

City | Coast | Countryside

Statement of Accounts

For the year ended 31 March 2014



2013/14



Lancaster City Council – Statement of Accounts

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Explanatory Foreword

1 Introduction

This document sets out the City Council's annual accounts for the financial year ended 31 March 2014. The format follows the requirements for publication of financial information as prescribed by the Code of Practice on Local Authority Accounting (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The document includes a statement of the accounting policies adopted by the Authority, together with a brief explanation of the purpose of and links between the main accounting statements.

The purpose of this foreword is to provide an overall summary of the Council's financial position for 2013/14 and assist in the interpretation of the accounting statements.

2 Revenue Position

2.1 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 (see section 2.2 below). The General Fund Revenue Budget for 2013/14 (including parish precepts) was originally approved by Council on 27 February 2013 at £20.301M, representing net revenue expenditure of £21.130M less general government grants of £829K. It assumed that Balances would be just over £3M at 31 March 2014, though these were increased by a further £547K following the 2012/13 outturn.

Between 2012/13 and 2013/14 the General Fund budget reduced by £371K or 1.8%, primarily as a result of Government funding reductions.

The table below summarises the General Fund revenue income and expenditure for 2013/14. It shows the actual variances for each service area but excludes any notional charges included within the formal financial statements, as these can distort the position in terms of understanding where actual spending and income variances have occurred.

	2013/14		Variance from	
	Original Budget	Revised Budget	Actual	Revised Budget
	£000	£000	£000	£000
Expenditure:				
Environmental Services	3,862	2,386	2,403	17
Governance	2,026	1,640	1,631	(9)
Health & Housing	3,784	3,415	3,473	58
Management Team	213	631	629	(2)
Regeneration & Planning	3,724	3,798	3,353	(445)
Resources	3,777	3,516	3,203	(313)
Corporate Accounts	1,819	3,556	4,376	820
Net Cost of General Fund Services	19,205	18,942	19,068	126
Interest Payable & Similar Charges	1,076	1,076	1,055	(21)
Parish Precepts	482	482	482	0
Contribution to General Fund Balance	367	254	531	277
NET REVENUE EXPENDITURE	21,130	20,754	21,136	382
Funded by:				
General Government Grants	(829)	(1,437)	(1,451)	(14)
Revenue Support Grant	(7,533)	(7,533)	(7,533)	0
National Non Domestic Rates	(5,011)	(4,027)	(4,395)	(368)
Council Tax	(7,757)	(7,757)	(7,757)	0
TOTAL FUNDING	(21,130)	(20,754)	(21,136)	(382)



At outturn for 2013/14 there has been a net underspending of £277K against the Revised Budget. Some of the main areas where underspending has occurred are shown below, and in addition further contributions to provisions have been provided for, in connection with the recovery of debt and other legal matters:

	£'000
Savings on Employees/Transport & Premises	-136
Revenues Shared Service Savings	-71
Other Net Savings on Supplies & Services	-334
Additional Planning Fee Income	-168
Other Additional Income	-133
Icelandic Investments Recoveries	-143
Additional Contribution to Provisions	+708

As a result of the outturn, General Fund unallocated Balances stand at £3.7M as at 31 March 2014, which is well in excess of the minimum £1M level. This is before consideration of any requests by services to carry forward underspends; if any are approved this will effectively reduce available amounts. It should be noted that a contribution of £457K is already budgeted to be transferred out to support the revenue budget during 2014/15. The use of Balances is an important element in addressing the Council's financial challenges and establishing a sustainable budget.

2.2 Housing Revenue Account (HRA)

The Local Government and Housing Act 1989 requires Councils to maintain a separate ring-fenced account for the provision of local authority housing, which cannot be subsidised by the General Fund. This account, known as the Housing Revenue Account (HRA), deals with all the transactions involving the management of the Council's housing stock. Full details of this are included later within these accounts.

The net underspend for 2013/14 on the HRA was £51K, which has been transferred into HRA unallocated Balances. As at 31 March 2014 the HRA unallocated Balance amounted to £401K, which is £51K above the £350K minimum approved level. The main areas of over(+) / underspending(-) in the HRA in 2013/14 were as follows:

	£'000
Reduction in Contribution to Bad Debts Provision	-38
Reduced Capital Financing from Revenue	-546
Repairs & Maintenance	+521

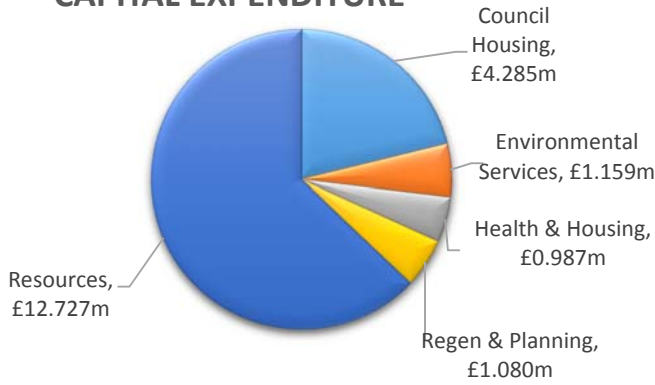
3 Capital Position

In 2013/14 the City Council spent £20.238M on capital schemes, summarised as follows:

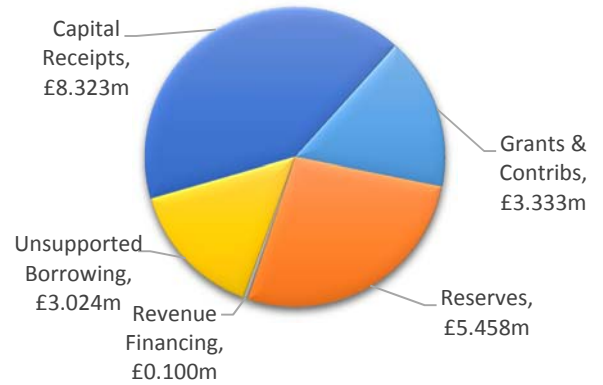
Summary of Capital Expenditure and its Financing

Capital Expenditure by Service	£000	Capital Financing	£000
Council Housing	4,285	Grants & Contributions	3,333
Environmental Services	1,159	Reserves	5,458
Health & Housing Services	987	Revenue Financing	100
Regeneration & Planning	1,080	Unsupported Borrowing	3,024
Resources	12,727	Capital Receipts	8,323
Total	20,238	Total	20,238

CAPITAL EXPENDITURE



CAPITAL FINANCING



The Council's revised Capital Programme for 2013/14 was £22.159M, and slippage of £1.7M is expected to be rolled forward into 2014/15, due to various changes and programming delays. Capital expenditure incurred in 2013/14 included one material item relating to the cost of surrendering the Council's leasehold interest in the Lancaster Market building (£11.7M).

The Capital Programme was financed from a variety of sources such as capital receipts, grants, revenue, reserves and borrowing. With regard to the latter, the Council can borrow money for capital purposes provided it can meet certain criteria, linked to affordability, sustainability and prudence, as determined by the Prudential Code Framework.

In 2013/14 the net cost of financing external borrowing (i.e. interest charges) was £3.134M, and the value of long term debt owed as at 31 March 2014 amounted to £67.572M, of which £239K relates to finance lease liabilities and £67.333M relates to PWLB long term borrowing. A further £1.229M is included within short term borrowing as it is due for repayment over the next 12 months. The overall level of debt should be viewed in relation to the Council's long term assets, which had a net book value of around £227M as at 31 March 2014.



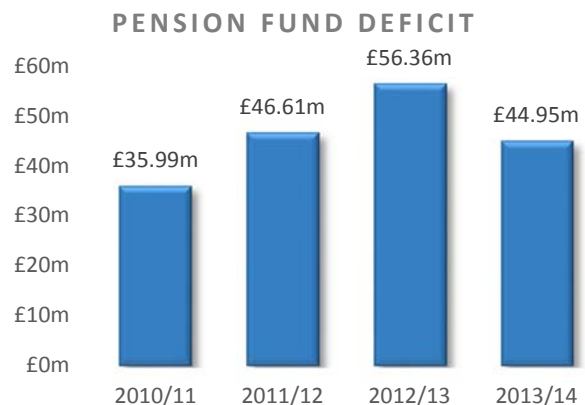
The increase from 2010/11 to 2011/12 is due to taking on additional debt associated with HRA self-financing.

4 Pension Liabilities

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 2013, the results of which were published in March 2014. This valuation saw an increase in net deficit on the Fund to £1,377M (£993M in 2010).

For Lancaster, the net position as at 31 March 2014 showed a net liability of £44.945M compared to £56.360M for the previous financial year. This represents a reduction in net liabilities of £11.415M. This is largely due to an increase in gilt yields.

Liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years, taking account of assumptions about mortality rates, salary levels etc., although clearly these may vary over time.



Also, it is emphasised that such estimated liabilities will not become due immediately or all at once, as they relate to estimated pensions payable to current scheme members on their normal retirement

dates. The position represents simply 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 markedly from one year to the next.

5 Changes in Accounting Policies

There have been no changes to accounting policies that affect the 2013/14 Statement of Accounts.

6 Other Changes

2013/14 saw a major change in Local Government funding with the introduction of the Business Rates Retention Scheme. Previously, business rates were collected and administered by local government but then paid over to Central Government for redistribution to local authorities. With the new scheme income is still collected and administered locally, however, an element is now retained by the local authority. The aim being to give Councils a greater incentive to grow businesses but it also increases the financial risk due to volatility, appeals and non-collection rates. Further details are contained within Note 4 on page 28 and Collection Fund Note 2 on page 63.

7 Conclusion

Although the Council's General Fund budget and associated Government funding reduced again in 2013/14, it managed these reductions well, and has again strengthened its financial standing as at 31 March 2014. Balances are therefore higher than forecast, and the Council has other substantial earmarked further reserves to help respond to the ongoing financial challenges expected over the coming years, in delivering against its corporate priorities. These challenges include getting to grips with more technical financial matters, such as the recent introduction of the Business Rates Retention Scheme.

Nonetheless, given funding prospects the Council must continue to reduce costs wherever possible – substantially more efficiency and other savings are still needed for General Fund services, in order to balance future years' budgets and ensure financial stability, whilst still ensuring Value for Money. As a result, the Council will be undertaking a significant programme of service reviews over the medium term.

In terms of Council Housing provision the HRA remains in a strong position financially and is therefore well placed to undertake small scale expansion to its housing stock, in response to local social housing needs.

Summary of Financial Statements

THE CORE FINANCIAL 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 and the General Fund for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfer to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

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 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.

This financial year the local government finance regime has been revised, to allow for the introduction of the Business Rates Retention Scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the district. It does, however, also increase the financial risk due to non-collection, the outcome of appeals, and the volatility of the NNDR tax base.

Group Accounts

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

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

Bequests, Endowments and Trust Funds

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

To be completed after Audit Committee.

To be completed after Audit Committee.

To be completed after Audit Committee.

Statement of Responsibilities for the Statement of Accounts

1 The Authority's Responsibilities

The authority 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 this authority, that officer is the Chief Officer (Resources), as 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 Chief Officer (Resources)' Responsibilities

The Chief Officer (Resources) as Section 151 Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Chief Officer (Resources) 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.

The Chief Officer (Resources) 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 Chief Officer (Resources)' 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 2014 and the income and expenditure for the year then ended.



Nadine Muschamp, CPFA
Chief Officer (Resources)

Date: 30 June 2014

Nadine Muschamp, CPFA
Chief Officer (Resources)

Date: 17 September 2014

4 Audit Committee Chairman's Certificate

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was considered and approved by Audit Committee on 17 September 2014.

Cllr Malcolm Thomas

Date: 17 September 2014

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.

	General Fund Balance	General Fund Earmarked Reserves	HRA Earmarked Reserves	HRA Earmarked Reserves	Major Repairs Reserve	Usable Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31/3/2013	3,182	6,545	776	10,657	0	32	223	21,415	103,518	124,933
Movements in 2013/14										
Surplus/(deficit) on the provision of services	(23,306)	0	(690)	0	0	0	0	(23,996)	0	(23,996)
Other Comprehensive Income and expenditure	0	0	0	0	0	0	0	0	14,107	14,107
Total comprehensive income and expenditure	(23,306)	0	(690)	0	0	0	0	(23,996)	14,107	(9,889)
Adjustments between accounting & funding basis under regulations	25,023	0	1,065	0	(1,980)	(32)	(84)	23,992	(15,500)	8,492
Net Increase/Decrease before transfers to earmarked reserves	1,717	0	375	0	(1,980)	(32)	(84)	(4)	(1,393)	(1,397)
Transfers (to)/from earmarked reserves	(1,186)	1,186	(750)	750	1,980			1,980	0	1,980
Increase/(decrease) in 2013/14	531	1,186	(375)	750	0	(32)	(84)	1,976	(1,393)	583
Balance at 31/03/2014	3,713	7,731	401	11,407	0	0	139	23,391	102,125	125,516

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) consolidates all the gains and losses experienced by the Council during the financial year. 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 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.

2012/13				2013/14			
Gross Exp £000	Gross Inc £000	NET £000	NOTES	Gross Exp £000	Gross Inc £000	NET £000	
<i>Continuing Operations:</i>							
12,728	(11,477)	1,251	Central Services to the Public	11,270	(3,076)	8,194	
11,241	(5,084)	6,157	Cultural and Related Services	11,798	(5,227)	6,571	
10,829	(4,479)	6,350	Environmental and Regulatory Services	12,454	(6,114)	6,340	
8,047	(4,290)	3,757	Planning Services	6,257	(3,001)	3,256	
1,842	(2,695)	(853)	Highways and Transport Services	3,413	(4,279)	(866)	
18,495	(22,146)	(3,651)	Local Authority Housing (HRA)	32,290	(25,182)	7,108	
45,040	(43,814)	1,226	Other Housing Services	45,413	(43,978)	1,435	
2,055	(192)	1,863	Corporate and Democratic Core	1,967	(154)	1,813	
975	(56)	919	Non Distributed Costs	1,197	(72)	1,125	
111,252	(94,233)	17,019	Cost of Services	126,059	(91,083)	34,976	
1,036	(457)	579	Other Operating Expenditure	8	9,279	(8,521)	758
21,401	(14,152)	7,249	Financing and Investment Income and Expenditure	9	14,338	(9,272)	5,066
0	0	0	(Surplus) / Deficit on discontinued operations	28	11,834	(4,903)	6,931
0	(21,799)	(21,799)	Taxation and Non Specific Grant Income	10	20,425	(44,160)	(23,735)
		3,048	(Surplus)/Deficit on Provision of Services			23,996	
		(1,533)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets		0	(10,472)	(10,472)
		8,746	Actuarial (Gains)/Losses on Pension Assets/Liabilities	40	0	(14,107)	(14,107)
		7,213	Other Comprehensive Income and Expenditure			(24,579)	
		10,261	Comprehensive Income and Expenditure			(583)	

Balance Sheet

The Balance Sheet summarises the Council's financial position as 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 show the disposition of 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).

Note – the 2012/13 bank overdraft and short term creditors figures have been restated by £729K to take account of an increase in the NNDR pool creditor for that year. This adjustment has been carried through to all the main statements and associated notes.

31 March 2013 £000		NOTES	31 March 2014 £000
Restated			
208,512	Property, Plant & Equipment	11	197,841
7,926	Heritage Assets	12	7,926
26,846	Investment Property	13	19,063
129	Intangible Assets	14	114
57	Assets Held for Sale	19	1,957
382	Long Term Investments	15	0
9	Long Term Debtors	15	6
243,861	Long Term Assets		226,907
18,103	Short Term Investments	15	22,016
389	Inventories	16	376
6,198	Short Term Debtors	17	7,679
24,690	Current Assets		30,071
(1,083)	Bank Overdraft	18	(660)
(1,389)	Short Term Borrowing	15	(1,229)
(10,440)	Short Term Creditors	20	(12,722)
(12,912)	Current Liabilities		(14,611)
(223)	Long Term Creditors	15	(223)
(422)	Provisions	21	(4,111)
(73,701)	Long Term Borrowing	15	(67,572)
(56,360)	Other Long Term Liabilities	23	(44,945)
(130,706)	Long Term Liabilities		(116,851)
124,933	Net Assets		125,516
21,415	Usable Reserves	22	23,391
103,518	Unusable Reserves	23	102,125
124,933	Total Reserves		125,516

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.

2012/13 £000		NOTES	2013/14 £000
<i>Restated</i>			Money (Out) / In
(3,048)	Net surplus or (deficit) on the provision of services	27	(23,996)
11,201	Adjustments to net surplus or deficit on the provision of services for non-cash movements		42,086
(1,512)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(11,227)
6,641	Net cash flows from Operating Activities		6,863
(5,649)	Investing Activities	25	988
(1,798)	Financing Activities	26	(7,428)
(806)	Net increase or decrease in cash and cash equivalents		423
(277)	Cash and cash equivalents at the beginning of the reporting period		(1,083)
(1,083)	Cash and cash equivalents at the end of the reporting period		(660)

Notes to the Accounts

The notes to the accounts have three significant roles:

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

A list of the notes provided is as follows:

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

1 ACCOUNTING POLICIES

1.1 General

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at 31 March 2014. 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.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

1.2 Impact of future Changes to Accounting Policies

There are no future changes to accounting policies which affect the 2013/14 Statement of Accounts.

1.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor 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.

1.4 Acquisitions and Discontinued Operations

Acquired operations

Additional policy detail is required where an authority has acquired operations (or transferred operations under machinery of government arrangements) during the financial year.

Discontinued operations

Additional policy detail is required where an authority has discontinued operations (or transferred operations under machinery of government arrangements) during the financial year.

1.5 Cash and Cash Equivalents

Cash and cash equivalents are made up purely of the Council's current bank 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.

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.

1.6 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.

1.7 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 in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the movement in Reserves Statement for the difference between the two.

1.8 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled 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 which employees can carry 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 provision 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

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:

- 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 8.7%.
- The assets of Lancashire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - **quoted securities** – current price bid
 - **unquoted securities** – professional estimate
 - **united securities** – current bid price
 - **property** – market value
- The change in the net pensions liability is analysed into seven components:
 - **current service cost** – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - **interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - **gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
 - **contributions paid to the Lancashire County pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; 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.

1.9 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.

1.10 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 into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in the active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables 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 loans that the Council has made, 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market prices.
- other instruments with fixed and determinable payments – discounted cash flow analysis.
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall or fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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 Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.11 Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange

rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.12 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-ringfenced 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.

1.13 Heritage Assets

Where reliable information is available, heritage assets have been recognised in the balance sheet at valuation. Operational heritage assets have been classified within the relevant class of property, plant and equipment and valued in line with the measurement bases for the relevant class. Heritage assets will be subject to the general provisions of capital accounting for additions, disposals, revaluations and capital charges where relevant, in line with the Code.

1.14 Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Authority. The Scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority collects the levy in respect of the BID and pays this across to North & Western Lancashire Chamber of Commerce as managing body for the Scheme.

1.15 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.

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 Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 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.

1.17 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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.

1.18 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 impairment 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 between the two.

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 Authority 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.

1.19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of CIPFA *Service Reporting Code of Practice 2013/14* (SeRCOP). The total absorption costing principle is used – the full costs of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- **Corporate and Democratic Core** – costs relating to the Council's status as a multi-functional, democratic organisation
- **Non Distributed Costs** – the cost of discretionary benefits awarded to employers retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.20 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to the 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.

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.

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:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly (but as a minimum every five years) to ensure that their carrying amount is not materially different from their fair 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.

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 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 carry 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the sympathetic allocation of their depreciable amounts over the time of their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- **dwelling and other buildings** – straight-line allocation over the useful life of the property as estimated by the valuer;
- **vehicles, plant, furniture and equipment** – straight-line allocation over 10 to 15 years depending on the type of asset;
- **infrastructure** – straight-line allocation over 10 to 40 years depending on the type of asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 losses recognised 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, and 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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1.21 Provisions, Contingent Liabilities and Contingent Assets.

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not

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

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

Contingent Assets

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

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

1.22 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

1.23 Revenue Expenditure Funded from Capital under Statute

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

1.24 Value Added Tax (VAT)

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

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

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

IAS 1 Presentation of Financial Statements – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Authority 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:

- There is still a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There are no material estimated items to report.

Business Rates

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 2013/14 and earlier financial years in proportion to their share. Therefore, a provision has been recognised, based on the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using data provided by an external software provider who utilises the Valuation Office (VOA) ratings list of appeals and its own extensive property list and historic rating information.

Pensions

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Officer (Resources) on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes.

Where events have taken place before 30 June 2014 and they provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted as appropriate in all material respects to reflect the impact of this information.

No other events have arisen after 31 March 2014 that require separate disclosure to aid understanding of the Council's financial position.

6 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.

**NOTE 6 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS
AND FUNDING BASIS UNDER REGULATION**

2013/14

	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	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets (exc MRA)	(6,371)	(9,519)					15,890
Revaluation losses on Property Plant and Equipment							0
Movements in the market value of Investment Properties							0
Amortisation of intangible assets	(34)	(18)					52
Capital grants and contributions applied							0
Movement in the Donated Assets Account							0
Revenue expenditure funded from capital under statute	(1,564)						1,564
Reversal of Icelandic bank impairment							0
HRA self financing payment							0
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	(8,189)	(303)					8,492
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							0
Statutory provision for the financing of capital investment	1,563	1,041					(2,604)
Capital expenditure charged against the General Fund and HRA balance	(10,396)	55					10,341
Adjustments primarily involving the Capital Grants Unapplied Account:							0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(84)					84	0
Application of grants to capital financing transferred to the Capital Adjustment Accounts	3,333						(3,333)
Adjustments primarily involving the Capital Receipts Reserve:							0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,157	426	(8,583)				0
Use of the Capital Receipts Reserve to finance new capital expenditure			8,322				(8,322)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(13)	13				0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(292)	292				0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	10	2	(12)				0
Adjustment primarily involving the Major Repairs Reserve:							0
Reversal of Major Repairs Allowance credited to the HRA		(4,285)					4,285
Use of the Major Repairs Reserve to finance new capital expenditure		4,107					(4,107)
Adjustments primarily involving the Financial Instruments Adjustment Account:							0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	49						(49)
Adjustments primarily involving the Pension Reserve:							0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	14,134	12					(14,146)
Employer's pension contributions and direct payments to pensioners payable in the year	(2,392)	(340)					2,732
Adjustments primarily involving the Collection Fund Adjustment Account:							0
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(1,149)						1,149
Adjustments relating to revaluation reserve amounts recognised in other comprehensive income and expenditure	2,144	8,370					(10,514)
Adjustments relating to other comprehensive income and expenditure							0
Appropriations to/from earmarked reserves	1,186	375			(1,561)		0
Adjustments to employee absences account	33	4					(37)
Total Adjustments	430	(378)	32	0	(1,561)	84	1,393
Total adjustment to Comprehensive Income and Expenditure	52						

**NOTE 6 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS
AND FUNDING BASIS UNDER REGULATION**

2012/13 Comparative Figures

	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	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(5,175)	(913)					6,088
Revaluation losses on Property Plant and Equipment							0
Movements in the market value of Investment Properties	(1,277)	34					1,243
Amortisation of intangible assets	(45)	(22)					67
Capital grants and contributions applied	1,003	14					(1,017)
Movement in the Donated Assets Account							
Revenue expenditure funded from capital under statute	(1,031)						1,031
Reversal of Icelandic bank impairment	0						0
HRA self financing payment		0					0
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	(91)	(220)					311
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	1,660	1,042					(2,702)
Capital expenditure charged against the General Fund and HRA balance	1,363	45					(1,408)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	28					(28)	
Application of grants to capital financing transferred to the Capital Adjustment Accounts							
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	186	280	(466)				0
Use of the Capital Receipts Reserve to finance new capital expenditure			442				(442)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(9)	9				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(193)		193				
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(2)				2
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA		(3,248)		3,248			
Use of the Major Repairs Reserve to finance new capital expenditure		(3,435)		3,435			
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		161					(161)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,170)	220					6,950
Employer's pension contributions and direct payments to pensioners payable in the year	(2,409)	(320)					2,729
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	40						(40)
Adjustments relating to revaluation reserve amounts recognised in other comprehensive income and expenditure	0	1,533					(1,533)
Adjustments relating to other comprehensive income and expenditure							0
Appropriations to/from earmarked reserves	(630)	7,810			(7,180)		
Adjustments to employee absences account	0	0					0
Total Adjustments	(13,741)	2,972	176	6,683	(7,180)	(28)	11,118
Total adjustment to Comprehensive Income and Expenditure	(10,769)						

7 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 2013/14.

	Balance at 31 March 2012	Transfers Out	Transfers in	Balance at 31 March 2013	Transfers Out	Transfers in	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Municipal Buildings	464	(258)	180	386	0	0	386
Open Spaces Commuted Sums	204	(58)	58	204	(40)	0	164
Other Commuted Sums	1,635	(343)	30	1,322	(312)	223	1,233
Restructuring	586	(154)	0	432	(399)	570	603
Renewals	699	(216)	382	865	(362)	428	931
Capital Support	1,005	(657)	78	426	(187)	230	469
Performance Reward Grant	224	(98)	0	126	(86)	0	40
Market Reserve	648	(29)	0	619	(659)	50	10
Invest to Save Reserve	1,229	(7)	325	1,547	(33)	0	1,514
Business Rates Retention Reserve	0	0	0	0	0	1,699	1,699
Welfare Reforms Reserve	200	0	0	200	0	57	257
Other Reserves £100K and under	281	(185)	322	418	(162)	169	425
Total	7,175	(2,005)	1,375	6,545	(2,240)	3,426	7,731

HRA: Restated 2012/13							
Hsg Mgt System Replacement	357	(13)	57	401		190	591
Flats Planned Maintenance	997	(37)	136	1,096	(19)	133	1,210
Central Control Equipment	88	0	5	93	(93)		0
Fixed Lifeline Equipment	46	(15)	15	46	(23)	5	28
Sheltered Housing Reserves	828	(93)	63	798	(72)	155	881
Business Support Reserve	0	0	8,102	8,102		511	8,613
Other Reserves £100K and under	101	0	20	121	(40)	3	84
Total	2,417	(158)	8,398	10,657	(247)	997	11,407

8 OTHER OPERATING EXPENDITURE

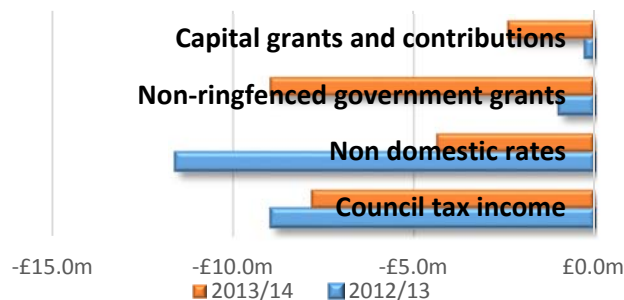
	2012/13	2013/14
	£000	£000
Parish council precepts	542	482
Levies	0	0
Payments to the Government Housing Capital Receipts Pool	193	292
(Gains)/losses on the disposal of non-current assets	(156)	(16)
	579	758

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/13	2013/14
	£000	£000
Interest payable and similar charges	3,867	3,206
Pensions interest cost and expected return on pensions	1,429	2,357
Interest receivable and similar income	(245)	(227)
Income and expenditure in relation to investment properties and changes in their fair value	1,057	(1,873)
Other investment income and expenditure	1,141	1,603
	7,249	5,066

10 TAXATION AND NON SPECIFIC GRANT INCOME

	2012/13	2013/14
	£000	£000
Council tax income	(8,954)	(7,925)
Non domestic rates	(11,593)	(4,395)
Non-ringfenced government grants	(990)	(8,984)
Capital grants and contributions	(262)	(2,431)
	(21,799)	(23,735)



11 PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Heritage assets	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost/Valuation									
Balance as at 1 April 2013	144,561	73,783	13,476	41,529	8,470	7,926	2,719	8,388	300,852
additions	4,272	739	1,269	195	194	0	0	215	6,884
donations									0
revaluation increases/(decreases) recognised in the Revaluation Reserve	8,672	1,149	0	0	0	0	0	0	9,821
revaluation increases/(decreases) recognised on the Surplus/Deficit on the Provision of Services	(3,621)	0	0	0	0	0	0	0	(3,621)
derecognition - disposals	(309)	0	(738)	0	0	0	0	(76)	(1,123)
derecognition - other	0	0	0	0	0	0	0	(44)	(44)
assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	(2,398)	0	(2,398)
other transfers	0	0	0	73	0	0	0	(73)	0
Balance as at 31 March 2014	153,575	75,671	14,007	41,797	8,664	7,926	321	8,410	310,371
Accumulated Depreciation and Impairment									
Balance as at 1 April 2013	(39,800)	(24,251)	(7,281)	(13,003)	(3)	0	(76)	0	(84,414)
depreciation charge	(1,980)	(976)	(1,308)	(1,530)	(2)	0	(18)	0	(5,814)
impairment losses/(reversals) recognised in the Revaluation Reserve	(999)	0	0	0	0	0	0	0	(999)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(7,410)	(6,579)	0	0	0	0	0	0	(13,989)
derecognition - disposals	6	0	606	0	0	0	0	0	612
Balance as at 31 March 2014	(50,183)	(31,806)	(7,983)	(14,533)	(5)	0	(94)	0	(104,604)
Net Book Value									
at 31 March 2013	104,761	49,532	6,195	28,526	8,467	7,926	2,643	8,388	216,438
at 31 March 2014	103,392	43,865	6,024	27,264	8,659	7,926	227	8,410	205,767

Depreciation

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

- Council Dwellings: depreciated using Major Repairs Allowance as a proxy
- Other Land and Buildings: 5 - 40 years
- Vehicles, Plant, Furniture and Equipment: 5 - 15 years
- Infrastructure: 10 - 40 years

Capital Commitments

At 31 March 2014, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 anticipated to cost £1,143K. Similar commitments at 31 March 2013 were £509K. The major commitments are:

- Lancaster Square Routes £634K
- Disabled facilities grants £329K
- Municipal Building Works £129K
- Sea and Flood defence £15K
- Warmer Homes Scheme £36K

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 five 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. Carrying values of vehicles, plant, furniture and equipment are based on depreciated cost.

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings £000	Other Land and Buildings £000	Heritage assets £000	Total £000
Adjustments to fair value by year:				
31 March 2014	(3,358)	(5,430)	0	(8,788)
31 March 2013	(1,133)	2	0	(1,131)
31 March 2012	(4,772)	(7,520)	0	(12,292)
31 March 2011	(36,000)	(1,598)	0	(37,598)
31 March 2010	(19,006)	2,636	7,926	(8,444)
Net valuation over 5 year cycle	(64,269)	(11,910)	7,926	(68,253)

12 HERITAGE ASSETS

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

	2012/13 £000	2013/14 £000
Opening Balance		
Civic Regalia and other donated items	609	609
Museum Collections	7,132	7,132
Public Art Works	168	168
Art Collection	17	17
	7,926	7,926
Cost of Acquisitions	0	0
Value of Assets Acquired by Donation	0	0
Disposal of Collectable Assets	0	0
Impairment of Assets Recognised in Period	0	0
Closing Balance		
Civic Regalia and other donated items	609	609
Museum Collections	7,132	7,132
Public Art Works	168	168
Art Collection	17	17
	7,926	7,926



The Code recommends a five year summary, however, it is not practical to do so at present therefore a two year summary has been provided.

Further information on Heritage Assets

Civic Regalia and other donated assets

There are 82 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 guided town hall tours held throughout the year.

Museums Collection

The Council owns over 3,500 items which are either on display or stored at the Maritime, Cottage and City museums in Lancaster. The museums themselves are managed through a partnership arrangement

with Lancashire County Council. 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.

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.

Works of Art

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 practicable to do so.

13 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.

	2012/13	2013/14
	£000	£000
Rental income from investment property	(706)	(578)
Direct operating expenses arising from investment property	516	364
Net (gain)/loss	(190)	(214)

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 repairs, maintenance or enhancement.

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

	2012/13	2013/14
	£000	£000
Balance as at 1 April	27,638	26,846
Additions:		
- Purchases	73	7
Disposals:	0	(7,981)
Net gains/losses from fair value adjustments	(1,061)	191
Transfers:		
- to/from Property, Plant & Equipment	196	0
Balance as at 31 March	26,846	19,063

14 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.

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.

	2012/13 <i>Restated</i> £000	2013/14 £000
Balance at start of year:		
- Gross carrying amounts	222	276
- Accumulated amortisation	(80)	(147)
Net carrying amount at start of year	142	129
Additions:		
- Purchases	54	37
Amortisation for the period	(67)	(52)
Net carrying amount at the end of year	129	114
Comprising:		
- Gross carrying amounts	276	313
- Accumulated amortisation	(147)	(199)
	129	114

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

15 FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Investments				
Loans and receivables	382	0	18,103	22,016
Total investments	382	0	18,103	22,016
Debtors				
Loans and receivables	9	6	6,198	7,679
Total Debtors	9	6	6,198	7,679
Total assets	391	6	24,301	29,695
Borrowings				
Financial liabilities at amortised cost	68,374	67,333	1,042	1,041
Finance lease liabilities	5,327	239	347	188
Total borrowings	73,701	67,572	1,389	1,229
Creditors				
Financial liabilities at amortised cost	223	223	10,440	12,722
Total Creditors	223	223	10,440	12,722
Bank overdraft	0	0	1,812	660
Total liabilities	73,924	67,795	13,641	14,611

Income, Expense, Gains and Losses

	2012/13 Restated					2013/14				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest payable	3,834	0	0	0	3,834	3,178	0	0	0	3,178
Losses on derecognition	0	0	0	0	0	0	100	0	0	100
Reductions in fair value	0	0	0	0	0	0	1	0	0	1
Impairment losses	0	0	0	0	0	0	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	3,834	0	0	0	3,834	3,178	101	0	0	3,279
Interest income	0	(120)	(50)	0	(170)	0	(281)	0	0	(281)
Interest income accrued on impaired financial assets	0	(36)	0	0	(36)	0	0	0	0	0
Increases in fair value	0	0	0	0	0	0	(47)	0	0	(47)
Gains and derecognition	0	0	0	0	0	0	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(156)	(50)	0	(206)	0	(328)	0	0	(328)
Gains on revaluation	0	0	0	0	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	0
Net (gain)/loss for the year	3,834	(156)	(50)	0	3,628	3,178	(227)	0	0	2,951

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Carrying values are assumed to be equal to the fair value of short term assets and liabilities held. The value of long term creditors is reviewed at each balance sheet date based on the current values outstanding and best estimates of amounts required to settle liabilities of uncertain timing or amount. PWLB loans are the only financial instrument where the fair value is judged to be different from the carrying amount. The fair value is calculated based on premature repayment rates between 4.07% and 4.41%.

	31 March 2013		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	86,613	100,267	82,183	101,962
Long-term creditors & provisions	645	645	4,334	4,334
Total	87,258	100,912	86,517	106,296

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 2013		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	24,683	24,683	29,695	29,695
Long-term debtors	9	9	6	6
Total	24,692	24,692	29,701	29,701

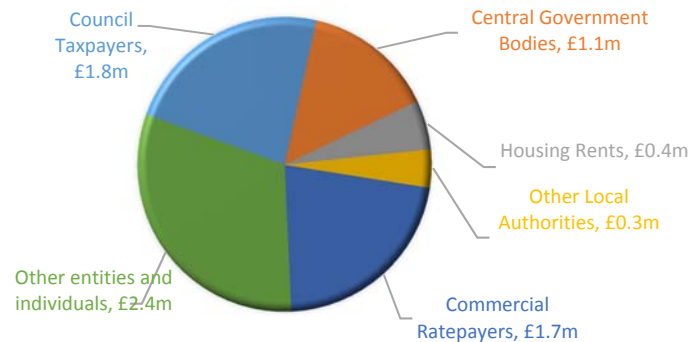
The amortised cost of assets is judged as a fair measure of their fair value, the vast majority of these being current assets.

16 INVENTORIES

	Consumable Stores		Maintenance Materials		Items for Resale		Client Services Work in Progress		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Balance as at 1 April	36	36	243	247	95	106	0	0	374	389
Movement in Year	0	0	4	(11)	11	(2)	0	0	15	(13)
Balance as at 31 March	36	36	247	236	106	104	0	0	389	376

17 SHORT TERM DEBTORS

	31 March 2013 £000	31 March 2014 £000
Council Taxpayers	2,166	1,760
Central Government Bodies	807	1,109
Housing Rents	338	414
Other Local Authorities	513	322
Commercial Ratepayers	86	1,672
Other entities and individuals	2,288	2,402
	6,198	7,679



18 CASH AND CASH EQUIVALENTS

	31 March 2013 £000	31 March 2014 £000
Bank current account	(1,083)	(660)

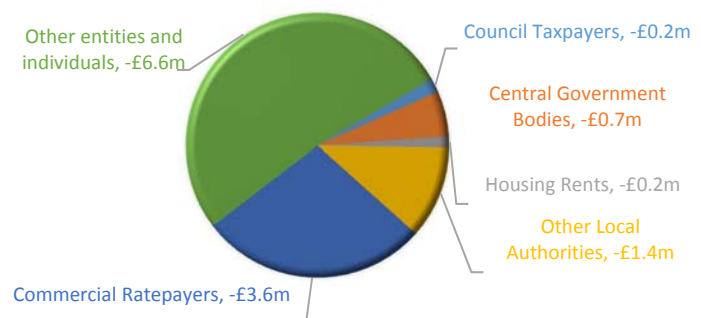
Cash and cash equivalents are made up purely of the Council's bank current account balance. Investment balances are at their lowest at the year end and so any residual balances in short notice deposit accounts are assumed to be investing activities and not in support of short term cash management.

19 ASSETS HELD FOR SALE

	Current		Non Current	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Balance as at 1 April	0	0	57	57
Assets newly classified as held for sale:				
- Property, plant and equipment	0	0	0	2,398
Impairment losses	0	0	0	(498)
Balance as at 31 March	0	0	57	1,957

20 SHORT TERM CREDITORS

	31 March 2013 £000	31 March 2014 £000
Council Taxpayers	(147)	(217)
Central Government Bodies	(3,750)	(708)
Housing Rents	(142)	(172)
Other Local Authorities	(1,035)	(1,438)
Commercial Ratepayers	(373)	(3,567)
Other entities and individuals	(4,993)	(6,620)
	(10,440)	(12,722)



21 PROVISIONS

	REVENUE			CAPITAL	Total £000
	Insurance £000	NNDR Appeals £000	Legal £000	General Fund Clawback £000	
Balance as at 1 April 2013	365	0	0	57	422
Additional provisions made	102	3,617	175	0	3,894
Amounts used	(148)	0	0	(57)	(205)
Balance as at 31 March 2014	319	3,617	175	0	4,111

The closing balance on the insurance 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.

The clawback provision is in respect of outstanding liabilities where the Council has sold land originally financed by Derelict Land Grant. The provision has been fully utilised in 2013/14.

Two new provisions have been created. The first is in respect of outstanding Business Rates (NNDR) appeals. This is to cover the Council's share of estimated liabilities arising as 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. The second new provision created is to cover settlements and legal costs associated with known litigation cases.

22 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 2013 £000	31 March 2014 £000
General Fund Balance	3,182	3,713
HRA Balance	776	401
HRA Business Support Reserve	8,102	8,613
Housing Mgt System Replacement Reserve	401	591
Flats Planned Maintenance	1,096	1,210
Sheltered Equipment	291	334
Sheltered Planned Maintenance	310	311
Sheltered Support Grant Maintenance	197	236
Renewals Reserve	722	772
Performance Reward Grant Reserve	125	40
Market Reserve	619	10
Capital Support	426	469
Open Spaces Commuted Sums	204	164
Other Commuted Sums	1,322	1,233
Municipal Buildings Reserve	386	386
Restructuring Reserve	433	603
Welfare Reforms Reserve	200	257
Invest to Save Reserve	1,547	1,514
Highways Reserve	129	213
Capital Grants Unapplied	223	139
Capital Receipts Unapplied	32	0
Other Reserves under £100K	692	483
Business Rates Retention Reserve	0	1,699
Total usable reserves	21,415	23,391

23 UNUSABLE RESERVES

	31 March 2013 £000	31 March 2014 £000
Revaluation Reserve	18,179	25,759
Financial Instruments Adjustment Account	(190)	(141)
Capital Adjustment Account	142,015	122,693
Pensions Reserve	(56,360)	(44,945)
Deferred Credits	9	6
Accumulated Absences Account	(184)	(147)
Collection Fund Adjustment Account	49	(1,100)
Total unusable reserves	103,518	102,125

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.

	2012/13 £000	2013/14 £000
Balance as at 1 April	17,468	18,179
Upwards revaluation of assets	2,094	9,582
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(527)	(1,464)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	1,567	8,118
Difference between fair value depreciation and historical cost depreciation.	(856)	(513)
Accumulated gains on assets sold or scrapped	0	(25)
Amount written off to the Capital Adjustment Account	(856)	(538)
Balance as at 31 March	18,179	25,759

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

	2012/13	2013/14
	£000	£000
Balance as at 1 April	144,364	142,015
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	(6,874)	(24,131)
- Amortisation of Intangible Assets	(67)	(52)
- Revenue Expenditure funded from Capital under statute.	(1,031)	(1,564)
- 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	(310)	(8,492)
Sub total	136,082	107,776
Adjusting amounts written out of the Revaluation Reserve	856	538
Net written out amount of the cost of non current assets consumed in the year.	136,938	108,314
Capital financing applied in the year:		
- Use of Capital Receipts Reserve	442	8,323
- Use of the Major Repairs Reserve	3,435	4,107
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement (including those in respect of donated assets)	1,017	3,322
- Application of grants to capital financing from the Capital Grants Unapplied Account.	0	11
- Statutory provision for the financing of capital investment charged against General Fund and HRA balances	2,702	2,605
- Capital expenditure charged against the General Fund and HRA balances	1,426	1,452
Sub total	145,960	128,134
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure statement	(3,945)	(5,441)
Balance as at 31 March	142,015	122,693

Financial Instruments Adjustment Account (FIAA)

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in line with statutory provisions. The Council uses the Account to manage premiums and discounts paid on the early redemption of loans. Premiums and discounts are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund and HRA balance to the FIAA in the Movement in Reserves Statement. Over time, the expense and income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2013 will be reversed into the General Fund over the next 39 years. The element relating the HRA will be effectively written off in 2016/17.

	2012/13	2013/14
	£000	£000
Balance as at 1 April	(351)	(190)
Premiums and discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements	161	49
Balance as at 31 March	(190)	(141)

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.

	2012/13	2013/14
	£000	£000
Balance as at 1 April	(46,681)	(56,360)
Actuarial gains or losses on pensions assets and liabilities	(8,746)	14,107
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(4,071)	(5,698)
Employer's pension contribution and direct payments to pensioners payable in the year	3,138	3,006
Balance as at 31 March	(56,360)	(44,945)

Collection Fund Adjustment Account

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

	2012/13	2013/14
	£000	£000
Balance as at 1 April	9	49
Amount by which council tax income credited to Comprehensive Income and Expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	40	(1,149)
Balance as at 31 March	49	(1,100)

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.

	2012/13	2013/14
	£000	£000
Balance as at 1 April	(184)	(184)
Settlement or cancellation of accrual made at the end of the preceding year	0	184
Amounts accrued at the end of the current year	0	(147)
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	0	37
Balance as at 31 March	(184)	(147)

24 CASH FLOW STATEMENT – OPERATING ACTIVITIES (INTEREST)

The cash flows for operating activities include the following interest items:

	2012/13	2013/14
	£000	£000
Interest received	(1)	(280)
Interest paid	1,873	3,285

25 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2012/13	2013/14
	£000	£000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(5,245)	(6,645)
Receipts from sale of Property, Plant and Equipment, investment property and intangible assets	469	8,583
Acquisition of short and long term borrowing	(3,454)	(4,061)
Other receipts from investing activities	2,581	3,111
Net cash flows from investing activities	(5,649)	988

26 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2012/13	2013/14
	£000	£000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(426)	(5,088)
Repayment of short-term and long-term borrowing	(1,041)	(1,041)
Cash receipts of long and short term borrowing	0	
Payments and receipts relating to NNDR	(331)	(1,299)
Net cash flows from financing activities	(1,798)	(7,428)

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Cabinet and Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no notional charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

Income and Expenditure 2013/14	<i>Corporate Accounts</i> £000	<i>Environmental Services</i> £000	<i>Governance</i> £000	<i>Health and Housing</i> £000	<i>Office of Chief Executive</i> £000	<i>Regeneration & Planning</i> £000	<i>Resources</i> £000	TOTAL £000
Customer Fees & Charges	(34,722)	(6,048)	(703)	(17,266)	0	(1,075)	(7,276)	(67,090)
Government Grants	(9,060)	0	(14)	(82)	0	(17)	(42,962)	(52,135)
Interest	(2,117)	(4)	0	(663)	0	(193)	(5,413)	(8,390)
Other Grants & Contributions	0	(1,607)	(306)	(413)	0	(1,047)	(651)	(4,024)
Total income	(45,899)	(7,659)	(1,023)	(18,424)	0	(2,332)	(56,302)	(131,639)
Employee expenses	383	8,783	1,631	5,515	646	2,712	2,544	22,214
Premises	0	6,091	18	6,201	0	638	2,075	15,023
Transport	0	1,579	34	231	8	48	23	1,923
Supplies & Services	22,211	3,966	1,196	1,676	3	2,014	8,260	39,326
Total expenditure	22,594	20,419	2,879	13,623	657	5,412	12,902	78,486
Net expenditure	(23,305)	12,760	1,856	(4,801)	657	3,080	(43,400)	(53,153)

Income and Expenditure 2012/13	<i>Corporate Accounts</i> £000	<i>Environmental Services</i> £000	<i>Governance</i> £000	<i>Health and Housing</i> £000	<i>Office of Chief Executive</i> £000	<i>Regeneration & Planning</i> £000	<i>Resources</i> £000	TOTAL £000
Customer Fees & Charges	(20,780)	(5,713)	(631)	(17,834)	0	(754)	(9,212)	(54,924)
Government Grants	(765)	0	(191)	(51)	0	(84)	(53,487)	(54,578)
Interest	(17)	0	0	(785)	0	0	(4,526)	(5,328)
Other Grants & Contributions	(17)	(1,567)	(503)	(492)	0	(562)	(573)	(3,714)
Total income	(21,579)	(7,280)	(1,325)	(19,162)	0	(1,400)	(67,798)	(118,544)
Employee expenses	0	7,541	1,559	5,586	196	2,683	2,665	20,230
Premises	0	6,242	17	6,233	0	503	2,026	15,021
Transport	0	1,740	41	256	3	56	25	2,121
Supplies & Services	747	3,759	1,653	2,981	7	1,095	8,836	19,078
Total expenditure	747	19,282	3,270	15,056	206	4,337	13,552	56,450
Net expenditure	(20,832)	12,002	1,945	(4,106)	206	2,937	(54,246)	(62,094)

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statements.

	2012/13 £000	2013/14 £000
Net expenditure in Service analysis	(62,094)	(53,153)
Net expenditure of services and support services not included in the analysis	(46)	(2,405)
Amounts in the Comprehensive Income and Expenditure statement not reported to management in the analysis	61,088	68,848
Amounts included in the analysis not included in the Comprehensive Income and Expenditure statement	18,071	21,686
Cost of Services in the Comprehensive Income and Expenditure Statement	17,019	34,976

Reconciliation of Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Services included in		Net Cost of Services £000	Corporate amounts £000	Total £000
	Service Analysis	Analysis but not NCS			
	£000	£000			
Customer Fees and Charges	(67,090)	39,267	(27,823)	0	(27,823)
Government Grants	(52,135)	10,074	(42,061)	0	(42,061)
Interest	(8,390)	8,357	(33)	0	(33)
Other Grants and Contributions	(4,024)	112	(3,912)	0	(3,912)
Recharges	0	(15,976)	(15,976)	0	(15,976)
Capital Financing Income	0	(1,278)	(1,278)	(4,903)	(6,181)
Taxation & Non Specific Grant Inc	0	0	0	(23,736)	(23,736)
Total Income	(131,639)	40,556	(91,083)	(28,639)	(119,722)

Employee expenses	22,214	(6,765)	15,449	0	15,449
Premises	15,023	(511)	14,512	110	14,622
Transport	1,923	(77)	1,846	0	1,846
Supplies & Services	39,326	(28,993)	10,333	0	10,333
Other Operating Expenditure	0	0	0	759	759
Financing & Investment Inc & Exp	0	0	0	5,066	5,066
Transfer Payments	0	42,968	42,968	0	42,968
Support Services	0	13,792	13,792	0	13,792
Capital Charges	0	27,159	27,159	11,724	38,883
Total expenditure	78,486	47,573	126,059	17,659	143,718
Surplus or Deficit on the Provision of Services	(53,153)	88,129	34,976	(10,980)	23,996

2012/13 Comparative Figures	Services included in		Net Cost of Services £000	Corporate amounts £000	Total £000
	Service Analysis	Analysis but not NCS			
	£000	£000			
Customer Fees and Charges	(54,924)	30,496	(24,428)	0	(24,428)
Government Grants	(54,576)	1,881	(52,695)	0	(52,695)
Interest	(5,329)	5,259	(70)	0	(70)
Other Grants and Contributions	(3,715)	185	(3,530)	0	(3,530)
Recharges	0	(12,337)	(12,337)	0	(12,337)
Capital Financing Income	0	(1,173)	(1,173)	0	(1,173)
Taxation & Non Specific Grant Inc	0	0	0	(21,799)	(21,799)
Total Income	(118,544)	24,311	(94,233)	(21,799)	(116,032)

Employee expenses	20,229	(7,389)	12,840	0	12,840
Premises	15,022	(1,973)	13,049	0	13,049
Transport	2,121	(519)	1,602	0	1,602
Supplies & Services	19,078	(9,506)	9,572	0	9,572
Other Operating Expenditure	0	0	0	579	579
Financing & Investment Inc & Exp	0	0	0	7,249	7,249
Transfer Payments	0	53,190	53,190	0	53,190
Support Services	0	11,927	11,927	0	11,927
Capital Charges	0	9,072	9,072	0	9,072
Total expenditure	56,450	54,802	111,252	7,828	119,080
Surplus or Deficit on the Provision of Services	(62,094)	79,113	17,019	(13,971)	3,048

28 ACQUIRED AND DISCONTINUED OPERATIONS

Storey Ltd - The Council nominated one of its Councillors onto the Board of Storey Ltd. There was no ultimate controlling party, however. The principal activity of the company was the operation of the Storey Creative Industry Centre on a non-profit making basis. The company ceased trading on 15 August 2012 and went into voluntary liquidation on 04 September 2012 thereby forfeiting on its headlease with the Council. As owner/landlord of the building the Council took back possession of the building and direct management and control of the operation from 08 October 2012 with the sub-tenants of SCIC Ltd continuing to manage the building during the interim period.

The company was fully wound up by the appointed liquidators during 2013/14 and was formally dissolved by Companies House on 13 February 2014 with no further net liabilities arising for the Council.

Lancaster Market – Following a detailed financial appraisal Full Council decided on 16 November 2011 that it could no longer support the continuation of Lancaster indoor market in the long term. It therefore recommended commencement of negotiations to surrender the head lease with the landlord, and undertake negotiations with the traders to seek early surrender of trader tenancy agreements.

Negotiations concluded during 2013/14 and settlements were paid to both the Landlord (£11.71M) and the tenants (£1.146M). Full details of the outcome were reported to Full Council on 05 February 2014.

29 TRADING OPERATIONS

Trading services cover undertakings with the public or with other third parties, and include such activities as highways maintenance, 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 three years is shown in the following table.

	2009/10	2010/11	2011/12	2012/13	2013/14
Highways	£000	£000	£000	£000	£000
Turnover	(1,253)	(1,223)	(1,149)	(1,094)	(820)
Expenditure	1,201	956	1,087	998	836
(Surplus)/Deficit	(52)	(267)	(62)	(96)	16
Trade Waste					
Turnover	(910)	(1,039)	(1,032)	(1,070)	(1,104)
Expenditure	764	857	997	878	843
(Surplus)/Deficit	(146)	(182)	(35)	(192)	(261)
Markets					
Turnover	(814)	(1,095)	(1,081)	(889)	(407)
Expenditure	1,189	1,388	1,214	2,349	333
(Surplus)/Deficit	375	293	133	1,460	(74)
Commercial Properties / Industrial Units					
Turnover	(1,026)	(887)	(736)	(763)	(941)
Expenditure	593	539	541	686	748
(Surplus)/Deficit	(433)	(348)	(195)	(77)	(193)
Consolidated					
Turnover	(4,003)	(4,244)	(3,998)	(3,816)	(3,272)
Expenditure	3,747	3,740	3,839	4,911	2,760
(Surplus)/Deficit	(256)	(504)	(159)	1,095	(512)

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.

	2011/12	2012/13	2013/14
	£000	£000	£000
Net (surplus)/deficit on trading operations	(159)	1,095	(512)
Trading expenditure and income included within Surplus or Deficit on the Provision of Services	0	0	0
Net (surplus)/deficit	(159)	1,095	(512)

30 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.

	2012/13	2013/14
	£000	£000
Expenditure on agency arrangement	204	210
Income on agency arrangement	(164)	(164)
Net deficit arising on agency arrangements	40	46

31 MEMBERS ALLOWANCES

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

	2012/13	2013/14
	£000	£000
Basic Allowances	198	198
Special Responsibility Allowances	82	80
Expenses	5	4
Total	285	282

32 OFFICERS REMUNERATION

The remuneration paid to the Council's senior employees is as follows. Further to the management restructuring undertaken during 2012/13, job titles of remaining Chief Officers were updated in 2013/14.

	Salary, Fees and allowances	Expenses & Benefits in Kind	Redundancy Payments	Total Remuneration (excluding pension contributions)	Employer Pension contribution	Total Remuneration (including pension contributions)
	£000	£000	£000	£000	£000	£000
2013/14						
Chief Executive	107	2	0	109	22	131
Chief Officer (Environmental)	63	1	0	64	13	77
Chief Officer (Resources)	63	1	0	64	13	77
Chief Officer (Governance)	63	0	0	63	13	76
Chief Officer (Health & Housing)	63	1	0	64	13	77
Chief Officer (Regeneration & Planning)	63	1	0	64	13	77
2012/13						
Chief Executive	107	2	0	109	22	131
Head of Community Engagement	62	0	0	62	13	75
Head of Environmental Services	62	1	0	63	13	76
Head of Resources	62	1	0	63	13	76
Head of Governance	62	0	0	62	13	75
Head of Health & Housing	62	1	0	63	13	76
Head of Property Services	11	1	65	77	1	78
Head of Regeneration & Planning	62	2	0	63	13	76

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

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0 - £20,000	1	0	4	10	5	10	49,326	107,677
£20,001 - £40,000	0	0	3	8	3	8	105,828	226,140
£40,001 - £60,000	0	0	0	2	0	2	0	100,347
£60,001 - £80,000	0	0	1	0	1	0	73,425	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	1	0	8	20	9	20	228,579	434,164

33 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation 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.

	2012/13 £000	2013/14 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	100	77
Fees payable for the certification of grant claims and returns for the year	30	16
Total	130	93

34 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

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:

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income	£000	£000
Revenue Support Grant	225	7,533
Small Business Rate Relief	0	621
Council Tax Freeze Grant	209	0
New Homes Bonus	462	772
Sport England	0	149
RHP Bold Street Renovations	63	0
DCLG Empty Homes Cluster Funding	0	1,911
Environment Agency Artle Beck Flood Defences	32	21
Other EA Grants	23	67
Natural England	0	126
Community Right to Bid/Challenge	0	16
Council Tax Support - Transitional Funding	0	34
Council Tax Support - New Burdens	0	84
Recycled Housing Grants	27	0
Local Services Support Grant	94	0
Private Contributions	88	0
Other Grants Under £50K	29	81
Total	1,252	11,415

	2012/13	2013/14
Credited to Services	£000	£000
DCLG YMCA Places of Change Grant	33	19
DCLG Disabled Facilities Grant	638	761
Grant: Sefton BC Strategic Monitoring	66	13
Warmer Homes	77	16
HCA Winning Back the West End	90	158
Discretionary Housing Payments	72	158
Lancs County Council C&YP	0	80
Supporting People	197	171
Strand 2 - Exercise Referral Project: Other Grants	78	85
Parliamentary Elections/A.V. Referendum: Govt Grants	16	0
Arnsdale & Silverdale AONB Grants	153	144
Benefits DWP grant	95	89
Second Homes Funding	312	77
Govt Grants Police Commissioner Elections	148	0
Natural England Mcmbe Bay Improvement Area	156	324
Council Tax Benefit Grant: Government Grants	10,468	0
Standard Rent Allowances: Government Grants	31,458	31,939
War Widows Benefit Grant: Government Grants	55	43
Rent Rebates - Council Housing: Government Grants	10,085	9,576
NNDR Administration: Government Grants	233	233
Other Grants Under £50K	493	453
Total	54,923	44,339

	2012/13	2013/14
Capital Grants Receipts in Advance	£000	£000
DFG Grant	297	196
Poulton Pedestrian Route, Section 106	127	0
Environment Agency Sea and Flood Defences	59	0
DCLG Empty Homes Funding	955	0
Lancaster Square Routes, County Funding	0	411
EP Exemplar Project Funding	48	0
Other Grants Under £50K	147	237
Total	1,633	844

35 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 the subjective analysis Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are contained within debtors Note 17.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 31. There are no other material transactions to disclose in respect of elected members.

Officers

Senior officer remuneration is disclosed in Note 32, and there are no other material transactions to disclose in respect of officers.

Entities Controlled or Significantly Influenced by the Authority

The Council nominates four of its City Councillors as trustees of the Dukes Playhouse Ltd. There is no ultimate controlling party, however. Payment of revenue grant support totalling £145.2K was made to the company in 2013/14 for its core activities, i.e. to promote and advance artistic and aesthetic education and the public appreciation of the arts and manage a theatre, which is at the service of the whole community. This included the provision of grant in lieu of rent free Council accommodation to the value of £12.5K. In addition, the Council also provided grant totalling £4.3K in its role as Accountable Body for the Arts Council England funding towards the 2013/14 Light Up Lancaster Programme. The Youth Arts Centre occupies a former church, which is also owned by the Council. The company maintains the building and pays an annual rent of £8K to the Council in respect of this.

The Council nominates one of its Councillors onto the Board of Heysham Mossgate (Community Facilities) Company Ltd. There is no ultimate controlling party, however. The Council provided grant totalling £15.5K in its role as Accountable Body for the Take Pride Community Funding for facility improvements during 2013/14. The principal activity of the company is the development of community facilities in the Mossgate area of Heysham on a non-profit making basis.

36 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, 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.

	2012/13	2013/14
	£000	£000
Opening Capital Financing Requirement	83,188	83,276
<i>Capital investment:</i>		
Property, Plant and Equipment	7,739	18,631
Re-assessment of finance lease liability	195	0
Investment Properties	90	7
Intangible Assets	54	36
Revenue Expenditure Funded from Capital Under Statute	1,031	1,564
<i>Sources of financing:</i>		
Capital receipts	(442)	(8,323)
Government Grants and other contributions	(1,017)	(3,333)
Direct revenue contributions	(1,425)	(1,452)
Minimum Revenue Provision	(2,702)	(7,851)
Major Repairs Reserve	(3,435)	(4,106)
Closing Capital Financing Requirement	83,276	78,449
<i>Explanation of movements in year:</i>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	88	(4,827)
Increase/(decrease) in Capital Financing Requirement	88	(4,827)

37 LEASES

Finance Leases

Under IFRS the vast majority of the Council's operating leases have been reclassified as finance leases. This means that assets are recognised on the balance sheet with a matching liability to represent the substance of the lease agreement which is an asset funded by borrowings. The lease charges are then split between a finance charge and repayment of the debt. A capital charge for the asset is posted to the cost of the services.

	31 March 2013 £000	31 March 2014 £000
Operational Land and buildings	4,908	0
Finance lease liability re-assessment	(230)	(344)
Lancaster Indoor market impairment	0	0
Vehicles, Plant, Furniture & Equipment	997	767
Total	5,675	423

	31 March 2013 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments):		
- Current	347	159
- Non-current	5,324	186
Finance costs payable in future years	28,895	89
Minimum lease payments	34,566	434

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance cost	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Not later than 1 year	347	159	471	43
Later than 1 year and not later than 5 years	437	186	1,711	46
Later than 5 years	4,887	0	26,713	0
Minimum lease payments	5,671	345	28,895	89

The minimum lease payments include rents that are contingent following rent reviews. In 2013/14 no contingent rents were payable by the Council (2012/13 £113K). These are considered part of the minimum lease payments as although not part of the discounting calculation at the inception of the lease, it is assumed that there will be no downwards rent review.

Operating Leases

As noted above, all of the items from the leasing register that were previously disclosed as operating leases have been re-classified as finance leases. Expenditure on other ad hoc operating leases was not material. However, 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 2013 £000	31 March 2014 £000
Not later than 1 year	622	847
Later than 1 year and not later than 5 years	1,117	1,408
Later than 5 years	3,586	1,593
Minimum lease payments	5,325	3,848

38 IMPAIRMENT LOSSES

During 2013/14 the Council has recognised impairment losses of £20.82M in relation to fixed asset valuations. These relate to revaluation and non-enhancing capital expenditure on the Council Housing stock (£12.14M) as well as downward revaluations of General Fund investment properties (£8.68M).

39 TERMINATION BENEFITS

The Council approved the early retirement / voluntary redundancy (ER/VR) of a number of employees in 2013/14, incurring liabilities of £358K (£120K in 2012/13) in respect of redundancy costs. This was paid to 19 officers from 4 different services whose applications for ER/VR were approved as part of the Council's overall review of services.

40 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.

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	
	2012/13 £000	2013/14 £000
<i>Cost of services:</i>		
Current service cost	2,557	3,335
Past Service cost	0	0
Administration expenses	0	53
Settlements and curtailments	155	6
<i>Financing & Investment Income & Expenditure:</i>		
Interest costs	7,521	7,396
Expected return on scheme assets	(6,092)	(5,092)
Total Post Employment Benefit Charged to Provision of Services	4,141	5,698
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>		
Actuarial gains and losses	8,746	(14,107)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	12,887	(8,409)
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	(4,141)	(5,698)
Reversal of actuarial gains and losses recognised in other Comprehensive Income and Expenditure	(8,746)	14,107
Net charge in relation to pension adjustments	0	0
Actual amount charged against Funds for pensions in the year - employers contributions	3,138	3,006

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	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	174,936	159,046	3,842	3,601
Fair value of plan assets	(122,418)	(117,702)	0	0
Net liability arising from defined benefit obligation	52,518	41,344	3,842	3,601

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

	Local Government Pension Scheme	
	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	108,152	122,418
Interest income	6,092	5,092
Remeasurement gain/(loss)	10,164	(7,374)
Administration expenses	0	(53)
Employer contributions	3,138	3,006
Contributions by scheme participants	847	863
Benefits paid	(5,975)	(6,250)
Settlements	0	0
Closing fair value of scheme assets	122,418	117,702

Reconciliation of Present Value of the Scheme Liabilities:

	Funded Liabilities		Unfunded Liabilities	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	151,096	174,936	3,667	3,842
Current service cost	2,557	3,335	0	0
Interest cost	7,348	7,241	173	155
Contributions from scheme participants	847	863	0	0
Remeasurement (gains) and losses	18,628	(21,352)	282	(129)
Past service cost	0	0	0	0
Curtailments	155	6	0	0
Benefits paid	(5,695)	(5,983)	(280)	(267)
Closing balance at 31 March	174,936	159,046	3,842	3,601

Local Government Pension Scheme assets comprised

	2012/13 £000	2013/14 £000
Equities:	5,989	6,545
Consumer Discretionary	8,943	8,594
Energy	1,310	2,394
Financials	6,051	8,678
Health Care	4,789	5,306
Industrials	5,665	7,169
Information Technology	6,629	7,809
Materials	1,488	2,197
Miscellaneous/Unclassified Total	0	320
Telecommunication Services	1,300	1,306
Utilities	946	1,072
Bonds:		
UK corporate	5,546	4,609
Overseas corporate	7,977	6,230
UK Fixed gilts	7,266	880
UK index linked	4,064	2,726
Property:		
Offices	3,087	2,146
Offices/Warehouse	240	231
Industrial/Warehouse	2,205	2,272
Workshop/Garage	101	97
Shops	2,409	2,171
Retail Warehouse	1,762	1,690
Shopping Centre	587	563
Multi let Commercial Building	327	455
Alternatives:		
UK private equity	2,973	2,957
Overseas private equity	2,673	3,231
Infrastructure	3,806	6,403
Credit funds	10,154	16,706
Emerging Markets ETF	5,326	0
Indirect Property Funds	185	591
UK Pooled Equity Funds	4,091	35
Overseas Pooled Equity Funds	10,254	10,275
Cash:		
Cash and cash equivalents	4,275	2,044
Closing fair value of scheme assets	122,418	117,702

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013. The significant assumptions used by the actuary have been:

	2012/13	2013/14
Return on assets (%):		
Equity investments	7.0	7.0
Government Bonds	2.8	3.4
Other Bonds	3.9	4.3
Property	5.7	6.2
Cash/Liquidity	0.5	0.5
Mortality assumptions:		
Longevity at 65 for current pensioners (yrs):		
Men	22.1	22.8
Women	24.8	25.3
Longevity at 65 for future pensioners (yrs):		
Men	23.9	25.0
Women	26.7	27.7
Rate of inflation (%)	2.4	2.4
Rate of increase in salaries (%)	4.4	3.9
Rate of increase in pensions (%)	2.4	2.4
Rate of discounting for scheme liabilities (%)	4.2	4.4

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, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

		+0.1% p.a. discount rate	+0.1% p.a. inflation	+0.1% p.a. pay growth	+1 year life expectancy
	£000	£000	£000	£000	£000
Liabilities	162,647	159,872	165,470	163,236	165,860
Assets	(117,702)	(117,702)	(117,702)	(117,702)	(117,702)
Deficit/(Surplus)	44,945	42,170	47,768	45,534	48,158
Projected Service Cost for next year	2,714	2,627	2,804	2,714	2,776
Projected Net Interest Cost for next year	1,911	1,830	2,041	1,943	2,059

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis and the effective date for the next triennial valuation is 31 March 2016.

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 £3.009M expected contributions to the scheme in 2013/14.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2013/14, (15 years 2012/13).

41 CONTINGENT LIABILITIES

The following material contingent liabilities existed as at 31 March 2014:

Luneside East Regeneration Scheme – In assembling the land for this project, the Council used compulsory purchase powers (CPO). Following a Lands Tribunal decision relating to one significant compensation case, the Council has appealed and the Court of Appeal decision was in the Council's favour, which in effect reversed the costs award and made the company involved liable for the Council's costs as well as their own. The company, however, continued to dispute the Lands Tribunal determination. Whilst at the beginning of June 2014 the Tribunal rejected the latest challenge by the company, it is possible that the company could still seek to refer the matter to the Court of Appeal, or seek to bring a contractual claim against the Council in respect of the building agreement it entered into with the Council. At this stage any further potential liability arising cannot be measured with any certainty.

The Council has also accounted for European Regional Development Funding of £2.5M in connection with this project to date, for which clawback liabilities may arise if the scheme does not achieve its planned outcomes and in particular concerning 'Business Space' created. The Council transferred Phase 1 land to its development partner (Luneside East Limited, formerly CTP Securities Limited) on 2 April 2012 and the developer is working to bring forward a beneficial scheme subject to planning and statutory consents. It is unclear as at 31st March 2014 whether all outputs will be achieved, however, and whether any subsequent clawback will fall upon the Council.

NNDR Appeals – The Council has made provision for NNDR appeals based on its best estimate of the actual liability as at 31 March 2014. It is not possible to quantify appeals that have not yet been lodged with the Valuation Officer so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

42 CONTINGENT ASSETS

The following material contingent asset existed as at 31 March 2014:

Luneside East Regeneration Scheme – The Council has submitted an application for costs in connection with a Court of Appeal hearing regarding the above claim, which was found in the Council's favour; but any economic benefits are still contingent on the process by which the Council can reclaim its costs and this is still ongoing. It is expected that the final outcome will be known during 2014/15.

43 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 2013/14 approved Treasury Management Policy, the credit criteria in respect of financial assets held by the Council are as detailed in the following table:

	Minimum across all three ratings			Money Limit ⁸	Time Limit ⁹
	Fitch	Moody's	Standard & Poors		
Upper Limit ¹	F1+/AA-	P-1/AA3	A-1+/AA-	£6M	Instant Access Only
				£3M	100 days
Middle Limit ²	F1/A	P-1/A2	A-1/A	£3M	Instant Access Only
Other Institutions ³	N/A	N/A	N/A	£6M	1 Year
Lancashire County ⁴	N/A	N/A	N/A	£12M	1 Year
Money Market Funds ⁵	AAA	AAA	AAA	£6M	Instant access Only
DMADF deposit ⁶	N/A	N/A	N/A	No limit	1 Year
Sovereign rating to apply to all non UK counterparties ⁷	AAA	AAA	AAA	N/A	N/A

Notes:
1 & 2: The Upper and Middle Limits apply to appropriately rated banks and building societies.
3: The Other Institutions limit applies to other local authorities and supranational institutions (i.e. ECB), and part-nationalised banks.
4: This recognises the special status of Lancashire County Council as the City Council's upper tier Council.
5: Sterling, constant net asset value funds only.
6: The DMADF facility is direct with the UK government, it is extremely low risk.
7: UK counterparties are defined as those listed under UK banks or building societies in the Capital Asset Services counterparty listing.
8: Money limits apply to principal invested and do not include accrued interest.
9: Time Limits start on the trade date for the investment.

The Council's maximum exposure to credit risk in relation to its investments of £22.016M 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 £22.016M, there was no evidence at 31 March 2014 that this was likely to materialise. Only £690K of this amount relates to Icelandic deposits, £615K of which was paid in Icelandic Krona and is currently held within an Icelandic holding account.

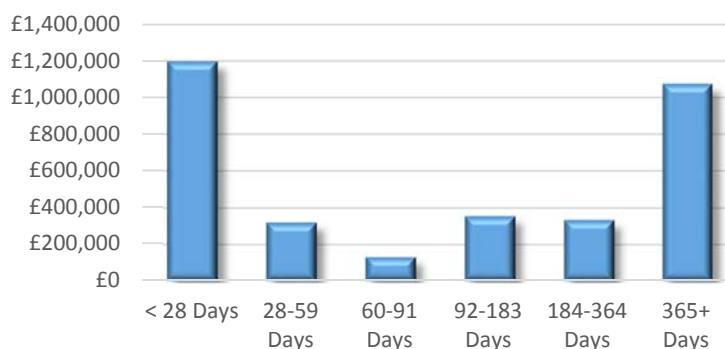
The following analysis (excluding Icelandic investments) summarises the Council's potential maximum exposure to credit risk on other financial assets, based on past experience of default and non-collectability, adjusted to reflect current market conditions.

	Balance 31/03/14	Historical experience of default	Exposure at 31/03/14	Exposure at 31/03/13
	£000	%	£000	£000
	(a)	(b)	(a * b)	
AAA rated counterparties	9,326	0.00%	0	0
AA rated counterparties	12,000	0.03%	4	3
A rated counterparties	0	0.08%	0	0
Trade debtors	3,405	Bad debt provision	1,102	568
Total	24,731		1,106	571

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.

The Council does not generally allow credit for customers, such that £2.209M of the £3.405M balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31/03/13	31/03/14
	£000	£000
Current, < 28 Days	944	1,196
28-59 Days	156	319
60-91 Days	103	130
92-183 Days	187	354
184-364 Days	343	333
365+ Days	985	1,073
Total	2,718	3,405



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. Balances held in Icelandic banks are split between current and long term assets in line with CIPFA's projected repayment timetable, as per Note 15.

	31/03/13	31/03/14
	£000	£000
Less than one year	1,041	1,041
One to two years	1,041	1,041
Three to five years	3,124	3,124
Six to ten years	5,207	5,207
11 to 20 years	10,414	10,414
21 to 30 years	9,373	8,332
More than 30 years	39,215	39,215
Total	69,415	68,374

Market Risk

Interest Rate Risk

The Council has a small exposure to interest rate risk on its borrowings as all borrowings are taken at fixed interest rates and mostly over long periods. No new long or short term loans were taken out during 2013/14.

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 0.5%, meaning that returns have remained at very low levels during the year. The Council also placed 3 investments during the year within the DMO Deposit Account and 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 0.46%, an increase of 1% on interest rates during 2013/14 would have had the following marginal effect:

	Actual	+1%
	£000	£000
New or variable investments:		
Call accounts	95	301
Total	95	301

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 more than double the yield. The investments placed and the instant access accounts were sensitive to interest rates which have been consistently low since the banking crisis (interest in the year £177K vs. £122K in the prior year, not including the notional interest on Icelandic investments).

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.

2012/13		NOTES	2013/14	
£000			£000	£000
Expenditure				
4,153	Repairs and maintenance		4,468	
2,951	Supervision and management		3,114	
140	Rent, rates, taxes and other charges		140	
148	Negative HRA Subsidy payable	7	0	
4,397	Depreciation and impairment of non-current assets	4&5	6,103	
1	Debt management costs		1	
0	HRA Self Financing Settlement Payment		0	
113	Movement in the allowance for bad debts	9	143	
0	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP	10	0	
11,903	Total Expenditure			13,969
Income				
(13,459)	Dwelling rents		(13,406)	
(208)	Non-dwelling rents		(214)	
(1,675)	Charges for services and facilities		(1,788)	
(8)	Contributions towards expenditure		(8)	
(123)	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP		(91)	
(15,473)	Total Income			(15,507)
(3,570)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			(1,538)
0	HRA services' share of Corporate and Democratic Core			0
0	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services			0
(3,570)	Net Cost for HRA Services			(1,538)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement				
(59)	Gain or Loss on sale of HRA non-current assets			0
2,104	Interest payable and similar charges			2,079
(67)	Interest and investment income			(29)
168	Pension interest cost and expected return on pension assets	8		287
(14)	Capital grants and contributions receivable			0
1,041	Self Financing Debt Repayment			1,041
(397)	(Surplus) or deficit for the year on HRA Services			1,840

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.

2012/13 £000		2013/14 £000
(1,205)	Balance on the HRA at the end of the previous year	(776)
(397)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	1,840
1,066	Adjustments between accounting basis and funding basis under statute	697
669	Net (increase) or decrease before transfers to or from reserves	2,537
(240)	Transfers to or (from) reserves	(2,162)
429	(Increase) or decrease in year on the HRA	375
(776)	Balance on the HRA at the end of the year	(401)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 NUMBER AND VALUES OF DWELLINGS

As at 31 March 2014 the Council held the following number of dwellings:

		2012/13	2013/14
Bedsits		96	96
1 Bedroom	Houses & Bungalows	658	657
	Flats & Maisonettes	531	530
2 Bedroom	Houses & Bungalows	497	499
	Flats & Maisonettes	680	678
3 Bedroom	Houses & Bungalows	1,238	1,230
	Flats & Maisonettes	8	8
4 or more bedroomed dwellings		88	88
TOTAL DWELLINGS		3,796	3,786



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

	Value as at 1 April 2013 £000	Value as at 31 March 2014 £000
Operational Assets:		
Council Dwellings	104,753	103,391
Other land and buildings	83	83
	104,836	103,474
Non-operational Assets	1,454	1,371
TOTAL	106,290	104,845



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 first year of which has now updated all values to 01 April 2010. This has resulted in an increase in asset values of £848K in the year, which forms part of the net movement in asset values shown above. This is principally attributable to a difference between the accumulated values from the annual rebasing exercises, and those contained in the recent full revaluation. Non-dwelling assets were also revalued as at 01 April 2010.

The vacant possession value of dwellings held on 01 April 2013 was £301.927M. The difference between this and the EUV-SH valuation of £105.674M (i.e. the update figure after the full valuation exercise effective as of 01 April 2013 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:

	2012/13	2013/14
	£000	£000
Opening Balance 01 April	6,683	0
Transfer to Investment Reserves	(6,683)	0
Transfer to HRA – Depreciation	1,701	1,998
Transfer to HRA - Depreciation Adjustment	(18)	(18)
Transfer to HRA - Additional Capital Financing	1,752	2,127
Capital Expenditure - Houses	(3,435)	(4,107)
Closing Balance 31 March	0	0

3 CAPITAL EXPENDITURE

Capital expenditure of £4.285M was incurred during the year, of which £4.272M was on works on improvements to dwellings and £13K on Non Operational Assets. This was financed as follows:

	2012/13	2013/14
	£000	£000
Usable Capital Receipts	80	123
Earmarked Reserves	63	55
Majors Repairs Reserve	3,435	4,107
Grants and Contributions	13	0
Total Capital Financing	3,591	4,285

Capital receipts totalling £428K were received during the year from the following sources:

	2012/13	2013/14
	£000	£000
Sale of dwellings	280	426
Repayment of Principal on Mortgages	2	2
Total Capital Receipts	282	428

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:

	2012/13	2013/14
	£000	£000
Council Dwellings	1,683	1,980
Other land and buildings	2	2
Non-operational Assets	16	16
Deferred Charges on Intangible Assets	22	18
TOTAL	1,723	2,016

5 IMPAIRMENT CHARGES

An impairment charge of £12.805M in respect of Council Dwellings was made to the HRA for the financial year 2013/14 (with a further £110K in relation to non-dwelling HRA assets). This was as a result of downward market valuations to the Council Housing Dwellings stock. This impairment was offset against £8.718M of upward revaluations of HRA assets.

6 INTANGIBLE ASSETS

A charge of £18K was made during the year, this was made up as follows: A fifth year charge of £4K in respect of the Testing and Implementation of Task Total Solution by Northgate, a fourth year charge of £5K for the initial purchase of the Central Control Equipment from Abritas and a further £9K charge

for the third year for the remaining Central Control Equipment from Abritas. The assets are to be amortised to revenue over a 5 year period which is consistent with the consumption of the economic benefit controlled by the Council.

7 HOUSING REVENUE ACCOUNT SUBSIDY

Subsidy arrangements ceased from 01 April 2012 with the introduction of the new self-financing regime, therefore there were no transactions for 2013/14.

	2012/13	2013/14
	£000	£000
Charges for Capital	148	0
Total Housing Subsidy	148	0

8 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.

9 RENT ARREARS

Total arrears of rent at 31 March 2014 amounted to £525K (£437K for 2012/13). An amount of £451K (£477K for 2012/13) was held as provision for bad debts; this covers rent arrears and all other debts outstanding to the Housing Revenue Account. The decrease in provision this year mainly relates to the reduction of debt for Rechargeable Repairs £31K, Former Tenants £13K and other debts of £6K which is offset against an increase in Current Tenant debts amounting to £24K resulting in a net decrease of £26K. This represents allowances of 95% for arrears from former tenants and 25% for arrears from current tenants and leaseholders, in addition to 95% of other outstanding debts.

10 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.

11 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There is one exceptional item which relates to impairment charges which are detailed in Note 5 above. There are no other extraordinary items or prior year adjustments.

12 NOTES TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2012/13	2013/14
	£000	£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.	161	49
Gain or loss on sale of HRA non-current assets.	59	0
HRA share of contributions to or from the Pension Reserve.	783	593
Capital Expenditure funded by the Housing Revenue Account	63	55
	1,066	697
Transfers to or (from) reserves		
Transfer to/(from) Major Repairs Reserve	(4,931)	2,127
Transfer to/(from) Earmarked Reserves	8,239	750
Transfer to/(from) the Capital Adjustment Account	(3,548)	(5,039)
	(240)	(2,162)

Collection Fund

The Collection Fund is an "agent's statement" that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2012/13 £000	NOTES	2013/14 £000
INCOME		
Council Tax		
(56,494)	1	(56,946)
Transfers from General Fund:		
(10,374)		0
0		(19,380)
Business Rates		
(43,413)	2	(48,690)
0	2	(19,380)
Contributions		
(143)		(155)
(110,424)		(144,551)
EXPENDITURE		
Precepts and Demands		
48,211	} 3	40,296
8,905		7,757
6,522		5,673
2,768		2,361
Business Rates		
43,179		0
0	2	30,931
0		30,931
0	2	19,380
233		233
0		227
0	2	9,042
Council Tax Bad and Doubtful Debts		
143		155
92		(344)
Contribution towards previous year's estimated Collection Fund surplus		
72		0
110,125		146,642
FUND BALANCE		
(299)		2,091
0		0
299		(2,091)
0		0

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; 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 2013/14 the numbers are as follows:-

	Chargeable Dwellings	Band D Equivalents
Band A	9,986	6,653
Band B	11,617	9,035
Band C	9,659	8,586
Band D	5,369	5,369
Band E	3,389	4,142
Band F	1,730	2,499
Band G	736	1,227
Band H	43	86
Total	42,529	37,597
<i>Collection Rate</i>		98.68%
Council Tax Base		37,100

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 47.1p per £ for 2013/14 (45.8p for 2012/13). For local businesses with a rateable value of less than £18,000, a discount of 0.9p was allowed giving a rate of 46.2p per £. The rateable value at 31 March 2014 was £163,706,396 (£163,943,367 for 2012/13). In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

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 risk due to volatility, appeals and non-collection rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. For the City Council the local share is 40%. The remainder is distributed to preceptors; Central Government (50%), Lancashire County Council (9%) and Lancashire Fire and Rescue Authority (1%). The amounts distributed in 2013/14 are shown in Note 3.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. The tariff payable by the Council during 2013/14 was £19.022M.

The total income from business rate payers collected in 2013/14 was £48.690M (£43.413M in 2012/13). This sum included £19.380M of transitional protection payments from ratepayers, which

under Government regulation should have a neutral impact on the Business Rate Retention Scheme. This sum has to be repaid to Central Government.

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 the value of safety net figure is £4.636M. 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 the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2013/14.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rate appeals outstanding as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £9.042M.

3 MAJOR PRECEPTORS

The five major preceptors on the fund are set out in the following table:

	Council Tax £000	Business Rates £000	Total £000
Central Government	0	30,931	30,931
Lancashire County Council	40,296	5,567	45,863
Lancashire Police Authority	5,673	0	5,673
Lancashire Fire Authority	2,361	619	2,980
Lancaster City Council	7,756	24,745	32,501
	56,086	61,862	117,948

Bequests, Endowments and Trust Funds

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

At 31 March 2014 the Council was responsible for 12 of these Trust Funds, the balances of which are shown in the tables below.

Revenue Accounts	Balance b/f 01/04/13 £	Income £	Transfers Out £	Expenditure £	Balance c/f 31/03/14 £
Bequests and Endowments					
(a) Council sole trustee					
Ashton Memorial	0	0	0	0	0
Williamson Park	0	0	0	0	0
Other	(4,017)	(4,154)	0	3,835	(4,336)
(b) Council not sole trustee	(2,109)	(10)	0	0	(2,119)
School etc. Prize Funds					
(a) Council sole trustee	(3,175)	0	0	0	(3,175)
(b) Council not sole trustee	0	0	0	0	0
TOTAL	(9,301)	(4,164)	0	3,835	(9,630)

	2012/13 £	2013/14 £
Bequests and Endowments		
(a) Council sole trustee		
Capital		
Ashton Memorial	0	0
Williamson Park	0	0
Other	0	0
Revenue	0	0
Cash and Debtors	51,928	52,236
(b) Council not sole trustee		
Capital	0	0
Revenue	646	646
Cash and Debtors	2,462	2,473
School etc. Prize Funds		
(a) Council sole trustee		
Capital	0	0
Revenue	3,175	3,175
Cash and Debtors	0	0
(b) Council not sole trustee		
Capital	0	0
Revenue	0	0
Cash and Debtors	0	0
TOTAL	58,211	58,530

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

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

Income & Expenditure Account	2012/13	2013/14
	£	£
Income		
Interest	(4,821)	(4,164)
Capital	0	0
	(4,821)	(4,164)
Expenditure		
Ashton Memorial	1,086	1,084
William Smith Festival	206	219
Whalley Playground	658	658
Lune Bank Gardens	11	10
Williamson Park	1,862	1,862
War Memorial Fund	2	2
Crook of Lune	0	0
William Briggs	900	0
Transfers Out	26,469	0
	31,194	3,835
Excess (Income)/Expenditure	26,373	(329)

Balance Sheet	2012/13	2013/14
	£	£
Assets		
Investments	3,821	3,821
Debtors	2,021	2,021
Bank	52,369	52,688
	58,211	58,530

Represented by:		
Reserves as at 31st March	31,838	58,859
Income in year	26,373	(329)
	58,211	58,530

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

Ashton Memorial

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

Williamson Park

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

William Smith Festival

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

Whalley Playground

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

Lune Bank Gardens

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

Crook of Lune

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

Glossary of Terms used in the Accounting Statements

Accounting Policies

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

- recognising
- selecting measurement bases for, and
- presenting

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

Accounting policies do not include estimation techniques.

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

Acquired Operations

Operations comprise services and divisions of service as defined in BVACOP. 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.

Curtailement

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.

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 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, and
- (vii) 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.