

## 2.0 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

### Local Government Funding

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

### Pension Prepayment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3-year period 2017/18 – 2019/20, 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.

Subsequently, in April 2017 the Council paid £8.915M based on an estimated pensionable payroll of £17.8M per annum in order to make a budget saving. In line with the Council's accounting policies, in 2017/18 the amounts relating to 2018/19 and 2019/20 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.

As 2019/20 was the final year of the up-front payment period, all amounts have now been reflected in the pension reserve which is aligned to the pension liability. For further details see note 29 Defined Benefit Pension Schemes.

For the 3-year period 2020/21 – 2022/23, the Council has again agreed with the Lancashire County Pension Fund that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. The payment and associated transactions will be accounted for in the same way as the 2017/18 – 2019/20 payment.

### 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 2019. 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.