2	-	45	7	52
Public Health & Protection Manager	43	1	-	44	6	50
Director Corporate Services	32	-	-	32	5	37 *

* Note post of Director of Corporate Services vacant for 7 months during 2020/21

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £	2021/22 £
£0 - £20,000	-	-	-	1	-	1	-	1,122
£20,001 - £40,000	-	-	2	-	2	-	62,383	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	1	-	1	-	79,599	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	-	-	3	1	3	1	141,982	1,122

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.

	2020/21	2021/22
	£000	£000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	45	45
Additional Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for previous years	23	-
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor in relation to 2019/20 objections	12	-
Fees payable in respect of other services provided by external auditors for the year	3	17
PSAA prior years refund	-	(9)
Total	83	53

In both 2020/21 and 2021/22 Deloitte LLP performed the main audit and KPMG provided other services. With regard to the main audit fee, this is set by 'Public Sector Audit Appointments' (PSAA) and the fee payable relating to the 2021/22 and 2022/23 financial years will be varied as a result of the audit being subject to backstop provisions, in line with PSAA guidance.

35 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

	2020/21	2021/22
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	203	204
New Homes Bonus	1,502	867
S31 Business Rates Grants	9,488	5,471
MHCLG Sales, Fees & Charges Compensation	4,197	731
75% Taxation Income Guarantee	291	-
Salix Public Sector Decarbonisation Scheme	-	4,510
New Burdens	503	191
Environment Agency Caton Road Flood Relief Scheme	6,065	550
DCLG COVID19 Grant	2,399	852
Flood Recovery Grant	-	343
Lower Tier Service Grant	-	244
Other Grants Under £50K	15	141
Total	24,663	14,104

	2020/21	2021/22
Credited to Services	£000	£000
MHCLG (formerly DCLG) Disabled Facilities Grant	1,492	2,074
MHCLG Coastal Revival Fund	94	-
Heritage England - Lancaster Heritage Action Zone	-	237
Discretionary Housing Payments	337	263
Supporting People	253	313
Active Lives: Other Grants	41	51
Parliamentary/European/Police/Individual Elections	34	18
Arnsdale & Silverdale AONB Grants	150	155
DEFRA - Farming in Protected Landscapes	-	91
Benefits DWP grant	664	715
DCLG Local Council Tax Support Grant	173	424
DCLG EU Exit Grant	154	47
Salix Low Carbon Skills Fund	-	115
Lancashire County Council - Syrian Refugees	44	91
Homes & Communities Agency - Bailrigg Garden Village	105	101
Standard Rent Allowances: Government Grants	18,026	17,367
DCLG Housing Options	463	1,053
COVID Discretionary & LSRG Discretionary Grants	4,363	3,376
COVID Hardship Fund	1,428	-
COVID Emergency Assistance Grant	180	1,122
COVID Compliance & Enforcement Grant	50	296
COVID Re-opening the High Street	70	-
COVID COMF	-	1,318
COVID Community Vaccine Champions	-	166
Department for Education	-	47
Rent Rebates - Council Housing: Government Grants	5,940	5,691
NNDR Administration: Government Grants	210	208
Other Grants Under £50K	407	443
Total	34,678	35,782

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:

	2020/21	2021/22
Capital Grants Receipts in Advance	£000	£000
DFG Grant	1,249	1,405
Department for Business, Energy & Industrial Strategy	6,827	2,318
MHCLG Coastal Revival Fund	10	10
Other Grants Under £50K	155	86
Total	8,241	3,819

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 2022 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 2021/22 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 2021/22, most notably:

- Morecambe Bay Foodbank
- Lancaster Citizens Advice Bureau
- The Dukes Playhouse

The total of members' allowances paid in 2021/22 is shown in Note 32. During 2021/22, 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

The Council previously nominated four of its City Councillor's as trustees of the Dukes Playhouse Ltd, however as there was no trustee representation made by the Council during 2021/22 there is no further disclosure requirement for the Dukes.

Mersey Internal Audit Agency (MIAA)

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

Associated Companies and Joint Venture Partners

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

Partnership working

During 2021/22 the Council continued to work both formally and informally in partnership with neighbouring authorities and other bodies. The main partnership operations were as follows:

Title of Partnership	Organisations Represented
Revenues & Benefits Shared Services	Lancaster City Council / Preston City Council
Corporate Enquiry Team	Lancaster City Council / Preston City Council / Fylde Borough council
Lancaster Business Improvement District	Lancaster City Council, Lancashire County Council, NW Chamber of Commerce, Lancashire Constabulary, Local Businesses
Morecambe Business Improvement District	Lancaster City Council, Lancashire County Council, NW Chamber of Commerce, Lancashire Constabulary, Local Businesses
South Lancaster Growth Catalyst Strategic Board	Lancaster City Council, Homes England, Lancashire County Council, LEP, Lancaster University
Green Homes Grant - Local Authority Delivery Scheme/ Cosy Homes in Lancashire	All Lancashire Local Authorities with Blackpool as accountable body and Rhea Projects as delivery agent
Building Control Service Partnership	Lancaster City Council & Urban Vision
Lancashire Parking Services	Lancaster City Council, Lancashire County Council, Wyre Borough Council, South Ribble Borough Council
Community Development Partnership	Lancaster City Council, Lancashire County Council, Ridge Community Centre (YMCA & Emues CIC), Marsh Community Centre
Supported Temporary Accommodation	Calico
Capital Projects Partnership	Lancaster City Council, Lancashire County Council
Various Health & Leisure Activities	Lancaster City Council / Lancashire County Council

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.

	2020/21	2021/22
	£000	£000
Opening Capital Financing Requirement	86,701	94,948
<i>Capital investment:</i>		
Property, Plant and Equipment	11,511	12,523
Investment Properties	8,774	67
Intangible Assets	104	-
Revenue Expenditure Funded from Capital Under Statute	1,679	2,392
<i>Sources of financing:</i>		
Capital receipts	(13)	(58)
Government Grants and other contributions	(7,693)	(7,493)
Direct revenue contributions	(395)	(480)
Minimum Revenue Provision	(2,801)	(3,199)
Depreciation of HRA non dwellings	(6)	(7)
Major Repairs Reserve	(2,913)	(3,456)
Closing Capital Financing Requirement	94,948	95,237
<i>Explanation of movements in year:</i>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	8,247	289
Increase/(decrease) in Capital Financing Requirement	8,247	289

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 2021	31 March 2022
	£000	£000
Not later than 1 year	1,216	1,686
Later than 1 year and not later than 5 years	4,581	5,817
Later than 5 years	5,635	6,122
Minimum lease payments	11,432	13,625

39 IMPAIRMENT LOSSES

During 2021/22 the Council has not recognised any impairment losses in relation to non-current asset valuations.

40 TERMINATION BENEFITS

There were no terminations in 2021/22 (3 in 2020/21 costing £142K of which £84K was payable in enhanced pension benefits).

41 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid, as well as the required percentage to be applied for on-going contributions and their value. As part of the 2019 Valuation, employers were offered the opportunity to make these payments in one discounted lump sum in 2020/21 rather than paying each year. The benefit to the Council was that the value of the lump sum was less than the on-going annual cost even after allowing for potential interest losses by prepaying and as a result the offer was taken up by the Council.

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

Transactions Relating to Post-Employment Benefits

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

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2020/21 £000	2021/22 £000
<i>Cost of services:</i>		
Current service cost	5,844	8,104
Past Service cost	-	-
Administration expenses	110	121
Settlements and curtailments	-	130
<i>Financing & Investment Income & Expenditure:</i>		
Interest costs	5,483	5,578
Expected return on scheme assets	(4,329)	(4,017)
Total Post Employment Benefit Charged to Provision of Services	7,108	9,916
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>		
Actuarial gains and losses	16,871	(24,695)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	23,979	(14,779)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for net Provision of Services for post employment benefits in accordance with the Code	(7,108)	(9,916)
Reversal of actuarial gains and losses recognised in other Comprehensive Income and Expenditure	(16,871)	24,695
Net charge in relation to pension adjustments	-	-
Actual amount charged against Funds for pensions in the year - employers contributions	3,062	3,923
* Net Movement on Pension Fund Reserve	(20,917)	18,702

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	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Present value of the defined benefit obligation	265,801	271,897	3,019	2,828
Fair value of plan assets	(191,209)	(215,816)	-	-
Net liability arising from defined benefit obligation	74,592	56,081	3,019	2,828

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

	Local Government Pension Scheme	
	2020/21	2021/22
	£000	£000
Opening fair value of scheme assets	175,048	191,209
Interest income	4,329	4,017
Remeasurement gain/(loss)	15,350	23,344
Administration expenses	(110)	(121)
Employer contributions	3,062	3,923
Contributions by scheme participants	1,182	1,297
Benefits paid	(7,652)	(7,853)
Closing fair value of scheme assets	191,209	215,816

Reconciliation of Present Value of the Scheme Liabilities:

	Funded Liabilities		Unfunded Liabilities	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening balance at 1 April	228,776	265,801	2,966	3,019
Current service cost	5,844	8,104	-	-
Interest cost	5,415	5,517	68	61
Contributions from scheme participants	1,182	1,297	-	-
Remeasurement (gains) and losses	31,991	(1,338)	230	(13)
Past service cost	-	-	-	-
Curtailments	-	130	-	-
Benefits paid	(7,407)	(7,614)	(245)	(239)
Closing balance at 31 March	265,801	271,897	3,019	2,828

Local Government Pension Scheme assets comprised:

	2020/21	2021/22
	£000	£000
Equities:	-	-
Financials	-	257
Bonds:		
UK corporate	-	886
Overseas corporate	-	797
UK Fixed gilts	-	-
UK index linked	-	-
Overseas Fixed Interest	-	-
Property:		
Offices	84	100
Offices/Warehouse	-	-
Industrial/Warehouse	1,592	1,609
Shops	188	191
Retail Warehouse	-	-
Shopping Centre	-	-
Multi let Commercial Building	1,412	1,546
Alternatives:		
UK private equity	-	4,773
Overseas private equity	15,341	13,011
Infrastructure	22,931	24,585
Credit funds	25,560	28,884
Pooled Fixed Income	6,374	9,384
Indirect Property Funds	23,955	18,818
UK Pooled Equity Funds	1,955	2,032
Overseas Pooled Equity Funds	87,595	103,510
Cash:		
Cash and cash equivalents	-	-
Cash accounts	4,721	5,985
Net current assets	(499)	(552)
Closing fair value of scheme assets	191,209	215,816

Significant assumptions used by the actuary

	2020/21	2021/22
	£000	£000
Longevity at 65 for current pensioners		
- Men	22.4	22.3
- Women	25.1	25.0
Longevity at 65 for current pensioners (aged 65 in 20 years time)		
- Men	23.9	23.7
- Women	26.9	26.8
Rate of CPI inflation	2.7	3
Rate of increase in salaries	4.2	4.9
Rate of increase in pensions	2.8	3.5
Rate for discounting scheme liabilities	2.1	2.8

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

		+0.1% p.a. discount rate	+0.1% p.a. inflation	+0.1% p.a. pay growth	+1 year life expectancy
	£000	£000	£000	£000	£000
Liabilities	274,725	270,302	279,220	275,143	283,052
Assets	(215,816)	(215,816)	(215,816)	(215,816)	(215,816)
Deficit/(Surplus)	58,909	54,486	63,404	59,327	(67,236)
Projected Service Cost for next year	7,815	7,609	8,030	7,815	8,066
Projected Net Interest Cost for next year	1,596	1,525	1,725	1,611	1,832

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 2019 which determines contribution rates effective from 01 April 2020 to 31 March 2023.

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

The Council anticipated paying £3.923M expected contributions to the scheme in 2021/22 (£3.062M in 2020/21). The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2021/22, (16 years 2020/21).

42 CONTINGENT LIABILITIES

The following material contingent liabilities existed as at 31 March 2022:

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 2022. 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.

Collaboration Agreement in relation to the South Lancaster Growth Catalyst – In order to support this project the Council entered into a Collaboration agreement with Lancashire County Council dated 5 October 2021. In the event of a shortfall in overall funding for the project which cannot be rectified by any other means, both parties are to contribute to the shortfall.

43 CONTINGENT ASSETS

There are no material contingent assets as at 31 March 2022.

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 2021/22 approved Treasury Management Policy, the credit criteria in respect of financial assets held by the Council are as detailed in the following table:

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

	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	£1m	1 day
DMADF	AAA	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 £42.7M 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 £42.7M, there was no evidence at 31 March 2022 that this was likely to materialise.

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

Credit risk investment split

	Balance 31/03/22	Historical experience of default	Exposure at 31/03/22	Exposure at 31/03/21
	£000	%	£000	£000
	(a)	(b)	(a * b)	
AAA rated counterparties	-	0%	0%	0%
Trade debtors	2,030	Bad debt provision	2,544	2,470
Total	2,030		2,544	2,470

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 £2.6M 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:

	31/03/21	31/03/22
	£000	£000
Current, < 28 Days	619	417
28-59 Days	305	353
60-91 Days	81	112
92-183 Days	414	234
184-364 Days	375	442
365+ Days	1,600	1,519
Total	3,394	3,077

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.

	31/03/21	31/03/22
	£000	£000
Less than 1 Year	1,041	1,041
1-2 Years	1,041	1,041
3-5 Years	3,124	3,124
6-10 Years	5,207	5,207
11-20 Years	10,414	10,414
21-30 Years	1,057	15
More than 30 Years	39,200	39,200
Total	61,084	60,042

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 0.75%, returns being at very low levels during the year. Had the prevailing rates been higher, it would have seen a corresponding increase in income. The overall rate of return on the Council's portfolio was 0.7%, an increase of 1.0% on interest rates during 2021/22 would have had the following marginal effect:

	Actual	+1%
	£000	£000
New or variable investments:		
Call accounts	41	627
Total	41	627

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

45 GROUP ACCOUNTS

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

Housing Revenue Account

THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2020/21 £000	NOTES	2021/22 £000	£000
Expenditure			
5,005	Repairs and maintenance	5,684	
3,762	Supervision and management	4,560	
307	Rent, rates, taxes and other charges	381	
6,161	Depreciation and impairment of non-current assets	6,733	4&5
-	Debt management costs	-	
148	Movement in the allowance for bad debts	72	8
-	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP	-	9
15,383	Total Expenditure	17,430	
Income			
(13,601)	Dwelling rents	(13,796)	
(263)	Non-dwelling rents	(268)	
(1,589)	Charges for services and facilities	(1,593)	
(8)	Contributions towards expenditure	(8)	
(76)	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP	(91)	
(15,537)	Total Income	(15,756)	
(154)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	1,674	
-	HRA services' share of Corporate and Democratic Core	-	
-	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	-	
(154)	Net Cost for HRA Services	1,674	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(321)	Gain or Loss on sale of HRA non-current assets	(648)	
1,840	Interest payable and similar charges	1,753	
(18)	Interest and investment income	(11)	
214	Pension interest cost and expected return on pension assets	272	7
(2)	Capital grants and contributions receivable	(24)	
1,559	(Surplus) or deficit for the year on HRA Services	3,016	

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.

2020/21 £000		2021/22 £000
(2,858)	Balance on the HRA at the end of the previous year	(3,286)
1,559	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	3,016
(2,076)	Adjustments between accounting basis and funding basis under statute	(1,941)
(517)	Net (increase) or decrease before transfers to or from reserves	1,075
89	Transfers to or (from) reserves	(340)
(428)	(Increase) or decrease in year on the HRA	735
(3,286)	Balance on the HRA at the end of the year	(2,551)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 NUMBER AND VALUES OF DWELLINGS

As at 31 March 2022 the Council held the following number of dwellings, noting that during the year 15 properties were disposed of under the Right to Buy Scheme, and one house sale made under non-RTB conditions. Also, there was some minor re-classification of property types:

	2020/21	2021/22
Bedsits	77	76
1 Bedroom		
Houses & Bungalows	654	653
Flats & Maisonettes	550	551
2 Bedroom		
Houses & Bungalows	474	472
Flats & Maisonettes	664	662
3 Bedroom		
Houses & Bungalows	1,150	1,139
Flats & Maisonettes	6	7
4 or more bedroomed dwellings	85	84
TOTAL DWELLINGS	3,660	3,644



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



	Value as at 1 April 2021 £000	Value as at 31 March 2022 £000
Operational Assets:		
Council Dwellings	131,023	141,475
Other land and buildings	108	131
	131,131	141,606
Non-operational Assets	1,602	1,562
TOTAL	132,733	143,168

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 £15.074M 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 2021 was £335.965M. The difference between this and the EUV-SH valuation of £145.269M (i.e. the updated figure after the valuation exercise effective as of 01 April 2021 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:

	2020/21 £000	2021/22 £000
Opening Balance 01 April	-	404
Transfer to HRA – Depreciation	2,919	3,463
Transfer to HRA - Depreciation Adjustment	(6)	(7)
Transfer to HRA - Additional Capital Financing	404	338
Capital Expenditure - Houses	(2,913)	(3,456)
Closing Balance 31 March	404	742

3 CAPITAL EXPENDITURE

Capital expenditure of £3.759M was incurred during the year relating to works on improvements to dwellings. This was financed as follows:

	2020/21 £000	2021/22 £000
Usable Capital Receipts	-	-
Earmarked Reserves	127	279
Majors Repairs Reserve	2,913	3,456
Grants and Contributions	2	24
Total Capital Financing	3,042	3,759

Capital receipts totalling £1.509M were received during the year from the following sources:

	2020/21	2021/22
	£000	£000
Sale of dwellings	1,161	1,185
Other disposal receipts		324
Repayment of Principal on Mortgages	-	-
Total Capital Receipts	1,161	1,509

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

4 DEPRECIATION

Total depreciation charges for the year were as follows:

	2020/21	2021/22
	£000	£000
Council Dwellings	3,317	3,794
Other land and buildings	-	-
Non-operational Assets	6	7
Deferred Charges on Intangible Assets	-	-
TOTAL	3,323	3,801

5 IMPAIRMENT CHARGES

No impairment charges were made to the HRA for the financial year 2021/22. There was, however, a revaluation downwards of £3.758M in respect of non-enhancing capital expenditure on Council Housing stock. This was offset by £15.075M 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 2022 amounted to £498K (£559K for 2020/21). An amount of £545K (£528K for 2020/21) 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

1 NOTES TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2020/21 £000	2021/22 £000
Adjustments between accounting basis and funding basis under statute		
Difference between interest payable and similar charges including amortisation of premiums & discounts determined in accordance with the Code & those determined in accordance with statute.	-	-
Difference between any other item of income & expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements.	1	(2)
Gain or loss on sale of HRA non-current assets.	321	648
HRA share of contributions to or from the Pension Reserve.	(731)	(999)
Capital Expenditure funded by the Housing Revenue Account	127	279
Transfer to/(from) Major Repairs Reserve	404	338
Transfer to/(from) the Capital Adjustment Account	(2,198)	(2,205)
	(2,076)	(1,941)
Transfers to or (from) reserves		
Transfer to/(from) Earmarked Reserves	89	(340)
	(1,987)	(2,281)

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.

2020/21			NOTES	2021/22	
Business Rates £000	Council Tax £000			Business Rates £000	Council Tax £000
INCOME					
	(78,991)	Income from Council Tax	1		(84,432)
	(1,011)	Transfer for Transitional Reliev S13A [1] [C]			(16)
(48,408)		Income from Business Ratepayers	2	(60,260)	
-		Transitional Protection Payments due from Central Government		-	
-	(590)	Contributions towards previous year's estimated Collection Fund deficit		(24,063)	(746)
(48,408)	(80,592)	TOTAL INCOME		(84,323)	(85,194)
EXPENDITURE					
Precepts and Demands					
	58,393	Lancashire County Council	} 3		60,432
	10,361	Lancaster City Council (including parish precepts)			10,648
	8,817	Lancashire Police Authority			9,398
	2,955	Lancashire Fire Authority			2,999
32,212		Shares of non-domestic rating income to major preceptors and the billing authority		30,154	
32,212		Payments made to central government in respect of central share		30,154	
169		Transitional Protection Payments due to Central Government		96	
3,026		Renewable Energy Disregard		3,037	
210		Cost of Collection Allowance		208	
-	154	Write-offs of uncollectable amounts		-	231
204	701	Allowance for Impairment	2	162	896
2,086		Adjustment to Provision for alteration of lists & appeals		(1,022)	
2,958		Contribution towards previous year's estimated Collection Fund surplus		-	
73,077	81,381	TOTAL EXPENDITURE		62,789	84,604
24,669	789	(SURPLUS) / DEFICIT ON FUND		(21,534)	(590)
MOVEMENT ON THE FUND					
2,712	633	Opening Balances		27,381	1,423
27,381	1,423	Closing Balances		5,847	832
24,669	790	TOTAL MOVEMENT ON FUND		(21,534)	(591)

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 2021/22 the numbers are as follows:-

Council Tax		
	Chargeable Dwellings	Band D Equivalents
Band A	16,270	8,791
Band B	13,824	9,601
Band C	11,316	9,128
Band D	6,231	5,819
Band E	3,949	4,596
Band F	1,961	2,729
Band G	824	1,302
Band H	47	89
Total	54,422	42,055
<i>Collection Rate</i>		98.68%
Council Tax Base		41,500

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 2021/22 (51.2p for 2020/21) For local businesses with a rateable value of less than £18,000, a discount of 1.3p was allowed giving a rate of 49.9p per £. The total rateable value for the district at 31 March 2022 was £160,670,159 (£159,442,643 for 2020/21).

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 2021/22 was £19.594M (£19.594M in 2020/21).

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 2021/22. 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 2022. Appeals are charged and provided for in proportion to the precepting shares. The total provision as at 31 March 2022 has been estimated at £15.091M (£16.113M in 2020/21), the Council's share of which is £6.036M.

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	Deficit Allocation	
	£000	£000	£000	£000	
Lancashire County Council	60,432	(546)	5,428	(2,166)	63,148
Lancashire Police Authority	9,398	(82)	-	-	9,316
Lancashire Fire Authority	2,999	(28)	603	(241)	3,333
Lancaster City Council	10,648	(90)	24,123	(9,625)	25,056
	83,477	(746)	30,154	(12,032)	100,853

Glossary of Terms used in the Accounting Statements

Accounting Policies

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

- recognising
- selecting measurement bases for, and
- presenting

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

Accounting policies do not include estimation techniques.

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

Acquired Operations

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

Actuarial Gains and Losses

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

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

Capital Expenditure

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

Class of Tangible Fixed Assets

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

Property, plant and equipment
Investment property
Assets held for sale

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

Consistency

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

Constructive Obligation

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

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core

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

Current Service Cost (Pensions)

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

Curtailment

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

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

Defined benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

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

Discontinued Operations

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

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

- (d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Discretionary benefits

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

Estimation Techniques

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

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

Events After the balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

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

Expected Rate of Return on Pensions Assets

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

Extraordinary Items

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

Fair value

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

Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all of the fair value of the leased asset.

Government Grants

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

Impairment

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

Infrastructure Assets

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

Interest Cost (Pensions)

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

Inventories

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

Long-term Contracts

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

Net book value

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

Net Current Replacement Cost

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

Net Debt

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

Non-operational Assets

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

Operating Leases

A lease other than a finance lease.

Past Service Cost

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

Prior Period Adjustments

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

Projected Unit Method

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

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

Related Parties

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

- (i) one party has direct or indirect control of the other party, or
- (ii) the parties are subject to common control from the same source, or
- (iii) one party has significant influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

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

These lists are not intended to be comprehensive.

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

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

Related Party Transaction

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

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

This list is not intended to be comprehensive.

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

Remuneration

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

Residual value

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

Retirement benefits

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

Scheme Liabilities

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

Settlement (re pension matters)

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

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

Tangible Fixed Assets

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

Useful Life

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

Vested Rights

In relation to a defined benefit scheme, these are:

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