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Preston City Council

Statement of Accounts

2018-19





CHRISTIAN
SCIENCE CHURCH

CHURCH STREET

FISHERGATE

COUNTY HALL/TRAINS

TOWN HALL & 7

GUILD HALL & BUSES

Contents Page

Councillor Preface	1
City Treasurer's Narrative Report (Section 151 Officer)	2
Statement of Responsibilities for the Statement of Accounts	22
Auditor's Report to Preston City Council	23
Core Financial Statements:-	
• Comprehensive Income and Expenditure Account Statement	28
• Movements in Reserve Statement	29
• Balance Sheet	30
• Cash Flow Statement	31
• Notes to the Core Financial Statements	32
Supplementary Statements:-	
• Collection Fund	87
• Bequest and Trust Funds (Unconsolidated)	91
• Other Funds (Unconsolidated)	91
Annual Governance Statement	92
Glossary of Terms	104



Narrative Report

1 Councillor Preface

Introduction to the 2018/19 Statement of Accounts by Councillor Martyn Rawlinson, Cabinet Member for Resources.

Thank you for taking the time to read Preston City Council's Statement of Accounts for 2018/19, giving me the opportunity to highlight the excellent management of the Council's resources, in spite of the financial challenges the Council continues to face.



Despite the Government's 'Austerity' policy, Preston City Council has continued to maintain its professionalism and efficiency in both financial management and governance procedures. One example of this is the Council's embedded culture of financial prudence among its staff and officers.

The Council set a Four Year Efficiency Plan for 2016/17 to 2019/20 and this has in the main been implemented in line with targets. Significant savings have been achieved such as the transfer of the Leisure Centres to GLL and efficiency savings from the digital agenda. There are remaining savings planned for 2019/20 which is the final year of the plan.

I still believe that we are delivering high-quality frontline services to Preston's residents despite the difficult budget decisions that we have had to make in recent years. Our Fairness Agenda has gone from strength to strength, with international recognition for the Preston Model of Community Wealth Building. At the same time, significant progress has been made on a number of projects, including the City Deal, which are improving the City for residents, visitors and businesses alike. Preston continues to be a growing vibrant City.

The greatest challenge for the Council is achieving long term financial stability, ensuring we have a position where we do not spend more than our income. 2018/19 was the final year in which Preston received Revenue Support Grant from Government. The Fair Funding Review and the future distribution of National Non-Domestic Rates (Business Rates) still remain unknown. The difficulties that these policies create extend to the provision of even basic statutory Council functions. In addition the uncertainty of our financial landscape is magnified by the as yet unquantifiable impact of Brexit.

Finally, I would like to take this opportunity to thank the Finance staff who have once again worked hard to close the accounts and prepare the Statement of Accounts accurately and on time, achieving the earlier statutory deadline.

Narrative Report

2 City Treasurer's Narrative Report (Section 151 Officer)

1. Introduction

The purpose of this narrative report is to provide information about Preston, including keys issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2019.



*Jackie Wilding
City Treasurer*

The narrative report adopts the following structure:

- An Introduction to Preston
- Information about the Council
- The Council's Non-Financial Performance in 2018/19
- Financial Performance of the Council in 2018/19
- Economic Climate and Financial Outlook for the Future
- Principal Risks and Uncertainties affecting the Council
- Explanation of Financial Statements

2. An Introduction to Preston



The River Ribble provides a southern border for the City. The Forest of Bowland forms a backdrop to Preston to the northeast while the Fylde lies to the west.

Preston is approximately 27 miles (43 km) north west of Manchester, 26 miles (42 km) north east of Liverpool, and 15 miles (24 km) east of the coastal town Blackpool.

Preston is a City in Lancashire, situated in the heart of the North West of England, on the north bank of the River Ribble.

The southern section of Preston is mostly urbanised and is one of the most networked Cities in the country, whilst north Preston is quite rural.

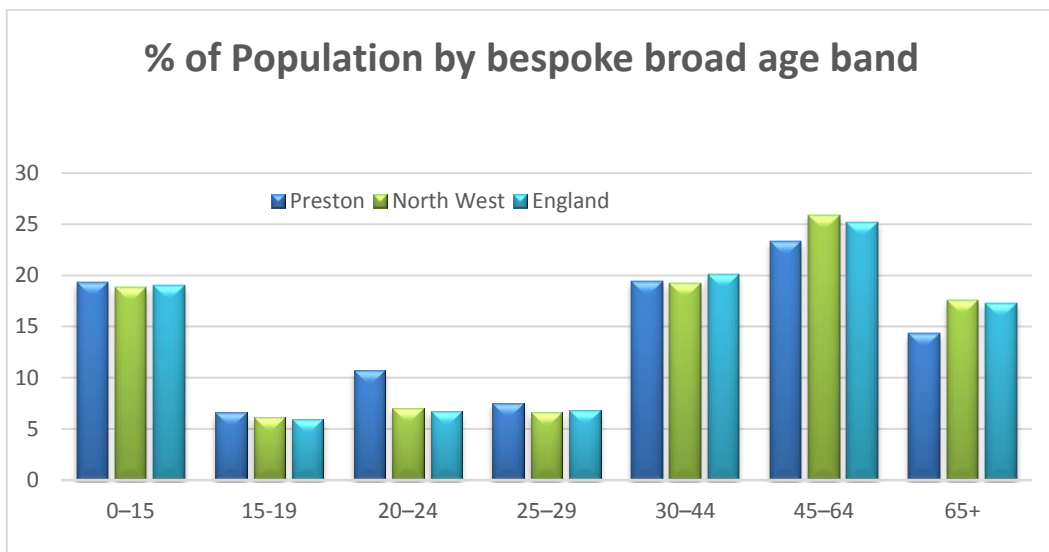


Preston is one of twelve lower tier district Councils in the county of Lancashire and shares borders with Wyre, Fylde, South Ribble and Ribble Valley.

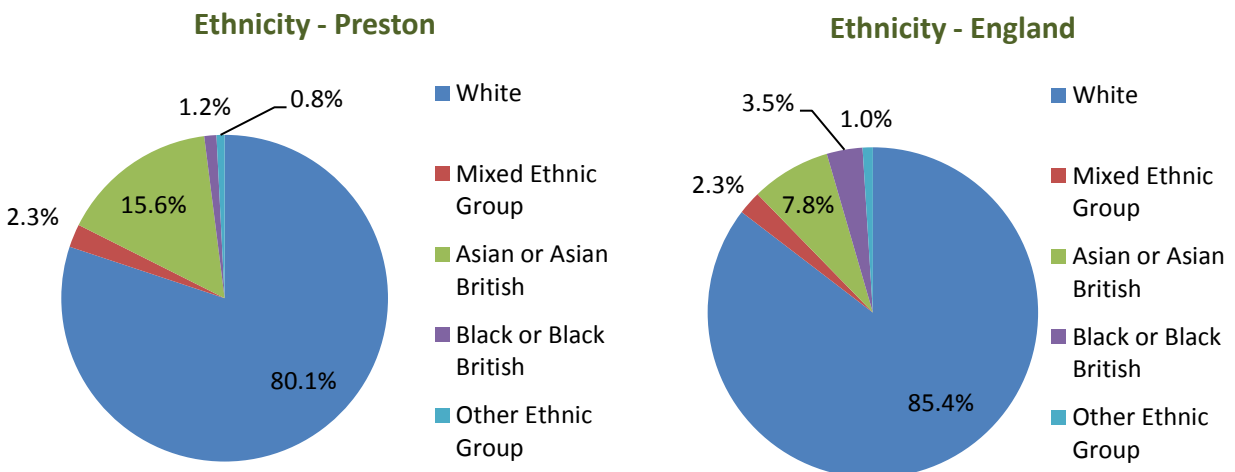
Narrative Report

Population

- Preston has a population of around 141,350.
- The population of Preston is projected to increase to 145,500 by 2039.
- The number of people per km² is more than twice the England and Wales average.
- Preston’s population is relatively young with a higher than average percentage of under 25s and fewer elderly people.
- The presence of the large university, UCLan, in central Preston has a strong impact on the age distribution in the area. Preston also has a smaller proportion of older people (65+) compared with the national average.



Preston is a diverse City, the ethnic makeup based on the 2011 census is shown in the comparative graphs below:-



Narrative Report

Local Economy and Business Information

Preston is an important retail centre which includes the City Centre and the Deepdale retail park, consequently employment in the retail sector is high. The City is also a significant night time destination offering the Guild Hall and theatre, restaurants, pubs and clubs.

In 2018, there were 5,165 active enterprises in Preston. The former docks area has seen major developments whilst significant numbers of people have moved back in to the city centre to live in new apartments.

In Preston as in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. Preston has a lower rate of employee jobs in the manufacturing sector than is the norm in Lancashire and nationally and conversely a higher rate of employment in the service sector. Employment numbers in the human health and social work, public administration, defence, compulsory social security and education are high. In addition to both Preston City Council and Lancashire County Council's presence in the centre of Preston, public sector employment in the area is supplemented by the Lancashire Fire and Rescue Service HQ in Fulwood. The University of Central Lancashire (UCLan) is also a major source of employment, as is Royal Preston Hospital.

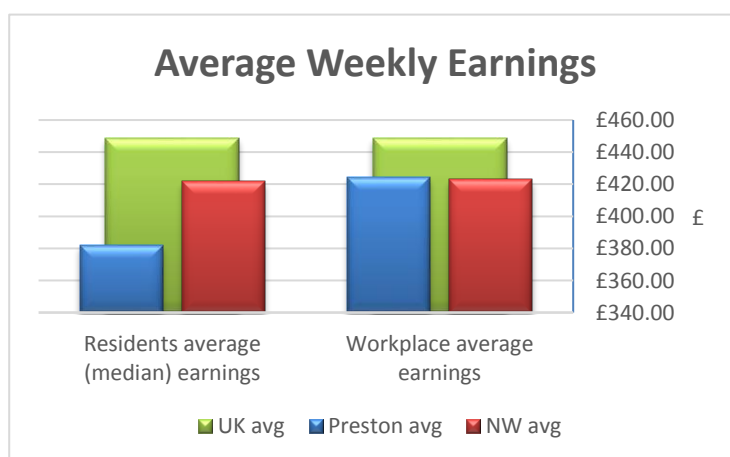
The Preston, South Ribble and Lancashire City Deal is a landmark agreement to help achieve even more transformation of the area, creating thousands of new jobs and homes. A total £434m new investment is leading to the expansion and improvement of the transport infrastructure in Preston and South Ribble at an unprecedented rate, enabling a forecast 20,000 new jobs and 17,420 new homes to be created. It is providing a huge boost to the local economy, which is expected to grow by £1 billion within the City Deal life span.

Housing and Earnings

Preston has 62,600 dwellings, and 82% are owner occupied or private rented. 46.3% are in lowest category 'A' Council tax band, possibly due to the high number of terraced houses within the City. Since 2016/17 the Preston area has recorded a large increase in net additional dwellings.

Statistics for 2017 show the average (median) weekly earnings for residents in Preston is £381.60 compared to the North West average of £421.60 and UK average of £448.60. However when considered by workplace the average weekly earnings for Preston increase to £424.20 compared to the North West average of £422.80 and UK average of £448.60. These figures show that for a number of people Preston is an attractive place where they commute to better paid employment opportunities rather than live.

The average (mean) household income in Preston at £20.3k, is 86.5% of the average for the UK.



Narrative Report

14.1% of households were in fuel poverty in 2016 (25th highest rate out of 326 authorities in England, compared to 14% in 2015) as determined by the energy efficiency status of the property, the cost of energy, and household income. The 2015 Indices of Deprivation reveals that Preston was the 72nd most deprived area out of 326 districts and unitary authorities in England, when measured by the rank of average rank.

3. Information about the Council

Preston City Council is a district council, working alongside Lancashire County Council as part of a two-tier local government system.

Political Structure

During 2018/19 we had 22 wards and 57 elected Councillors, who were responsible for taking decisions about the future of Preston and important public services such as planning, housing, leisure and culture, waste collection and recycling.

As well as representing the public, Councillors also represent political parties. After the local election on 3 May 2018 the political make-up of the Council was:

Political Make up
35 Labour Councillors
15 Conservative Councillors
5 Liberal Democrat Councillors
2 Independent Conservative

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive functions. Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution.

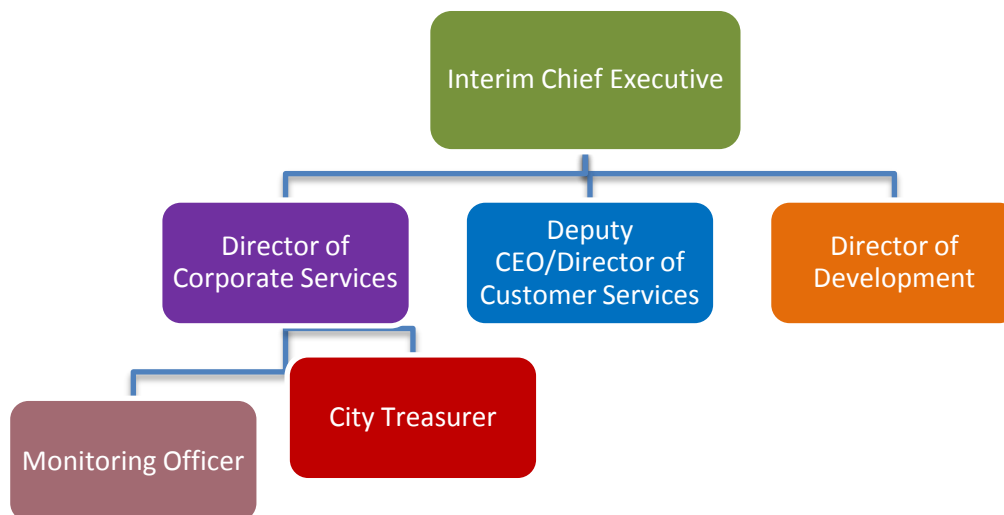
Following a boundary review, all out elections took place in May 2019, the number of wards has reduced to 16 and the number of elected Councillors reduced to 48.

Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team. The Chief Executive Lorraine Norris retired in May 2018 and the Director of Environment (Adrian Phillips) was appointed interim Chief Executive for one year, this necessitated interim changes to Directorates for 2018/19. The 2018/19 Corporate Management Team (CMT) comprised the Interim Chief Executive, three Directors and the City Treasurer. In April 2019 the Council confirmed the Interim Chief Executive as the Permanent Chief Executive.

Narrative Report

CMT provides managerial leadership of the Council and supports Elected Members of the Council in developing strategies, identifying and planning resources, delivering plans and reviewing the Council's effectiveness. The team works together to achieve the most effective services possible for the City's diverse communities.



Council Employees

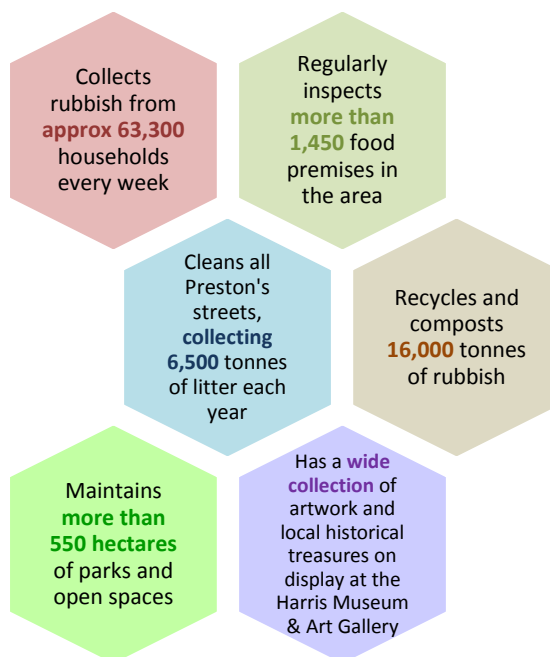
The Council is one of the largest employers in the area with 634 (555 FTE) employees. This figure has reduced significantly from 967 (647 FTE) in 2017, following the Leisure Transfer to Greenwich Leisure Limited (GLL). The figure includes a number of apprentices employed in a wide variety of roles. From April 2017, the Council was required to pay an annual apprenticeship levy which equates to 0.5% of the Council's total pay bill. This money is used to pay for apprenticeship training and to implement an approved apprenticeship standard for both new recruits and existing employees.

Council Services

The Council spends more than £81 million a year providing a range of public services from waste collection to planning.

Narrative Report

During an average year, the Council:



Environmental

Preston City Council, along with the 14 District Councils (including the two Unitaries) within Lancashire are striving to meet the Government's stringent targets for reducing emissions by 34% by 2020 and a further reduction of 80% by the year 2050 (based on 1990 levels).

Preston City Council has *reduced its Green House Gas Emission since 2008 by around 60%*. This has been achieved by investing in energy saving measures including the installation of new energy efficient heating boilers, replacing an existing gas boiler for a bio-mass boiler, the introduction of energy efficient LED lighting, the installation of voltage optimisation equipment and staff awareness training.

Members considered a Notice of Motion on Climate Change Emergency and the April 2019 Council meeting and subsequently agreed to aim to make the Council's activities net-zero carbon by 2030. A task and finish group will consider this during 2019.

The Council continues to promote recycling, although the recycling rate has reduced to 30.5% following the introduction of charges for garden waste collections. This still represents 17,375 tonnes of waste which has been recycled in 2018/19.

Narrative Report

4. The Council's Non- Financial Performance in 2018/19

There have been a number of key issues that influenced the Council and its Financial Position in 2018/19:

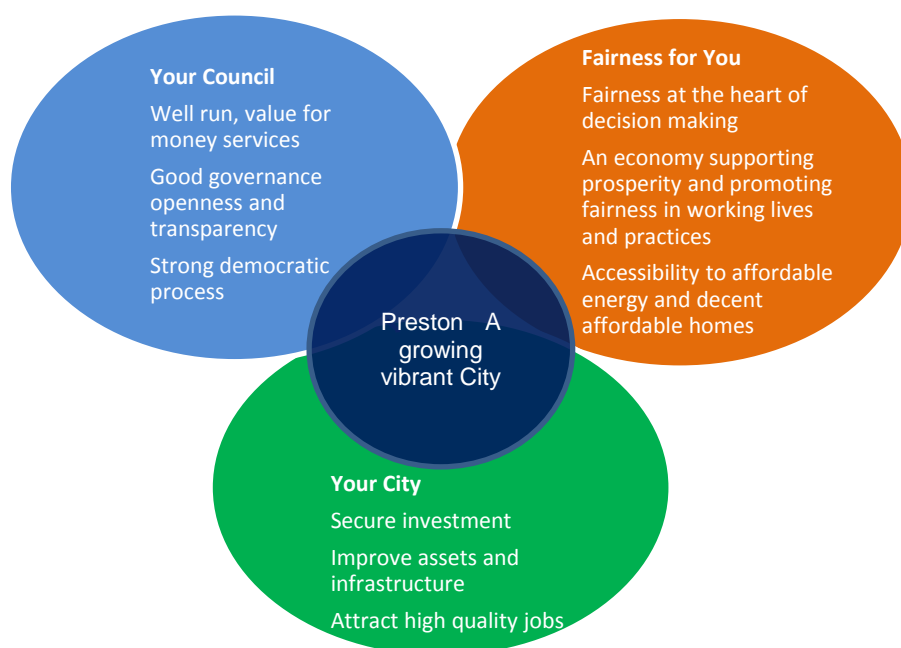
- Continued implementation of the Four Year Efficiency Plan (2016/17 to 2019/20) in response to the Government's ongoing austerity measures
- Achieving the Council's Strategic Priority Areas
- Major plans for City Centre Development
- Preston, South Ribble and Lancashire City Deal

These are explained in more detail within this narrative report.

Our Priority Areas

Our overall ambition is that Preston is a growing vibrant City. We try to make all our efforts as a Council count towards achieving this by focusing on **three priority areas**:-

- Your Council
- Your City
- Fairness for You



The current priority areas are explained in the Achieving Preston's Priorities document agreed at Budget Council February 2019 which can be found at:
<https://www.preston.gov.uk/thecouncil/plans-and-spending/policies-and-plans/achieving-preston-s-priorities/>

Narrative Report

Partnership Working

To deliver our priorities we frequently work in partnership with other organisations. Much of this work is led and co-ordinated through formal partnerships and where practical, priorities are aligned to ensure we have a common purpose and co-ordinate resources.

Throughout the year the City Council has played an active role in collaborative working across Lancashire. The Council is working together with Lancashire County Council and UCLAN to improve the infrastructure of Preston City Centre, and has submitted a joint expression to the Government for the Future High Street Fund. Progress continues on the City Deal, with our partners, with housing developments ongoing in North West Preston. In addition we have been engaged and are active partners in the Central Lancashire Health & Wellbeing Partnership, the Preston Co-operative Development Network, the Preston, South Ribble and Lancashire City Deal and the Lancashire Leaders Economic Growth Working Group.

How we Performed in 2018/19 – Achieving Preston’s Priorities



During 2018/19 significant progress has been made on a number of projects which are improving the City for residents, visitors and businesses alike. We have made good progress across all our priorities and with regard to our Fairness Agenda have continued to attract interest from other Council's and at national level. At the same time, Preston continues to be a growing vibrant City. The following gives a summary of progress during 2018/19 and the next steps.

Narrative Report

Your Council

•How we performed

- The **Service Improvement Board** has enabled the implementation of a number of projects including:
- The **Digital and Customer access Strategy inc Free Public Wi-Fi** in the Councils One-Stop-Shop, the Harris Museum and Art Gallery and the New Market Hall, also self service scanning stations in the One-Stop-Shop
- Cyber risk awareness training** for staff and Council Members
- Virtual Desktop Infrastructure (VDI)** - We continue to roll out VDI, with over 150 users now live.
- Interactive Voice Recognition** - has now been rolled out to the Revenues & Benefits, Planning, Waste Management and Environmental Health services.

Your City

How we performed

- City Centre Plan** - adoption of the City Centre Plan
- Revitalised Market/New Cinema & Restaurant Development** - The New Market Hall fully opened in 2018, demolition of the old Market Hall and car park commenced January 2019 - the Shankley Hotel (former Post Office) is due for completion mid-2019.
- **Preston, South Ribble and Lancashire City Deal** - significant progress, the strategic review to evaluate successes and plan the way forward is approaching completion.
- **Moor Park Restoration** - significant progress Heritage Lottery Fund scheme now nearing completion.
- Harris Museum** - delivering year 1 of Arts Council National Portfolio Organisation (NPO) business plan.
- Re-imagining the Harris** - a successful round 1 National Lottery Heritage Fund (NLHF) application.

Fairness for You

•How we performed

- Embedded fairness in the Council's strategic Planning in response to the **Lancashire Fairness Commission recommendations**
- Social Value Policy** - we have been working with other Preston "anchor" institutions to encourage the sharing of best practice
- Partner in a second **EU funding transnational urban project**
- Community Wealth Building** - continuing to increase the amounts of existing Council and partner expenditure, spent within the Preston and Lancashire boundaries
- Financial Inclusion** - soft launch of the Help In Preston website www.helpinpreston.com

Your Council

•What's next

- Work is underway to introduce **mobile working** for the Corporate Fraud team.
- Investigating the opportunities for **Robotic Process Automation (RPA)** in some of our repetitive, rule based data processing tasks.

Your City

•What's next

- Continuing with the **City Centre Development** plans
- Harris Quarter** - continued progress towards a cinema-led leisure scheme.
- Re-imagining the Harris** - working towards a round 2 NLHF application.

Fairness for You

•What's next

- Continuing with **Community Wealth Building**
- Work towards increasing the flow of **affordable housing units**
- Working towards setting up a **Community Bank**.
- Continue supporting the **Preston Co-operative Development |Network**

Four Year Efficiency Plan

The Council has in the main implemented the savings included in the Four Year Efficiency Plan 2016/17 to 2019/20. Budget Working Group which consists of Cabinet Members and three backbenchers continue to review the savings plans with the ultimate aim of achieving a balanced budget ongoing. Further details on the Four Year Efficiency Plan can be found within the Achieving Preston's Priorities document presented to Budget Council in February 2019.

Narrative Report

<https://www.preston.gov.uk/thecouncil/plans-and-spending/policies-and-plans/achieving-preston-s-priorities/>

Alongside the work on the Efficiency Plan, the Council has continued to successfully implement additional savings where possible. Subsequently revenue expenditure has reduced in line with savings targets.

Managing Performance

At the start of every year each of the Council's services sets out a service delivery plan which covers the key Council priority work areas and key performance areas. Progress is monitored through quarterly performance reports to the relevant individual Cabinet Members with any significant performance areas reported to Cabinet or Council.

An action has been included in the Annual Governance Statement to review the performance management framework during 2018/19 with the aim of making improvements. An update will be reported in the next Achieving Preston's Priorities – Mid Year Review 2019/20 Report. Information on current performance can be found in the Achieving Preston's Priorities document which was approved by Cabinet May 2019.

The Council has a proactive approach to financial forecasting and budget management with extensive systems and procedures in place. In 2018/19 the Council has in overall terms achieved its financial targets and aspirations and has worked successfully within reduced budgets to deliver services. However, the Council continues to face a turbulent future in respect of its finances. The outcome of the Government's Fair Funding Review and the Business Rate Retention scheme could have a significant impact on the Council's resources. In addition the uncertainty and complexity of the Council's financial landscape is magnified by the as yet unquantifiable impact of Brexit on the economy, future legislation and Local Government funding. These impacts could turn out to be either positive or negative overall but are likely to affect key budget factors such as interest and inflation rates, labour costs and property and rental values.

5. Financial Performance of the Council in 2018/19

The Council set an original revenue net budget of £20.722m (February 2018 Budget Council) for 2018/19. This was revised to £19.872m as a result of known forecast issues and reported to Budget Council in February 2019. The Council finances its net budget through Council Tax, General Government Grants and Retained Business Rates income.

The 2018/19 original budget included a number of savings targets which have been achieved as planned in year. The main savings targets were:

- Digital Strategy and Management Efficiency Savings
- Car Leasing Scheme
- Waste Collection efficiencies
- Management cost savings

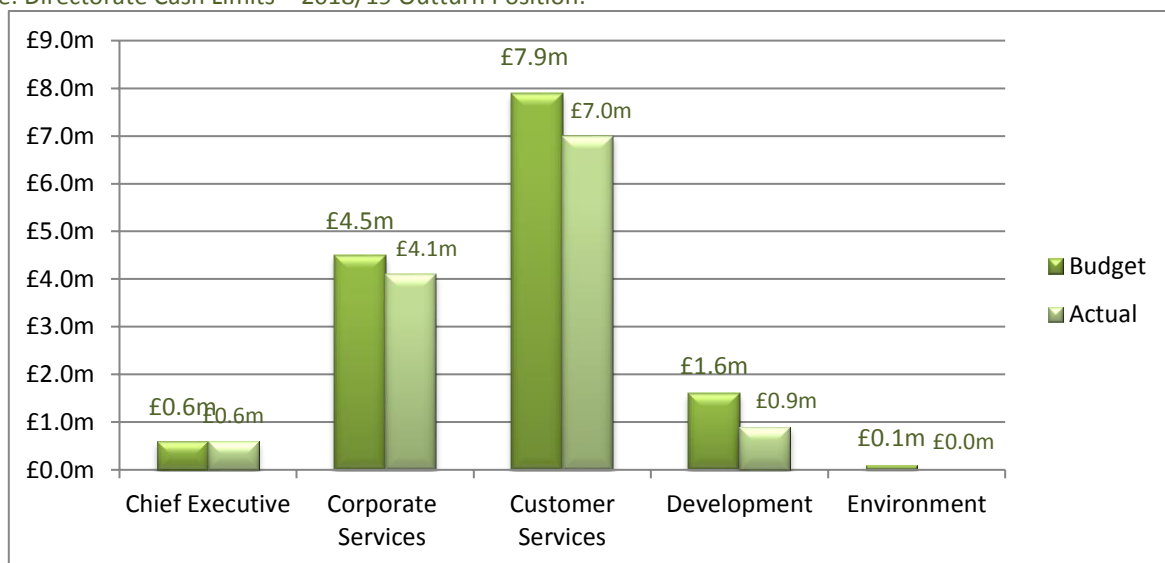
Narrative Report

Service Financial Performance

The Council manages and presents in-year financial information in the format of Directorate Cash Limit Budgets. The Directorate cash limit outturn position was reported within the Outturn Report to Cabinet on 29 May 2019. Full details of expenditure, income and budget variances are set out within the report which is available on the Council's website:

<http://preston.moderngov.co.uk/documents/s41513/APP%20OUTTURN.pdf>

Table: Directorate Cash Limits – 2018/19 Outturn Position:



The outturn position for 2018/19 resulted in an underspend of £1.502m against budget which has enabled the Council to contribute to general fund reserves. When taking into consideration the requests for carry forward of budget underspends totalling £1.067m into 2019/20 the underlying underspend is £0.435m. This improves the Council's financial position in the short term however in the long term the financial position still remains a key concern.

The Council sets aside government funding relating to business rates in order to alleviate peaks and troughs on the financial forecast from the timings of when an Authority accounts for deficits or surpluses on the Collection Fund. In 2018/19 £1.340m has been transferred into the NNDR equalisation reserve from the General Fund.

The Council has a policy to avoid compulsory redundancy where possible, seeking volunteers and identifying redeployment opportunities. There have been 3 posts affected during 2018/19. The Medium Term Financial Strategy (MTFS) included a budget provision to fund the costs of redundancy.

The Council has a Reserves and Balances policy which is reviewed annually by the Cabinet Member for Resources. The next update will be in October 2019 and will reflect the impact on balances from the outturn position.

Narrative Report

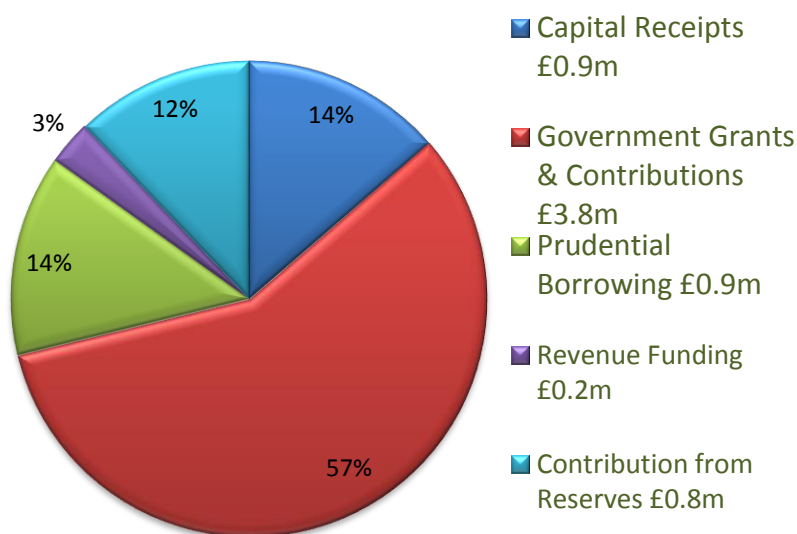
The table below shows the summary revenue budget outturn for 2018/19:

Summary of Revenue Expenditure in 2018/19	Budget £m	Actual £m	Variance £m
Service Directorate – Cash Limit Net Expenditure <i>(see chart above)</i>	14.8	12.6	-2.2
Centrally Managed Budgets	1.4	1.1	-0.3
Corporate Items	1.6	1.5	-0.1
Financing & Investment Income & Expenditure	0.4	0.4	0.0
Minimum Revenue Provision	0.8	0.8	0.0
Direct Revenue Financing	0.4	0.3	-0.1
Net transfer to/(-)from earmarked reserves	0.4	1.6	1.2
Total Net Expenditure	19.8	18.3	-1.5
Financing:			
Government Grants	-1.9	-1.9	0.0
Non-Domestic Rate Distribution	-5.4	-5.4	0.0
Council Tax Requirement	-11.6	-11.6	0.0
Sub total	-18.9	-18.9	0.0
Net Call on General Fund Balance	0.9	-0.6	-1.5

Capital Investment in 2018/19

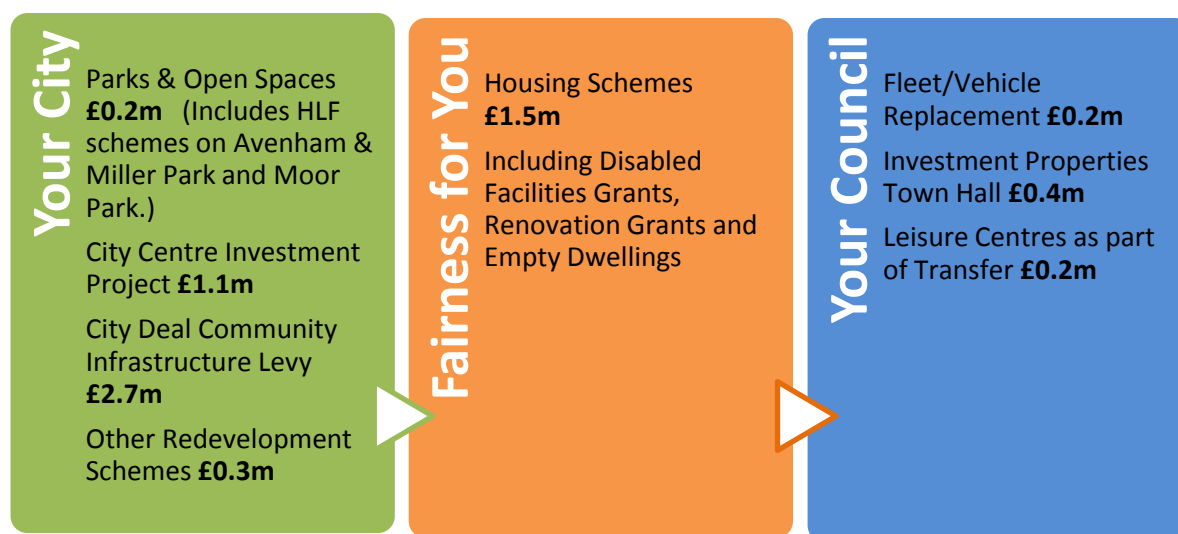
During 2018/19 the Council spent £6.576m on capital projects against a target estimate of £7.506m. This was financed via various funding sources as indicated in the pie chart opposite. *Further details can be found in the Outturn report presented to Cabinet May 29 2019.*

Financing of 2018/19 Capital Expenditure



Narrative Report

Examples of capital schemes by Council Priority:



Future Capital Spending Plans

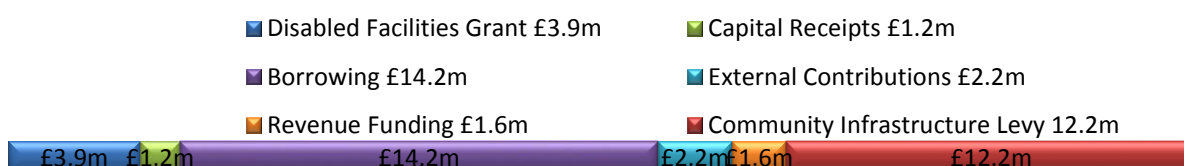
The Council has an ambitious five year capital programme of £34.7m which includes key schemes aiming to create regeneration of the City Centre, investment in major infrastructure via the City Deal Partnership and external funding investment towards restoration of Moor Park. The table below shows the predicted spend over the period to 2022/23.

(a) Table: Capital Investment Programme Summary 2018/19 to 2022/23:

Priority Area	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Your Council	1.1	3.6	2.0	2.8	0.5	10.0
Your City	5.1	5.0	2.4	2.6	3.6	18.7
Fairness for You	1.2	3.1	0.7	0.5	0.4	6.0
Estimated Expenditure	7.5	11.7	5.1	5.9	4.5	34.7

The capital programme, approved at the Budget Council meeting in February 2019, identified spend between approved schemes and those still awaiting scheme approval by Cabinet. The table above highlights spend in relation to the Council's key priorities.

The following diagram shows the financing sources available to fund the capital investment programme:



There is currently a funding surplus of £0.527m for the 5 year Capital Programme. However this assumes £14.2m prudential borrowing.

Narrative Report

Balance Sheet

The Council's net assets have increased by £2.4m from end of March 2018 to end of March 2019. The increase is due to several different factors including an increase in value of the Council's non-current assets (Long-term investments), and an increase in Short-term investments. The Council currently has a significant level of non-earmarked reserves, however these are being used to fund the shortfall between how much the Council spends and how much funding the Council receives. In addition the Council holds a number of earmarked reserves for specific purposes and capital receipts available for financing future capital investment. The table below shows a summarised view of the balance sheet:

Table: Balance Sheet Summary

	At 31 March 2018	At 31 March 2019
	£m	£m
Non-current assets	168.6	172.3
Net current assets less long term liabilities – debtors, stock, cash, short term creditors and total liabilities	(97.5)	(98.9)
Net Assets	71.1	73.4
Represented by: Useable reserves	35.3	36.6
Represented by: Unusable reserves	35.8	36.8

Non-Current Assets - In 2018/19, the Council spent £6.576m on capital schemes. The Council carries out a programme of revaluations on its operational assets, in addition an annual review is conducted to ensure that the valuation in the accounts does not differ materially from fair value of the asset.

In 2009/10 the Council received £8m from the Homes and Communities Agency (HCA), as an endowment in respect of the transfer of ownership and ongoing maintenance of community related assets. A small number of Homes & Community Agency assets are still waiting to be transferred to the Council.

Borrowings and Investments

The Council is able to borrow money from PWLB (an agency of HM Treasury), banks and building societies, or from other public bodies. The Council's borrowing need as at 31 March 2019 was met by a combination of long term actual debt of £12.3m, £5m short term borrowing and internal cash balances. The use of internal cash balances in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. These amounts are analysed in the notes to the Balance Sheet. The interest payable in relation to the Council's borrowing totalled £0.8m in 2018/19.

The **Capital Financing Requirement (CFR)**, a key Prudential Indicator, determines the amount that the Council needs to borrow for a capital purpose and is the total of the Council's capital assets less all of the Council's capital reserves. The CFR for the year ending 31 March 2019 was £20.2m.

The **Authorised Limit for External Debt** is a key Prudential Indicator that controls the overall level of borrowing and is a statutory limit set by the Council that must not be breached. The Council's Authorised Limit for external debt for 2018/19 was £28.9m. The Council's actual total debt was £17.3m which is well below the Authorised Limit. The Council is due to repay £5m of PWLB

Narrative Report

borrowing in June 2019 therefore £5m on long-term borrowing has been reclassified as short-term borrowing for the annual accounts.

Long Term Debt:

- £12.3m (£17.3m 2017/18)

The Council's investments are exposed to interest rate risk and volatility in the money markets. This has led to investment returns remaining at low levels. The security of capital remains the Council's main investment objective.

The investments held as at 31 March 2019 were:

Long Term Investments:

- £23.5m (£21.5m 2017/18)

Pension Fund Liabilities

The Council has net pension liabilities of £88.1m in the Balance Sheet as at 31 March 2019 (£86.2m as at 31 March 2018). This reflects the value of pension liabilities which the Council is required to pay in the future (as they fall due), offset by the value of assets invested in the Pension Fund. The Pension Fund has to be reviewed every three years as part of the comprehensive actuarial review of the pension fund. A triennial review was carried out during 2016/17 with changes to the pension fund being effective from 1 April 2017. The next review is due to be carried out during 2019/20.

For 2018/19 there is a difference between the net Pensions Liability on the Balance Sheet and the Pensions Reserve. The difference in 2018/19 reflects the impact of the early repayment of three years of pension deficit lump sum (£4.2m) by the Council to the Lancashire County Pension Fund in April 2017. Although the early repayment has already happened accounting standards require the Council to account for the payment of the deficit lump sum in the year that it falls due as assessed by the actuary. For 2018/19 the value was assessed to be £1.4m. The net Pensions Liability is therefore £1.4m lower than the value reported in the Pensions Reserve reflecting the requirement to account for the value of the prepayment in 2019/20. By undertaking the early repayment and therefore paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying its employer's deficit to the Pension Fund by £0.2m over the three years. This saving has been reflected in the Council's revenue budget and financial forecast.

The Collection Fund (Council Tax and Business Rates)

The Council is required to maintain a separate fund in respect of Council Tax and National Non-Domestic Rates (NDR). The surplus on the Collection Fund for Council Tax as at 31 March 2019 was £0.776m and will be shared between the City Council (billing authority), the County Council, the Police Authority and the Fire Authority in the following years. The City Council's share of the surplus is £0.130m. The actual rate of in year collection of Council Tax for 2018/19 was 93.6% (93.9% for 2017/18). The in-year collection rates have reduced since April 2013 mainly due to Council Tax being collected from claimants who previously received full Council Tax Benefit.

Narrative Report

In April 2014 government introduced the current business rates retention scheme. Under this system the Council retains a 40% share of its NNDR. In the year ended 31 March 2019 the collection of NNDR was above the Government set target resulting in growth of which the Council's share is £0.038m. However, timing differences in accounting for NNDR income has resulted in an accumulated deficit on the Collection Fund for NNDR of £1.435m as at 31 March 2019. The Council's share of the deficit is £0.574m.

For 2019/20 the Council is a member of the Lancashire Business Rate 75% Pool. Whilst this brings risks it also provides the opportunity for the Council to benefit from local business rate growth. If there is additional business rates growth during 2019/20 and no other negative impacts the Council will benefit from additional retained business rates income.

Further details in relation to the Collection Fund can be found in the Supplementary Statements.

Principal Risks and Uncertainties

The Council has a risk management strategy in place to identify and evaluate risks. All risks are identified, potential impacts are highlighted and controls and mitigations are set in place. The Corporate Management Team (CMT) identified a number of key corporate risks which the Council monitors and reports to Cabinet Members and Audit Committee during the year, a selection of the risks have been highlighted below:

Corporate Risks Include:
Failure to have effective partnership working or effective collaborative working
Failure to deliver Council priorities and ambitions as expressed in the Council's Achieving Preston's Priorities (APP)
Failure to secure value for money through inadequate procurement and commissioning
Failure to prevent or detect significant acts of fraud/cyber fraud
Failure to have a skilled and motivated workforce to deliver its services and priorities
Failure to achieve ambitious City building plans
Failure to adequately resource Council services
Communities lack confidence in the Council's ability to respond

Key Future Financial Risks – Along with the corporate risk there are a number of key financial risks identified within the Medium Term Financial Strategy which potentially could have a significant impact on the financial forecast, these are:

Key Financial Risks
Impact of Fair Funding review and future Business Rates retention (2020/21 onwards)
Business Rates 75% Pilot 2019/20
Changes in Government Policy

Narrative Report

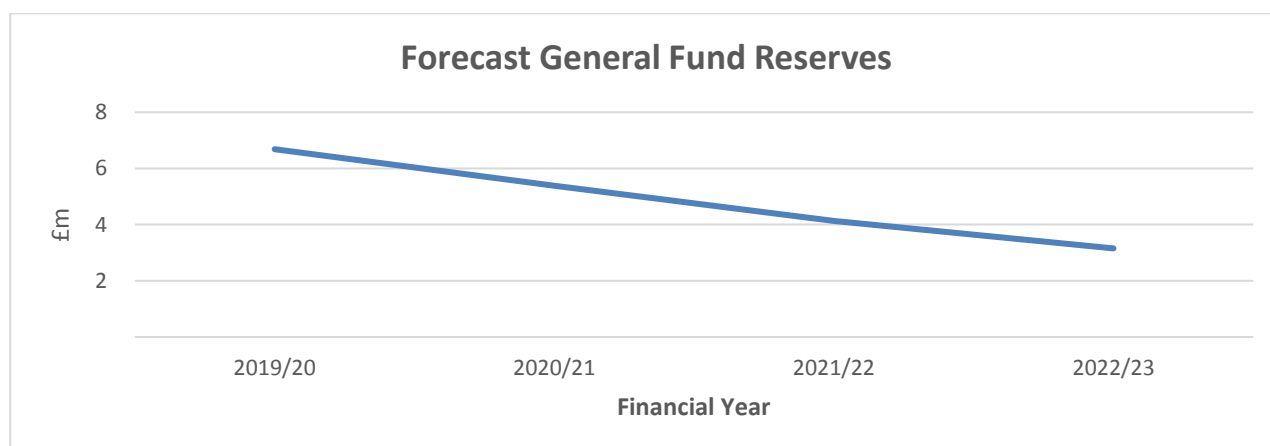
Pension Fund Deficit
Contingent liabilities materialising e.g. pension guarantee being called upon
Universal Credit
Estimated Sale of Council owned assets not being achieved
Unexpected movements in cashflow
Unexpected movements in interest rates
Security of monies invested with counterparties

The Achieving Preston's Priorities report to Budget Council February 2019 sets out the above and details the risks, potential impact and mitigations/controls in place.

6. The Economic Climate and Financial Outlook for the Future:

The latest MTFS reported to Budget Council in February 2019 sets out the Council's spending plans and available capital and revenue resources for the period 2018/19 to 2022/23. The MTFS set out the funds required to deliver the Council's essential services and the objectives in our priority areas. It also highlighted the key areas/issues facing the Council in the current year and future years especially the unknown impact of the anticipated Fair Funding review and the Business Rates retention scheme.

The table below summarises the forecast General Fund year end reserves taking into consideration the impact of the 2018/19 year end outturn position.



The current four year Comprehensive Spending Review (CSR) and the Council's four year Efficiency Plan come to an end in 2019/20. The Government has recently consulted on the Fair Funding Review and the Business Rates Retention scheme, however have not yet announced the final scheme. Therefore at the moment we have no indication of the level of funding Local Authorities can expect to receive for 2020/21 and beyond.

In addition to the above the uncertainty of the Council's finances is magnified by the yet unquantifiable impact of Brexit.

The Council's Four Year Efficiency Plan 2016/17 to 2019/20 has in the main been implemented in line with targets. Significant savings have been achieved as a result of the transfer of the Leisure

Narrative Report

Centres to GLL and efficiency savings from the digital agenda. There are remaining savings planned for 2019/20, which is the final year of the plan. The Council has a contingency plan of alternative savings should they be required.

In light of the current risks and uncertainties the Council will aim to continue to maintain a healthy and robust level of reserves. The Council also holds a significant level of earmarked reserves. As a last resort these could be used to phase in future saving requirements. Ultimately the Council's aim is to bridge the gap (shortfall between how much the Council spends and how much the Council receives in funding) over the long term to ensure long term sustainability for the Council.

Narrative Report

7. Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 (SeRCOP) and comprises core and supplementary statements.

The Core Financial Statements:

Comprehensive Income and Expenditure Statement – this statement shows the accounting cost in the year of providing services in accordance with general accounting practices rather than actual cost of services funded through taxation. The first section shows entries for income and expenditure arising from day to day operational services and the second section shows increase or decrease to net worth as a movement in fair value of assets.

Movement in Reserves Statement – this statement shows a summarised view of the movement in year on the different reserves held by the Council, analysed into 'usable reserves' (those which can be applied to fund expenditure) and 'unusable reserves' (those which cannot be used to fund expenditure).

Balance Sheet – this sets out the Council's assets and liabilities as at 31st March 2019 and how these are funded (by reserves, borrowing, provisions and other balances).

Cash Flow Statement - summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the Core Financial Statements - assist in the interpretation of the Accounts by summarising significant accounting policies and other explanatory information.

The Supplementary Statements:

Statement of Responsibilities for the Statement of Accounts - identifies the officer who is responsible for the proper administration of the Council's financial affairs.

Annual Governance Statement - gives assurance on effectiveness of the Council's Governance arrangements including its monitoring and evaluation of its code of governance and highlighting any planned changes in the coming period.

Collection Fund - this fund is maintained separately to record the collection of Council Tax and National Non-Domestic Rates (NNDR) due. The Council operates the Collection Fund under the Local Government Finance Act 1988. It contains the income and expenditure relating to Council Tax and National Non-Domestic Rates.

Glossary – an explanation of some of the key technical terms used in these accounts.

Narrative Report

8. Access to further information

If you would like to receive further information about the Statement of Accounts please contact Accountancy Services at Preston Town Hall, Lancaster Road, Preston, PR1 2RL.

Statement of Responsibilities for the Statement of Accounts

The Council'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. For Preston City Council the officer is the City Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities.

The City Treasurer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the City Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting (the Code);
- kept proper accounting records which were up to date; and,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer's Certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31st March 2019

Signed

Date

Jackie Wilding

29th July 2019

Jackie Wilding
City Treasurer
(Section 151 Officer)

The Council has delegated the responsibility for approving the Statement of Accounts to the Audit Committee. In accordance with the Accounting and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 29 July 2019.

Signed

Date

Cllr R Woollam

29th July 2019

Councillor Woollam
Chair of Audit Committee

Independent auditor's report to the members of Preston City Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Preston City Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the City Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the City Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The City Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider

whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the City Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 25, 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 City Treasurer. The City Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the City Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the City Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Preston City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Farrar

John Farrar, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

31 July 2019



Preston
City Council

Core
Financial
Statements

2018/19

Comprehensive Income & Expenditure Statement

The Comprehensive Income and Expenditure Statement (CI&E)

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

Brought Forward 2017/18			2018/19				
Re-stated							
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000	
			Service Segments				
829	219	610	Chief Executive	804	221	583	
5,291	925	4,366	Corporate Services	5,150	1,039	4,111	
18,467	12,465	6,002	Customer Services	18,612	11,615	6,997	
4,986	4,441	545	Development	5,639	4,723	916	
220	-	220	Environment	21	-	21	
54,772	42,392	12,380	Central Services*	52,445	40,541	11,904	
84,565	60,442	24,123	Cost of Services	27	82,671	58,139	24,532
		(682)	Other Operating Expenditure	6			120
		2,118	Financing and Investment Income and Expenditure	7			326
		(637)	Other Income				(701)
		10,931	(Surplus)/Deficit of Discontinued Operations	9			-
		(22,926)	Taxation and Non-Specific Grant Income	8			(20,010)
		12,927	(Surplus)/Deficit on Provision of Services				4,267
		3,300	(Surplus)/Deficit on revaluation of non-current assets	22(a)			(1,917)
		127	(Surplus)/Deficit on revaluation of available-for-sale financial assets	22(g)			-
		(14,266)	Remeasurements of the net defined (benefit)/liability	35(g)			(3,848)
		(10,839)	Other Comprehensive Income and Expenditure				(5,765)
		2,088	Total Comprehensive Income and Expenditure				(1,498)

* Central Services contains the centrally managed budgets which include Housing Benefits, utilities, depreciation and pensions.

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance in the year following those adjustments.

Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance as at 1 April 2017	8,147	17,073	25,220	4,097	7,228	36,545	36,274	72,819
Total Comprehensive Income and Expenditure	(12,927)	-	(12,927)	-	-	(12,927)	10,839	(2,088)
Adjustments between accounting basis and funding basis under regulations	10 14,401	-	14,401	(517)	(2,546)	11,338	(11,338)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	1,474	-	1,474	(517)	(2,546)	(1,589)	(499)	(2,088)
Transfers (to)/from Earmarked Reserves	(1,277)	1,277	-	-	-	-	-	-
Increase/Decrease (movement) in year	197	1,277	1,474	(517)	(2,546)	(1,589)	(499)	(2,088)
Balance as at 31 March 2018 carried forward	8,344	18,350	26,694	3,580	4,682	34,956	35,775	70,731
Adjustments for the restatement of financial instruments (IFRS 9)*	14b (41)		(41)			(41)	27	(14)
Revised Balance as at 1 April 2018	8,303	18,350	26,653	3,580	4,682	34,915	35,802	70,717
Total Comprehensive Income and Expenditure	(4,267)	-	(4,267)	-	-	(4,267)	5,765	1,498
Adjustments between accounting basis and funding basis under regulations	10 7,791	-	7,791	213	(2,056)	5,948	(5,948)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	3,524	-	3,524	213	(2,056)	1,681	(183)	1,498
Transfers (to)/from Earmarked Reserves	21(a) (2,949)	2,949	-	-	-	-	-	-
Increase/Decrease (movement) in year	575	2,949	3,524	213	(2,056)	1,681	(183)	1,498
Balance as at 31 March 2019 carried forward	8,878	21,299	30,177	3,793	2,626	36,596	35,619	72,215

*The adjustments for the restatement of financial instruments are supported by the transitional disclosures in Note 14(d)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2018 Re-stated £'000		Note		As at 31 March 2019 £'000
72,525	Property, Plant & Equipment	12	73,526	
35,204	Heritage Assets	13	35,963	
38,928	Investment Properties	16	39,346	
356	Assets Held for Sale (more than 1 year)		-	
21,411	Long-term Investments	14(c)	23,302	
195	Long-term Debtors	14(c)	178	
168,619	Total Long Term Assets			172,315
7,784	Short-term Investments	14(c)	14,046	
197	Inventories		236	
8,362	Short-term Debtors	17	5,875	
11,788	Cash and Cash Equivalents	19	9,508	
28,131	Total Current Assets			29,665
(219)	Short-term Borrowing	14(c)	(5,220)	
(15,535)	Short-term Creditors	20	(16,402)	
(15,754)	Total Current Liabilities			(21,622)
(4,217)	Provisions	15	(5,252)	
(17,497)	Long-term Borrowing	14(c)	(12,491)	
(86,231)	Pension Liability	35(e)	(88,080)	
(2,320)	Capital Grants Receipts in Advance	18	(2,320)	
(110,265)	Total Long-term Liabilities			(108,143)
70,731	Net Assets			72,215
	Represented by			
34,956	Usable Reserves	21 & MIRS	36,596	
35,775	Unusable Reserves	22 & MIRS	35,619	
70,731	Total Reserves			72,215

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2017/18		2018/19
£'000	Note	£'000
(12,927)	Net surplus or (deficit) on the provision of services	(4,267)
14,292	Adjustment to surplus or deficit on the provision of services for non-cash movements	23 13,046
<u>(6,762)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23 <u>(2,182)</u>
(5,397)	Net cash flows from operating activities	6,597
(5,115)	Net cash flows from investing activities	24 (7,952)
<u>1,201</u>	Net cash flows from financing activities	25 <u>(925)</u>
(9,311)	Net increase or decrease in cash and cash equivalents	(2,280)
<u>21,099</u>	Cash and cash equivalents at the beginning of the reporting period	<u>11,788</u>
<u>11,788</u>	Cash and cash equivalents at the end of the reporting period	19 <u>9,508</u>

Notes to the

Core

Financial

Statements

Index of Notes to Core Financial Statements

Note		Page
1	Accounting Policies	34
2	Accounting Standards Issued, Not Adopted	46
3	Critical Judgements In Applying Accounting Policies	46
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	46
5	Events after the Balance Sheet Date	47
6	Other Operating Expenditure	47
7	Financing and Investment Income and Expenditure	47
8	Taxation and Non-Specific Grant Income	47
9	Acquired and Discontinued Operations	47
10	Adjustments between Accounting Basis and Funding Basis under Regulations	48
11	Grant Income	50
12	Property, Plant & Equipment	51
13	Heritage Assets	55
14	Financial Instruments	
	a) Reclassification and Remeasurement of Financial Assets at 1 April 2018	56
	b) Effect of Asset Reclassification and Remeasurement on the Balance Sheet	56
	c) Balances	57
	d) Fair Values	58
	e) Risks	59
15	Provisions	61
16	Investment Properties	62
	a) Fair Value Hierarchy	62
17	Short-term Debtors	63
18	Capital Grants Receipts in Advance	63
19	Cash & Cash Equivalents	63
20	Creditors	63
21	Usable Reserves	
	a) Transfers to/from Earmarked Reserves	64
	b) Capital Grant Unapplied	65
22	Unusable Reserves	
	a) Revaluation Reserve	66
	b) Financial Instruments Adjustment Account	66
	c) Capital Adjustment Account	67
	d) Pensions Reserve	67
	e) Deferred Capital Receipts Reserve	68
	f) Collection Fund Adjustment Account	68
	g) Available for Sale Financial Instruments Reserve	68
	h) Accumulated Absences Account	69
	i) Pooled Investment Funds Adjustment Account	69
23	Cash Flow Statement – Operating Activities	69
24	Cash Flow Statement – Investing Activities	70
25	Cash Flow Statement – Financing Activities	70
26	Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities	70
27	Expenditure Funding Analysis	71
	a) Note to the Expenditure Funding Analysis	72
	b) Expenditure and Income Analysed by Nature	73
28	Members' Allowances	73
29	Officers' Remuneration	74
30	Termination Benefits	75
31	Related Parties	76
32	External Audit Costs	77
33	Agency Services	77
34	Capital Expenditure and Capital Financing	77
35	Defined Benefit Pension Schemes	
	a) Retirement Benefit Obligations	78
	b) Early payment of Pension Deficit Lump Sum	78
	c) Impact of McCloud Judgement	78
	d) Governance and Risk Management	78
	e) Transactions Relating to Retirement Benefits	80
	f) Pensions Assets and Liabilities Recognised in the Balance Sheet	80
	g) Comprehensive Income and Expenditure Statement	81
	h) Reconciliation of the Movements in the Fair Value of Scheme Assets	82
	i) Reconciliation of Present Value of the Scheme Liabilities	82
	j) Pension Scheme Assets Comprised	83
	k) Basis for Estimating Assets and Liabilities	84
	l) Sensitivity Analysis	84
	m) Impact on the Council's Future Cash Flows	84
36	Contingent Liabilities	85
37	Contingent Assets	86

Notes to the Core Financial Statements

Accounting Policies

1. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

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

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

2. 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 policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of 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.

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.

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

3. Accruals of Income and Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income 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.

4. Revenue Recognition

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

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

5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits available on demand. Cash equivalents are short-term (three months or less) highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the Core Financial Statements

Accounting Policies

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.

6. 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, for which a reliable estimate can be made of the amount of the obligation. Provisions are a charge to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

7. Reserves

Reserves are classified as either 'usable' (identified and maintained for specific future purposes and contingencies and include General Fund reserve, Earmarked reserve and Usable Capital Receipts reserve) or 'unusable' (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.

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 against the Surplus or 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.

8. Contingent Liabilities

A contingent liability arises either:

- 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; and,
- 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.

9. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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.

10. Employee Benefits

(i) Short-term Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg. Mobile phones) 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. To ensure no impact on Council Tax a corresponding transfer is made to the Accumulated Absence Account.

Notes to the Core Financial Statements

Accounting Policies

(ii) Employee Accumulated Absence Accrual

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the end of the financial year, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current accounting year. The accrual is charged to Surplus or Deficit on the provision of services, but then reversed out through the Movement in Reserves Statement. This ensures that holiday benefits are charged to revenue in the financial year in which the holiday entitlement occurs.

(iii) 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 and are charged on an accruals basis to the service lines in the Comprehensive Income and Expenditure Statement.

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

(iv) Retirement Benefits

Employees of the Council are members of the Local Government Pension Scheme administered by Lancashire County Council. The scheme provides defined benefits to members, earned as employees work for the Council. Retirement benefits are determined independently of scheme investments and the Council must contribute to any deficit where assets are insufficient to meet retirement benefits.

The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the scheme 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 earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate of 2.4% (2.6% 2017/18) determined by reference to market yields at the balance sheet date based on high quality corporate bonds; and,
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pension liability is analysed into the following 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;
- net interest on the net defined benefit liability, i.e. net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement;
- re-measurements comprising:
 - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and,
 - actuarial gains and losses. Due to changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because

Notes to the Core Financial Statements

Accounting Policies

the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- contributions paid to the pension fund. This is cash paid to the pension fund in settlement of liabilities.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standards. This means that there are transfers in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable but unpaid at the year end.

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a 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.

11. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue which may have a bearing upon the financial results of the past year. 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; and,
- 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.

12. 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 (HMRC). VAT receivable is excluded from income.

13. Apprenticeship Levy

The full cost of the Levy will be recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement ('CIES') when it is paid to HMRC. When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the CIES against the service benefiting from the training.

14. Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Council 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and 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 or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

Accounting Policies

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 Capital 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.

15. Central Support Service Overheads

In 2016 CIPFA revised the layout of the Income and Expenditure Statement to bring it in line with the way Councils report their service segments to their Corporate Management Teams. This Council reports Central Support Services within the relevant Directorates, e.g. Accountancy, Legal and Human Resources within the Corporate Services Directorate.

16. Intangible Assets

Intangible Assets are assets that do not have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. software licences). They are controlled by the Council as a result of past events and future economic or service benefits flow to the Council from intangible assets. These assets are capitalised at cost and amortised (depreciated) to the relevant revenue service over their economic lives. This amortisation is then reversed out in the Movement in Reserves Statement and a transfer is made to the Capital Adjustment Account.

An intangible asset is derecognised on disposal. The gains or losses arising from the disposal are recognised in the Surplus / Deficit on the Provision of Services.

17. 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 assigned using the First in First out (FIFO) or Average (AVCO) (for vehicle fuel) costing formulas.

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

18. 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 for Council's services delivery or is held for sale.

Investment properties are initially measured at cost. After initial recognition they are measured at fair value. The fair value reflects market conditions at the Balance Sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Investment properties are not depreciated but are re-valued annually according to market conditions.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

19. Property, Plant and Equipment

Notes to the Core Financial Statements

Accounting Policies

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 administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

(i) Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the Council will receive future economic benefits or service potential associated with the item. This excludes expenditure on routine repairs and maintenance of property, plant or equipment which is charged direct to service revenue accounts.

Capital expenditure is initially added to the value of an asset but if that is not considered to be the case it is classed as impairment. Expenditure under £20k is classed as deminimis and treated as revenue expenditure.

(ii) Measurement

Non-current assets are valued on the basis recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and in accordance with the Valuation Standards 6th Edition issued by The Royal Institute of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

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; and,
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is 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.

Land and buildings and other operational assets are valued at current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUVs). Where sufficient market evidence is not available, fair value is estimated at depreciated replacement cost. Short life assets such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.

Community assets and infrastructure are valued at historical cost net of depreciation.

Assets under construction are held at historical cost and are not depreciated until brought into use.

Surplus assets are valued at fair value based on market value, determined by the measurement of the highest and best use value of the asset. These are assets that are not in use by the Council but do not meet the definition of assets held for sale. Surplus assets mainly relate to land that may be available for regeneration purposes.

Increases in valuation are matched by credits to the Revaluation Reserve. In some cases when there is an increase in revaluation the increase will reverse out a previous impairment loss charged to the Surplus/Deficit on the Provision of Service or where the increase is reversing a previous revaluation decrease charged to the Surplus/Deficit on the Provision of Service the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

When there are decreases in value and there is a balance on the Revaluation Reserve relating to the asset, the value is written down against that balance (up to the amount of accumulated gains). Where

Notes to the Core Financial Statements

Accounting Policies

there is no or insufficient balance in the Revaluation Reserve the value of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement. When revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement they are reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year end. Assets are revalued at a minimum of every five years.

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.

(iii) 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 the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

The amount of the impairment is charged to the Revaluation Reserve but only to the extent that the impairment does not exceed the amount in the Revaluation Reserve. Thereafter, the impairment is charged to the Surplus/Deficit on the Provision of Service. This charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

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

(iv) Depreciation

Depreciation is provided for on all property, plant and equipment with a finite useful life. Useful life is estimated at the time of acquisition or revaluation. 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 bases:

- dwellings 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 the useful life of the asset; and,
- Infrastructure – straight-line allocation as advised by a suitable qualified officer.

Where an item of property, plant and equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council's componentisation policy.

A summary of the Council's componentisation policy is:

- the de minimis level for identifying property to be componentised will be 0.5% of the total property, plant & equipment value;
- the de minimis level for component size will be 20% of the asset value; and,
- similar component lives will be grouped together.

Components have been recognised in the financial year where:

- there has been a revaluation of an asset;

Notes to the Core Financial Statements

Accounting Policies

- there has been an acquisition of an asset; and,
- enhancement expenditure has been incurred.

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 their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Newly acquired assets are depreciated the year following acquisition, although assets in the course of construction are not depreciated until they are brought into use, thereafter an equal charge to revenue is made over the useful life of the assets.

20. Disposals and Non-Current Assets Held for Sale

When it becomes evident that the carrying amount of an asset will be recovered principally through a sale rather than its continued use, it can be reclassified as an asset held for sale. An asset can only be classed as held for sale if it is available for immediate sale in its present condition, the sale must be highly probable, it is being actively marketed and the sale should be expected to be completed within one year of its original classification. When events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the sale of the assets they are classified as long term assets held for sale.

Assets held for sale are held at the lower of the carrying amount and the fair value less cost to sell. If this results in a loss in value the loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous loss recognised in the Surplus/Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If these assets no longer meet the classification of 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.

21. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and,
- amortisation (depreciation) of intangible non-current assets attributable to the service.

22. Revenue Expenditure Funded From Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on assets not owned by the Council.

Expenditure is charged to the Surplus/Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

23. Leases

Leases are classified as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. 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

Notes to the Core Financial Statements

Accounting Policies

leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

The Authority as Lessee

i) Finance Leases

Property, plant and equipment held under finance leases is 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. Premiums paid on entry into a lease are applied to writing down the lease liability.

The lease payments are apportioned between a charge for the acquisition of the interest which is to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

The leased property, plant and equipment are subject to depreciation and the MRP on these assets equals the amount of the lease payment that is applied to write down the deferred liability. The deferred liability is either classified as short or long term in line with the lease repayments.

ii) Operating Leases

Lessee

Rental income paid under operating leases is treated as a revenue transaction and is charged to the relevant service expenditure in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

Lessor

Rental Income from operating leases is recognised on a straight line basis over the lease period and is shown in the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded on the Council's Balance Sheet.

24. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

(i) Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprise:

- long-term loans from the Public Works Loan Board and commercial lenders;
- trade payables for goods and services received.

(ii) Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial assets or a right to

Notes to the Core Financial Statements

Accounting Policies

exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- (i) Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
 - cash in hand
 - bank current and deposit accounts
 - fixed term deposits with banks and building societies
 - loans to other local authorities
 - treasury bills and gilts issued by the UK government
 - debtors for goods and services provided
- (ii) Fair value through profit and loss (all other financial assets) comprising:
 - money market funds
 - pooled bond funds

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of services in the CIES and will have a General Fund impact.

(iii) Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for debtors held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

25. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Core Financial Statements

Accounting Policies

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns in line with the highest and best use definition within the accounting standard.

The inputs to valuations for fair value assets takes into account the three levels of categories for inputs to valuations for fair value assets:

- level 1 – quoted prices;
- level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3 – unobservable inputs for the asset or liability.

26. Heritage Assets

The majority of the Council's Heritage Assets are held in the Harris Museum. The museum has three collections of Heritage Assets, fine art, decorative art and social history. These are held for their contribution to knowledge or culture and to support an understanding and appreciation of the Council's local and surrounding area. The remaining heritage assets are statues, war memorials and civic regalia. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, due to the nature of these assets, the measurement rules are more relaxed. The Council's collections of Heritage Assets are accounted for as follows:

(i) Fine Art

The fine art collection includes a number of prominent pieces from British artists relating to Preston and the North West region. The fine art valuations are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis.

The fine art collection has an indeterminate life and a high residual value therefore the Council does not consider it appropriate to charge depreciation.

Overall the fine art collection remains fairly constant and acquisitions and donations are rare. When the Council does acquire a piece of art work it is held on the Balance Sheet at cost and any donations will be held at insurance values with reference to an appropriate commercial market for the art work using the most relevant and recent information available from sales at auctions.

(ii) Decorative Art

The decorative art collection including ceramics and glass, scent bottles, card cases, enamels, clocks, watches and silver were all valued in the 1990s. The general fashion for collecting these items goes in peaks and troughs. The decorative art is valued externally and is reported in the Balance Sheet at the external valuation indexed up to a present day value. However, not all decorative art has been reported in the Balance Sheet, including costumes and textiles. This collection has in excess of 5,200 objects or pieces and it is the opinion of the Council that the collection cannot be valued because of the diverse and often unique nature of the collection. Therefore cost or valuation information is not available and conventional valuation approaches lack sufficient reliability. The cost of obtaining the valuations would be disproportionate in terms of the benefit derived.

Acquisitions are again initially recognised at cost or if bequeathed or donated are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuations. If information is available a reference to an appropriate commercial market for the art work using the most relevant and recent information available from sales at auctions will be used.

(iii) Social History

Included with the Council's social history collection is the archaeology and ethnography collection. In the opinion of the Council, the archaeological and ethnography collection of artefacts cannot be valued because of the diverse and often unique nature of the collection. Therefore, cost or valuation information is not available and conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. For the majority of the collection, neither cost nor

Notes to the Core Financial Statements

Accounting Policies

valuation information can be provided and therefore reported in the Balance Sheet. Two social history collections, the Numismatics and Dolls, and Clocks and Watches were externally valued. The value disclosed in the Balance Sheet is the external valuation indexed up to the present day.

(iv) Civic Regalia

The Council's Civic Regalia is reported in the Balance Sheet at insurance valuation. The valuation is updated annually as part of the insurance renewal process. The Council's Civic Regalia comprises of a Mayor's chain and pendant, the collar of the Mayor of Preston and the Mayor's pendant and grand chain of the City of Preston.

(v) Memorials

Within the Council's Parks and Public Open Spaces there are a number of war memorials. These memorials have been previously held under property, plant & equipment and held at historical cost on the Balance Sheet at a nominal value. Therefore, these memorials have been transferred to heritage assets on the same valuation basis.

(vi) Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, for example where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council rarely disposes of Heritage Assets. However, if the Council did dispose of a Heritage Asset the proceeds would be accounted for in accordance with the Council's existing policies.

27. Tax Income (National Non-Domestic Rates (NNDR) and Council Tax)

NNDR and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income and will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line.

As a Billing Authority, the difference between the NNDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

NNDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to NNDR and Council Tax is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

28. Acquisitions and Discontinued Operations

When an operation has been discontinued all the assets, liabilities and associated reserves will be written out of the Council's accounts and transferred to the new operating organisation. In accordance with the Code of Practice, the Council is only required to account for discontinued operations if the activities have actually ceased. Transfers of services to another public sector body are not considered to be discontinued operations.

Notes to the Core Financial Statements

2. Accounting Standards Issued, but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The additional disclosures that require consideration for the 2018/19 financial statements in respect of accounting changes that are introduced in the 2019/20 Code for adoption from 1st April 2019 are:

- **Amendments to IAS 40** - Transfers in Investment Property
- Annual Improvements to **IFRS Standards** 2014-2016 Cycle
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**
- **IFRIC 23 Uncertainty over Income Tax Treatments**
- **Amendments to IFRS 9 Financial Instruments** - Prepayment Features with Negative Compensation

These changes are not expected to have a material impact on the Council's Financial Statements.

3. Critical Judgements in Applying Accounting Policies

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

There is still a high degree of uncertainty about future levels of funding for Local Government. Whilst the Council signed up to Government's offer of a four year settlement, 2018/19 being year three, beyond that, the outcome of the Fair Funding review and the impact of the 75% Business Rate Retention scheme is unknown and also the impact of the decision to leave the European Union remains unclear. However, the Council has determined that the uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors. The Council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a five year cycle. All assets reviewed had a valuation date of 1 April 2018. Any material changes after the valuation date have been accounted for.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The items on the Council's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are:-

Pensions

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions 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.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £5.6m. Also, a one year addition to the members' life expectancy would result in an increase in the pension liability of £6.7m.

Business Rates - NNDR

Since the introduction of the Business Rates Retention Scheme effective 1 April 2013, Local Authorities are liable for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. A provision has been recognised for these liabilities up to and including 31 March 2019. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date. The costs will be shared between Central Government, Preston City Council, Lancashire County Council and Lancashire Combined Fire Authority. The Council's share of the business rate appeals provision is £5.046m, this has increased by £1.27m from the previous year.

Notes to the Core Financial Statements

5. Events after the Balance Sheet Date

The City Treasurer (Section 151 Officer) has, on 29 July 2019, authorised that this Statement of Accounts should be issued for distribution. This is the date up to which events after the balance sheet date have been considered.

On 4th June 2019 Preston Guild Hall Ltd was placed in administration, after receiving external legal advice the Council sought to forfeit the 999 year lease and on 21st June 2019 the Guild Hall reverted back into the Council's ownership. The Council is due to review options for the future of the Guild Hall at the August 2019 Council Meeting.

Following the McCloud/Sergeant judgement in June 2019, regarding Public sector pension scheme transition arrangements, the accounts have been amended to reflect the Council's revised pension liability.

The accounts have been amended to incorporate an adjustment to the accounting treatment for the Parish Council element of the Community Infrastructure Levy.

6. Other Operating Expenditure

2017/18 £'000		2018/19 £'000
192	Payments of precepts to parishes	270
(874)	(Gain)/loss on the disposal of non-current (fixed) assets	(150)
(682)	Total	120

7. Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
781	Interest payable and similar charges	779
2,362	Net interest on the net defined benefit liability	2,204
(321)	Interest receivable and similar income	(422)
(704)	Income and expenditure in relation to investment properties and changes in their fair value	(2,235)
2,118	Total	326

8. Taxation & Non-Specific Grant Income

2017/18 £'000		Note	2018/19 £'000
(10,830)	Council Tax		(11,473)
(3,635)	Business Rate Retention Scheme		(3,683)
(4,377)	General Government Grants	11	(3,734)
(3,892)	Capital Grants & Contributions	11	(850)
(192)	Parish Precepts		(270)
(22,926)	Total		(20,010)

9. Acquired and Discontinued Operations

The Council transferred its Leisure Services to Greenwich Leisure Ltd (GLL) (a private entity) on 30 April 2017.

2017/18				2018/19		
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000
1,645	(297)	1,348	Leisure Operation (Customer Services)	-	-	-
9,583	-	9,583	Impairment of asset on transfer (Fulwood & West View Leisure Centre Buildings)	-	-	-
11,228	(297)	10,931	Net Cost of Discontinued Operations	-	-	-

Notes to the Core Financial Statements

10. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2018/19	Movement in Unusable Reserves	Usable Reserves		
		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments Primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)				
Charges for depreciation and impairment of non current assets	(2,261)	2,261		
Revaluation losses on Property, Plant & Equipment	456	(456)		
Movements in the market value of Investment Properties	183	(183)		
Amortisation of intangible assets				
Capital grants and contributions unapplied	(762)	(325)		1,087
Revenue Expenditure funded from Capital under Statute	(195)	195		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(586)	586		
Movement in the Donated Assets Account	30	(30)		
Other Income		(376)	376	
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	820	(820)		
Capital expenditure charged against the General Fund balance	296	(296)		
Transfer in respect of Community Infrastructure Levy Receipts		2,195		(2,195)
Adjustments Primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	948			(948)
Adjustments Primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES		(736)	736	
Use of the Capital Receipts Reserve to finance new capital expenditure	898		(898)	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		1	(1)	
Transfer from Deferred Capital Receipts upon receipt of cash				
Adjustments Primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	8	(8)		
Adjustments Primarily involving the Pooled Investment Funds Adjustment Account				
Statutory override to mitigate the impact of fair value movements on pooled investment funds.	(108)	108		
Adjustments Primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(8,552)	8,552		
Employer's pensions contributions and direct payments to pensioners payable in the year	4,254	(4,254)		
Adjustments Primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax/NNDR income credited to the CI&ES is different from Council Tax/NNDR income collected for the year in accordance with statutory requirements	(1,380)	1,380		
Adjustments Primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	3	(3)		
Total Adjustments	(5,948)	7,791	213	(2,056)

Notes to the Core Financial Statements

10. Adjustments between Accounting Basis and Funding Basis under Regulations (cont d)

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

2017/18	Movement in Unusable Reserves	Usable Reserves		
		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
Adjustments Primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)				
Charges for depreciation and impairment of non current assets	(12,359)	12,359	-	-
Revaluation losses on Property, Plant & Equipment	283	(283)	-	-
Movements in the market value of Investment Properties	(1,262)	1,262	-	-
Amortisation of intangible assets	(3)	3	-	-
Capital grants and contributions unapplied	378	(1,096)	-	718
Revenue Expenditure funded from Capital under Statute	(1,538)	1,538	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(998)	998	-	-
Release of Capital Grant Receipts in Advance	1,500	(1,500)	-	-
Other Income	-	(637)	637	-
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	729	(729)	-	-
Capital expenditure charged against General Fund balance	250	(250)	-	-
Transfer in respect of Community Infrastructure Levy Receipts	-	2,856	-	(2,856)
Adjustments Primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	542	-	-	(542)
Application of grants to General Fund	-	(134)	-	134
Adjustments Primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	-	(1,872)	1,872	-
Use of the Capital Receipts Reserve to finance new capital expenditure	3,026	-	(3,026)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
Transfer from Deferred Capital Receipts upon receipt of cash	-	-	-	-
Adjustments Primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	7	(7)	-	-
Adjustments Primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(7,440)	7,440	-	-
Employer's pensions contributions and direct payments to pensioners payable in the year	4,475	(4,475)	-	-
Adjustments Primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax/NNDR income credited to the CI&ES is different from Council Tax/NNDR income collected for the year in accordance with statutory requirements	1,082	(1,082)	-	-
Adjustments Primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(10)	10	-	-
Total Adjustments	(11,338)	14,401	(517)	(2,546)

Notes to the Core Financial Statements

11. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2018/19:

2017/18 £'000		2018/19 £'000
	Credited to Taxation and Non Specific Grant Income	
	<i>Non-ringfenced government grants</i>	
47	New Burdens Grant	8
1,380	Revenue Support Grant	665
-	General Section 31 Grants	17
1,391	New Homes Bonus Grant	1,207
1,559	Business Rates Section 31 Grants	1,837
4,377	Total non-ringfenced government grants	3,734
	<i>Capital grants and contributions</i>	
1,500	North West Development Agency	-
290	Disabled Facilities Grant	139
1,161	Community Infrastructure Levy	495
81	Lancashire County Council	20
674	National Lottery Distribution Fund	107
(20)	Lancashire Police	-
(35)	Section 106	(93)
170	Affordable Homes	76
58	Lancashire Environmental Fund	-
13	Other	106
3,892	Total capital grants and contributions	850
8,269	Total Credited to Taxation and Non Specific Grant Income	4,584

The total of Capital Grants and Contributions income for year 2017/18 has been restated from £236k to £3,891k for the following amendments:-

- to transfer Community Infrastructure Levy income of £4,017k from Grants Credited to Services to Grants Credited to Taxation and Non Specific Grant Income.
- to account for the Community Infrastructure Levy payments due to Parishes on an accruals basis in line with the Code of Practice. The Council has previously accounted for the payments to Parishes on a cash receipts basis in line with the Community Infrastructure Levy (Amendment) Regulations 2013. This has reduced grant income from Community Infrastructure Levy by £362k for all prior years in 2017/18.

This restatement has no impact on the General Fund balance carried forward.

2017/18 £'000		2018/19 £'000
	Credited to Services	
	<i>Grants Received for Capital Purposes</i>	
1,102	Disabled Facilities Grant	1,247
300	Other Capital Grants & Contributions	362
1,402	Total Grants Received for Capital Purposes	1,609
	<i>Grants received for Revenue Purposes</i>	
44,413	Department for Work & Pensions Housing Benefits	42,265
485	Ministry for Housing, Communities and Local Government	831
145	Department for Work & Pensions	156
60	Arts Council	320
48	Heritage Lottery Fund	36
40	Big Local	51
217	URBACT III	215
100	Other	88
45,508	Total Grants Received for Revenue Purposes	43,962
46,910	Total Credited to Services	45,571

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 could require the monies or property to be returned to the giver. The balances at year end are as follows:

2017/18 £'000		2018/19 £'000
	Capital Grants Receipts in Advance	
1,266	Heritage Lottery Fund	1,266
1,054	North West Development Agency	1,054
2,320	Total	2,320

Notes to the Core Financial Statements

12. Property, Plant & Equipment

Movements on Balances 2018/19							
	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Asset Under Construction £'000	Total £'000
Cost or Valuation as at 1 April 2018	63,226	14,689	9,240	13,952	2,876	481	104,464
Additions	585	191	44	131	-	744	1,695
Revaluation increase/(decrease) recognised in Revaluation Reserve	470	-	-	-	343	-	813
Revaluation increase/(decrease) recognised in the Surplus / Deficit on the Provision of Services	295	-	-	-	(199)	-	96
Derecognition - disposals	-	(56)	-	-	(140)	-	(196)
Reclassifications (including to/from Investment Properties)	(38)	-	-	-	294	-	256
Cost or Valuation 31 March 2019	64,538	14,824	9,284	14,083	3,174	1,225	107,128
Accumulated Depreciation and Impairment as at 1 April 2018							
Accumulated Depreciation as at 1 April 2018	(1,922)	(9,159)	(3,169)	-	(36)	-	(14,286)
Accumulated Impairment as at 1 April 2018	(15,928)	(1,273)	(11)	(122)	(319)	-	(17,653)
Accumulated Depreciation and Impairment as at 1 April 2018	(17,850)	(10,432)	(3,180)	(122)	(355)	-	(31,939)
Depreciation charge for the year	(730)	(1,010)	(320)	-	(18)	-	(2,078)
Depreciation written back to the Revaluation Reserve	156	-	-	-	-	-	156
Depreciation written back to the Surplus / Deficit on the Provision of Services	186	-	-	-	17	-	203
Derecognition - disposals	-	56	-	-	-	-	56
Reclassifications (depreciation)	17	-	-	-	(17)	-	-
Accumulated Depreciation and Impairment as at 31 March 2019	(18,221)	(11,386)	(3,500)	(122)	(373)	-	(33,602)
Net book value as at 31 March 2019	46,317	3,438	5,784	13,961	2,801	1,225	73,526

Depreciation

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

Other Land and Buildings	Up to 95 years
Vehicles, Plant, Furniture and Equipment	3 -20 years
Infrastructure	Up to 45 years
Surplus Assets	Up to 65 years

Effects of Changes in Estimates

In 2018/19 the Council made no material changes in the way the accounting estimates for Property, Plant and Equipment were prepared.

Notes to the Core Financial Statements

12. Property, Plant & Equipment (cont d)

Movements on Balances 2017/18							
	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Asset Under Construction £'000	Total £'000
Cost or Valuation as at 1 April 2017	59,430	14,158	9,240	13,157	2,885	667	99,537
Additions	117	673	-	795	1	3,203	4,789
Revaluation increase/(decrease) recognised in Revaluation Reserve	15						15
Revaluation increase/(decrease) recognised in the Surplus / Deficit on the Provision of Services	283						283
Derecognition - disposals	(8)	(142)	-	-	(10)	-	(160)
Reclassifications	3,389	-	-	-	-	(3,389)	-
Cost or Valuation 31 March 2018	63,226	14,689	9,240	13,952	2,876	481	104,464
Accumulated Depreciation and Impairment as at 1 April 2017							
Accumulated Depreciation as at 1 April 2017	(1,943)	(8,457)	(2,846)	-	(19)	-	(13,265)
Accumulated Impairment as at 1 April 2017	(2,107)	(133)	(11)	(122)	(319)	-	(2,692)
Accumulated Depreciation and Impairment as at 1 April 2017	(4,050)	(8,590)	(2,857)	(122)	(338)	-	(15,957)
Depreciation charge for the year	(664)	(1,385)	(323)	-	(17)	-	(2,389)
Depreciation written back to the Revaluation Reserve	246	-	-	-	-	-	246
Depreciation written back to the Surplus / Deficit on the Provision of Services	439	551	-	-	-	-	990
Impairment losses recognised in Revaluation Reserve	(4,350)	-	-	-	-	-	(4,350)
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	(9,472)	(1,140)	-	-	-	-	(10,612)
Derecognition - disposals	1	132	-	-	-	-	133
Accumulated Depreciation and Impairment as at 31 March 2018	(17,850)	(10,432)	(3,180)	(122)	(355)	-	(31,939)
Net book value as at 31 March 2018	45,376	4,257	6,060	13,830	2,521	481	72,525

Depreciation

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

Other Land and Buildings	Up to 95 years
Vehicles, Plant, Furniture and Equipment	3 -20 years
Infrastructure	Up to 45 years
Surplus Assets	Up to 65 years

Effects of Changes in Estimates

In 2017/18 the Council made no material changes in the way the accounting estimates for Property, Plant and Equipment were prepared.

Notes to the Core Financial Statements

12. Property, Plant & Equipment (cont'd)

Information on Assets Held	Number at 31 March 2018	Number at 31 March 2019
Non-Current Assets owned by the Council include the following:-		
Operational Buildings		
Central Administration Buildings	1	1
Other Office Buildings	4	3
Markets	2	2
Public Conveniences	13	13
Depots	1	1
Sub-depots	7	7
Surface Car Parks	3	4
Multi-storey Car Parks	2	1
Cemetery	1	1
Crematorium	1	1
Operational Equipment		
Vehicles	121	118
Infrastructure Assets		
Lock Gates	4	4
Railway	1	1
Swing Bridge	1	1
Community Assets		
Allotment Sites	6	6
Community Centres	4	4
Harris Museum & Library	1	1
Parks and Recreation Grounds (acres)	524	524
Park and Recreational Buildings and Structures	27	27
Park Lodges/Houses	2	2
Heritage Assets		
War Memorial	7	7
Works of Art and Collections (value £100k and over)	42	42
Investment and Other Buildings and Properties		
Other Office Buildings	12	10
Sports Centres	2	2
Guild Hall / Theatre	1	1
Farms (Land and Buildings)	2	2
Garage Units	32	32
Industrial Units	96	96
Miscellaneous Land and Open Spaces (individual pieces of land)	206	205
Retail and Commercial Units	61	61
Surface Car Parks	22	22

Notes to the Core Financial Statements

12. Property, Plant & Equipment (cont d)

Depreciation

Depreciation is charged on a straight line basis on all fixed and intangible assets with a finite useful life. Newly acquired assets are depreciated from the year following acquisition.

During the period a review of the estimate of useful lives and residual values has been undertaken on all significant assets.

Capital Commitments

As at 31st March 2019, the Council was contractually committed to a total of £2.084m. The individual capital schemes over the £0.025m individual threshold are as follows (2017/18 £1.269m): -

	As at 31 March 2019 £'000
Leisure Transfer	46
Door Entry System	42
Town Hall Roof Refurbishment	29
THI Winckley Square	301
Moor Park Refurbishment	31
Vehicle Replacement Programme	433
City Centre Investment Fund	1,201
Total	2,084

Asset Valuation

The Council's property portfolio valuations are carried out by qualified staff within the Council's internal Property Services Department. 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 Institution of Chartered Surveyors.

The Council carries out a revaluation programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Properties regarded by the Council as operational are to be valued on the basis of existing use value or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant and Equipment.

	Property, Plant & Equipment						Total
	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets Not Held for Sale £'000	Asset Under Construction £'000	£'000
Valued at historical cost	-	14,824	9,284	14,083	-	1,225	39,416
Valued at fair value as at;							
31 March 2015	1,100	-	-	-	958	-	2,058
31 March 2016	34,492	-	-	-	1,223	-	35,715
31 March 2017	4,430	-	-	-	546	-	4,976
31 March 2018	17,455	-	-	-	(9)	-	17,446
31 March 2019	7,061	-	-	-	456	-	7,517
Current Value 2018/19							
Total	64,538	14,824	9,284	14,083	3,174	1,225	107,128

All the Council's surplus assets have been assessed as Level 2 for valuation purposes (see Note 1 item 27 for explanation of fair value levels).

Notes to the Core Financial Statements

13. Heritage Assets

	Fine Art £'000	Decorative Art £'000	Social History £'000	Civic Regalia £'000	Total £'000
Cost or Valuation as at 1 April 2017	30,499	3,249	305	208	34,261
Additions	-	-	-	-	-
Revaluation Gains	852	82	9	-	943
Revaluation Losses recognised in the Revaluation Reserve	-	-	-	-	-
31 March 2018	31,351	3,331	314	208	35,204
Cost or Valuation as at 1 April 2018	31,351	3,331	314	208	35,204
Additions	30	-	-	-	30
Revaluation Gains	634	85	10	-	729
Revaluation Losses recognised in the Revaluation Reserve	-	-	-	-	-
31 March 2019	32,015	3,416	324	208	35,963

Additions of Heritage Assets

The Heritage Assets held by the Council fall into four categories: Fine Art, Decorative Art, Social History and Civic Regalia. All these categories have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to potential financial gain. As such, they are unlikely to be sold. The Council's Fine and Decorative Art collection is reported in the Balance Sheet at an indexed external valuation which is based on market value at the time of the valuation. Also, some items are held at an insurance valuation which is also based on market values. Where assets are donated for nil consideration they are valued at valuation. The Council's Social History Collection is disclosed in the accounts as at the valuation in 1996 indexed up to the 31st March 2019. The Civic Regalia as reported on the Balance Sheet is valued annually as part of the insurance renewal process. According to the Code there is no prescribed minimum period between valuations and so the Council does not intend to revalue its Heritage Assets in the near future.

Further Information on Collections, Heritage Assets of Particular Importance and Preservation and Management can be found in the Harris Museum and Art Gallery Collection Development Policy (<http://www.harrismuseum.org.uk/collections>).

Notes to the Core Financial Statements

14(a). Financial Instruments Reclassification and Remeasurement of Financial Assets at 1 April 2018

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below.

New Classifications at 1 April 2018

	Previous Classification	Amortised Cost £'000	Fair Value through profit or loss £'000	Total Balance Sheet Carrying Amount £'000
Investments				
Long Term Investments	Available for Sale	-	21,412	21,412
Short Term Investments	Available for Sale	3,264	-	3,264
Short Term Investments	Loans & Receivables	4,520	-	4,520
Debtors				
Short Term Debtors	Loans & Receivables	5,343	-	5,343
Long Term Debtors	Loans & Receivables	195	-	195
Cash & Cash Equivalents	Loans & Receivables	6,685	-	6,685
Cash & Cash Equivalents	Available for Sale	-	5,103	5,103
Reclassified amounts at 1 April 2018		20,007	26,515	46,522
Remeasurements at 1 April 2018		(14)	-	(14)
Remeasured carrying amounts at 1 April 2018		19,993	26,515	46,508

The Council had a UK Gilt bond investment at 1 April 2018 with a fair value of £3.2m for which an amortised cost had to be newly calculated on it's reclassification which led to a £14k remeasurement adjustment.

14(b). Financial Instruments Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

	IAS 39 31 March 2018 £'000	Reclassification £'000	Remeasurement £'000	IFRS 9 1 April 2018 £'000
Usable Reserves				
General Fund	8,344	-	(41)	8,303
Other Usable Reserves	26,612	-	-	26,612
Total Usable Reserves	34,956	-	(41)	34,915
Unusable Reserves				
Available for Sale Financial Instruments Reserve	(116)	116	-	-
Pooled Investment Funds Adjustment Account	-	(89)	-	(89)
Other Unusable Reserves	35,891	-	-	35,891
Total Unusable Reserves	35,775	27	-	35,802
Total Reserves	70,731	27	(41)	70,717

Notes to the Core Financial Statements

14(c). Financial Instruments - Balances

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

Long Term 31/03/18 £'000	Short Term 31/03/18 £'000		Long Term 31/03/19 £'000	Short Term 31/03/19 £'000
<u>Financial Assets</u>				
Investments				
<i>At amortised cost</i>				
-	7,765	Principal	-	14,000
-	19	Accrued interest	-	46
<i>At fair value through profit & loss</i>				
21,411	-	Fair value	23,302	-
21,411	7,784	Total Investments	23,302	14,046
Cash and Cash Equivalents				
<i>At amortised cost</i>				
-	6,679	Principal	-	3,496
-	6	Accrued interest	-	12
<i>At fair value through other comprehensive income</i>				
-	5,103	Fair Value	-	6,000
-	11,788	Total Cash and Cash Equivalents	-	9,508
Debtors				
195	5,343	<i>At amortised cost</i>	178	2,320
195	5,343	Total Included in Debtors	178	2,320
-	3,019	Debtors that are not financial instruments	-	3,391
195	8,362	Total Debtors	178	5,711
Financial Liabilities				
Borrowings				
17,316	3	Financial Liabilities at amortised cost - Loans (Principal sum borrowed)	12,313	5,003
-	216	Financial Liabilities at amortised cost - Loans (Accrued Interest)	-	217
181	-	Financial Liabilities at amortised cost - Market Loans EIR Adjustment	178	-
17,497	219	Total Borrowing	12,491	5,220
Creditors				
-	2,680	Financial Liabilities at amortised cost	-	3,538
-	2,680	Total included in Creditors	-	3,538
-	12,494	Creditors that are not financial instruments	-	12,629
-	15,174	Total Creditors	-	16,167

Notes to the Core Financial Statements

14(d). Financial Instruments Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019 using the following methods and assumptions.

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2019.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including creditors and debtors is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

	Fair Value Level	31 March 2018 Carrying amount £'000	Fair value £'000	31 March 2019 Carrying amount £'000	Fair value £'000
Financial Assets held at fair value:					
Long Term Investments - Pooled Funds	1	17,962	17,962	19,940	19,940
Long Term Investments - Bond Funds	1	3,450	3,450	3,363	3,363
Cash & Cash Equivalents - Money Market Funds	1	5,103	5,103	6,000	6,000
Financial Assets held at amortised cost:					
Cash & Cash Equivalents - Bank Deposits	2	1,681	1,681	507	507
Cash & Cash Equivalents - Loans to Local Authorities	2	5,004	5,004	2,000	2,000
Cash & Cash Equivalents - Government Bond	1	-	-	1,000	1,000
Short-Term Investments - Loans to Local Authorities	2	4,512	4,512	14,046	14,046
Short-Term Investments - Government Bond	1	3,272	3,272	-	-
Long-Term Debtors		195	195	178	178
Short-Term Debtors		5,343	5,343	2,320	2,320
Total Financial Assets		46,522	46,522	49,354	49,354
Financial Liabilities held at amortised cost:					
Long-term PWLB Loans	2	6,888	8,571	1,887	3,309
Long-term Market Loans	2	10,609	17,066	10,604	16,767
Short-term Creditors		2,680	2,680	3,538	3,538
Borrowing repayable within 12 months		219	219	5,220	5,306
Total Financial Liabilities		20,396	28,536	21,249	28,920

* The fair value of short-term financial assets held at amortised cost, including Debtors, is assumed to approximate to the carrying amount.

The fair value of Financial Liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Notes to the Core Financial Statements

14(e). Financial Instruments Risks

(i) Key Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are

- Credit risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council
- Liquidity risk – the possibility that the Council might not have the cash available to make contracted payments on time
- Market risk - the possibility that unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices

(ii) 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, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. The full investment strategy for 2018/19 was approved by Council on 22 February 2018 and is available on the Council's website.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of a minimum of Long Term A-
- UK or EU Member Banks domiciled in a country with a minimum sovereign long term rating of AA+.
- Limits on investments in certain sectors (eg. Money Market Funds, Building Societies, foreign countries).

Amounts Arising from Expected Credit Losses

The Council's short and long term investments have been assessed and the expected credit loss is not material therefore no allowances have been made.

Notes to the Core Financial Statements

14(e). Financial Instruments Risks (cont'd)

(ii) Credit risk (cont'd)

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	As at 31 March 2019		As at 31 March 2018	
	Long-Term	Short-Term	Long-Term	Short-Term
	£'000	£'000	£'000	£'000
AA-				3,272
Unrated Local Authorities		14,046		4,512
Total	-	14,046	-	7,784
Credit risk not applicable *	23,302		21,411	
Total Investments	23,302	14,046	21,411	7,784

* Credit risk is not applicable to pooled funds where the Council has no contractual right to receive any sum of money.

At 31 March 2019, there were no loss allowances related to treasury investments.

Credit Risk - Debtors

The following analysis summarises the Council's potential maximum exposure to credit risk from trade debtors. Only trade debtors meeting the definition of a financial asset are included.

	31/03/2019	Historical experience of default	Adjustment for market conditions at 31/03/19	Estimated maximum exposure to default
	£'000	%	%	£'000
	a	b	b	a * b
Debtors	2,321	4.01%	4.01%	93
	2,321			93

The Council does not generally allow credit for its debtors. Of the £2.321m (£5.343m 2017/18) outstanding for debtors, £0.327m (£0.325m 2017/18) is overdue. The impaired amount for Debtors for 2018/19 is £0.152m (2017/18 £0.133m). The overdue but not impaired amount can be analysed by age as follows:

2017/18		2018/19
£'000		£'000
146	Less than three months	122
34	Three months to one year	42
12	More than one year	11
192		175

Loss allowances on Debtors has been calculated by reference to the Council's historic experience of default. Debtors are collectively assessed for credit risk as one group.

(iii) Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow requirements, and access to the Public Works Loans Board and money markets for longer term funds. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

The maturity analysis of financial liabilities is as follows:

2017/18		2018/19
£'000		£'000
2,899	Less than one year	8,758
5,003	Between one and two years	3
9	Between two and five years	9
15	Between five and ten years	12
12,470	More than ten years	12,467
20,396		21,249

Notes to the Core Financial Statements

14(e). Financial Instruments - Risks (cont'd)

(iii) Liquidity risk (cont'd)

Amounts payable relating to statutory debts, eg. council tax, non-domestic rates are not included in the analysis above as they are outside the scope of the Financial Instrument provisions.

The maturity analysis of financial assets is as follows:

2017/18 £'000		2018/19 £'000
46,328	Less than one year	49,177
21	Between one and two years	15
16	Between two and three years	15
157	More than three years	147
46,522		49,354

(iv) Market risk (Interest Rate Risk)

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates - the fair value of the liabilities will fall
- investments at variable rates - the interest income will rise
- investments at fixed rates - the fair value of the assets will fall

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(517)
Decrease in fair value of investments held for trading	-
Impact on Surplus or Deficit on the Provision of Services	(517)
Decrease in fair value of available for sale financial assets	165
Impact on Comprehensive Income and Expenditure	165
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	(3,827)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

(v) Market risk (Price risk)

The market price's of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

15. Provisions

	NDR Provision for Appeals (a) £'000	Other Provisions (b) £'000	Total £'000
As at 1 April 2018	3,775	442	4,217
Additional provisions made	5,046	114	5,160
Amounts used in 2017/18	-	-	-
Unused amounts reversed	(3,775)	(350)	(4,125)
As at 31 March 2019	5,046	206	5,252

Purpose of Provisions

- NNDR Provision for Appeals - this is to cover future losses in income as a result of refunding ratepayers who successfully appeal against the rateable value of their properties.
- (a) appeal against the rateable value of their properties.
- (b) Other Provisions comprising redundancy & lease cars

Notes to the Core Financial Statements

16. Investment Properties

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

2017/18 £'000		2018/19 £'000
40,210	Balance as at 1 April	38,928
(522)	Disposals	(1)
822	Acquisitions/Enhancements	386
(1,582)	Net gains/(losses) from fair value adjustments	183
-	Transfers (to)/from Property, Plant & Equipment	(150)
38,928	Balance as at 31 March	39,346

16(a). Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£'000	£'000	£'000	£'000
Advert Hoarding	124	-	-	124
Agricultural	1,115	-	-	1,115
Car Parks	572	-	-	572
Garages	116	-	-	116
Ground Rents - Industrial	-	9,583	-	9,583
Ground Rents - Office	-	6,129	-	6,129
Ground Rents - Other	-	9,753	-	9,753
Ground Rents - Retail	-	4,843	-	4,843
Industrial	5,217	-	-	5,217
Licenced Property	-	-	-	0
Offices	206	-	-	206
Retail	1,307	-	-	1,307
Retail Housing Shops	381	-	-	381
Total	9,038	30,308	0	39,346

2018 Comparative Figures

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£'000	£'000	£'000	£'000
Advert Hoarding	124	-	-	124
Agricultural	1,138	-	-	1,138
Car Parks	565	-	-	565
Garages	116	-	-	116
Ground Rents - Industrial	976	8,585	-	9,561
Ground Rents - Office	-	6,136	-	6,136
Ground Rents - Other	268	9,597	-	9,865
Ground Rents - Retail	68	4,775	-	4,843
Industrial	4,504	-	-	4,504
Licenced Property	40	-	-	40
Offices	208	-	-	208
Retail	1,293	-	-	1,293
Retail Housing Shops	535	-	-	535
Total	9,835	29,093	0	38,928

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Notes to the Core Financial Statements

17. Short-term Debtors

As at 31 March 2018 £'000		As at 31 March 2019 £'000
3,378	Trade Receivables*	1,028
218	Prepayments	259
4,766	Other Receivable Amounts	4,588
8,362	Total	5,875

* The 2018/19 figure includes £0.542m (2017/18 £3.0m) relating to CIL invoices being paid on an agreed instalment plan.

18. Capital Grants Receipts in Advance

2017/18 £'000		2018/19 £'000
3,820	Balance as at 1 April	2,320
-	Received during the year	-
(1,500)	Conditions met and released during the year	-
2,320	Balance as at 31 March	2,320

19. Cash & Cash Equivalents

The balance of cash and cash equivalents is made up of the following:

As at 31 March 2018 £'000		As at 31 March 2019 £'000
2	Cash held by the Council	2
2,372	Bank Current Accounts	880
10,107	Short-term Deposits under 3 months	9,013
(693)	Bank Overdraft	(387)
11,788	Total Cash & Cash Equivalents	9,508

20. Creditors

As at 31 March 2018 £'000		As at 31 March 2019 £'000
5	Trade Payables	134
15,530	Other Payables	16,268
15,535	Total	16,402

Notes to the Core Financial Statements

21. Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves can be found below, along with an explanation of the purpose of each reserve.

21(a). Transfers to/from Earmarked Reserves

	Balance as at		Balance as at	
	01/04/18	Transfers Out	Transfers In	31/03/19
	£'000	£'000	£'000	£'000
(a) Capital Reserves	265	(16)	16	265
(b) Building Control	88	(45)	23	66
(c) Voluntary Set Aside for Debt Repayment	3,454	(23)	544	3,975
(d) IT Fund General Reserve	427	(66)	100	461
(e) Legal & Insurance Matters Reserve	506	-	250	756
(f) Land Charges	270	-	32	302
(g) Land Charges New Legislation Reserve	7	-	-	7
(h) City Centre Regeneration	122	(46)	-	76
(i) Housing Benefit & Council Tax Reserve	325	(41)	131	415
(j) Investment Properties Dilapidations Reserve	143	(92)	-	51
(k) Alleygate Maintenance Reserve	21	(6)	-	15
(l) Municipal Mutual Insurance Reserve	274	-	-	274
(m) General Commuted Sums	659	-	-	659
(n) Community Related Assets Reserve	5,626	-	-	5,626
(o) Localising Council Tax Support	94	(21)	-	73
(p) Business Rates Equalisation Reserve	436	-	1,340	1,776
(q) Guild Reserve	1,000	-	-	1,000
(r) Counter Fraud Fund Reserve	155	(55)	-	100
(s) Arts & Cultural Strategy Reserve	12	(2)	16	26
(t) Individual Electoral Registration Reserve	129	(10)	-	119
(u) City Deal Reserve	2,421	-	457	2,878
(v) Vehicle Maintenance Reserve	50	-	-	50
(w) Cemetery & Crematorium Reserve	220	-	105	325
(x) Public Health Initiative	12	(6)	-	6
(y) Riversway Maintenance Reserve	25	-	-	25
(z) Community Infrastructure Levy Admin	367	(111)	161	417
(aa) Efficiency Planning Reserve	654	(12)	401	1,043
(ab) Housing Zone Reserve	172	(125)	-	47
(ac) Planning Appeals/Inquiry Reserve	100	-	50	150
(ad) Self Insurance Reserve	234	-	-	234
(ae) Triennial Review Reserve	82	-	-	82
Total	18,350	(677)	3,626	21,299

Purpose of Earmarked Reserves

(a) Capital Reserves	Revenue funds set aside to help finance future capital projects.
(b) Building Control	Surpluses generated on Building Control Trading services set aside to support continuing service delivery.
(c) Voluntary Set Aside for Debt Repayment	Voluntary set aside for the repayment of debt in respect of the replacement and purchase of vehicles.
(d) IT Fund General Reserve	Funding of new IT initiatives and development of IT systems.
(e) Legal & Insurance Matters Reserve	Voluntary set aside for future legal fees and insurance matters that may arise.
(f) Land Charges	Surpluses generated on Land Charges set aside for reinvestment into the service.
(g) Land Charges New Legislation Reserve	Voluntary set aside for potential claims of Land Charge refunds.
(h) City Centre Regeneration	Voluntary set aside available for financing development/regeneration costs.
(i) Housing Benefit & Council Tax Reserve	Voluntary set aside for completion of Department for Work & Pensions benefit assessment and reform projects.
(j) Investment Properties Dilapidations Reserve	Voluntary set aside for dilapidation works.

Notes to the Core Financial Statements

21(a). Transfers to/from Earmarked Reserves (cont'd)

(k) Alleygate Maintenance Reserve	Voluntary set aside for maintenance of alleygates.
(l) Municipal Mutual Insurance Reserve	Voluntary set aside to cover the risk of claw back under the Municipal Mutual Insurance (MMI) Scheme of Arrangement.
(m) General Commuted Sums	Commuted sums set aside to cover the future expenditure on assets which have been adopted by the Council.
(n) Community Related Assets Reserve	Sums set aside for financing future expenditure associated with the transfer of Community Related Assets.
(o) Localising Council Tax Support	Voluntary set aside to support the Localised Council Tax Support scheme.
(p) Business Rates Equalisation Reserve	Voluntary set aside to cover the timing differences when accounting for business rates income.
(q) Guild Reserve	Voluntary set aside for the Preston Guild, an important and historic event held every 20 years dating back to the granting of Preston's first Charter in 1179. The next Preston Guild is 2032.
(r) Counter Fraud Fund Reserve	Set aside of Department for Work & Pensions ring-fenced grant for fraud prevention including the funding of the Corporate Enquiry (Fraud) Team.
(s) Arts & Cultural Strategy Reserve	Voluntary set aside to fund investment in the Arts & Cultural offer of the City.
(t) Individual Electoral Registration Reserve	Set aside of Government Grant to fund Individual Electoral Register.
(u) City Deal Reserve	Set aside of Community Provision relating to City Deal.
(v) Vehicle Maintenance Reserve	Voluntary set aside to fund future vehicle maintenance costs.
(w) Cemetery & Crematorium Reserve	Voluntary set aside to fund future capital costs.
(x) Public Health Initiatives	Income received in advance for Public Health Initiatives & Welfare Reforms.
(y) Riversway Maintenance Reserve	Voluntary set aside to fund future maintenance on the dock gates.
(z) Community Infrastructure Levy Admin	Set aside of the 5% admin fee allowable under the CIL regulation 123 to fund activities concerned with monitoring and reporting on CIL activity.
(aa) Efficiency Planning Reserve	Set aside towards funding one-off costs of the implementation of the savings plans.
(ab) Housing Zone Reserve	Set aside of Government Grant to support house building on large designated sites within the City.
(ac) Planning Appeals/Public Inquiry Reserve	Voluntary set aside to fund future Planning Appeals and Public Inquiries.
(ad) Self Insurance Fund Reserve	Self insurance fund to cover risks that the Council haven't externally insured for.
(ae) Triennial Review Reserve	Set aside until the next triennial review in anticipation of future pension fund fluctuations due to the Leisure Transfer.

21(b). Capital Grants Unapplied

	Balance as at 01/04/17	Receipts in Year	Payments in Year	Transfer	Balance as at 01/04/18	Receipts in Year	Payments in Year	Transfer	Balance as at 31/03/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(a) Section 106 Unapplied Capital	573	-	(73)	38	538	-	(117)	-	421
(b) Unapplied Capital Grants & Contributions	659	718	(542)	-	835	899	(718)	-	1,016
(c) Community Infrastructure Levy	5,523	2,177	(4,017)	(1,016)	2,667	730	(2,691)	(234)	472
(d) Affordable Homes	472	170	-	-	642	187	(112)	-	717
Total	7,227	3,065	(4,632)	(978)	4,682	1,816	(3,638)	(234)	2,626

Notes to the Core Financial Statements

Unusable Reserves

31 March 2018 £'000		31 March 2019 £'000
58,010	Revaluation Reserve	59,238
(464)	Financial Instruments Adjustment Account	(456)
66,585	Capital Adjustment Account	67,101
(89,030)	Pensions Reserve	(89,480)
1	Deferred Capital Receipts Reserve	1
935	Collection Fund Adjustment Account	(444)
(116)	Available for Sale Financial Instruments Reserve	-
(148)	Accumulated Absences Account	(145)
-	Pooled Investment Funds Adjustment Account	(197)
35,773	Total Unusable Reserves	35,618

The Pooled Investment Funds Adjustment Account is a new unusable reserve that has been introduced to mitigate the impact of fair value movements on pooled investment funds.

22(a). Revaluation Reserve

2017/18 £'000		2018/19 £'000
61,753	Balance as at 1 April	58,010
1,100	Upward revaluation of assets	1,931
(4,400)	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(14)
(3,300)	Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	1,917
-	Transfer from Capital Adjustment Account for Change in Accounting Estimates / Prior year Revaluation Reserve adjustments	-
(296)	Difference between fair value depreciation and historical cost depreciation	(329)
(147)	Accumulated gains on assets sold or scrapped	(360)
58,010	Balance as at 31 March	59,238

The Revaluation Reserve represents the gains on revaluation of fixed assets not yet realised through sales.

The Revaluation Reserve contains gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when 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; and,
- disposed of and the gains realised.

22(b). Financial Instruments Adjustment Account

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 per statutory provisions.

2017/18 £'000		2018/19 £'000
(471)	Balance as at 1 April	(464)
7	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	8
(464)	Balance as at 31 March	(456)

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are written down to the Comprehensive Income and Expenditure Statement over the term remaining on the loan.

Notes to the Core Financial Statements

22(c). Capital Adjustment Account

2017/18 £'000		2018/19 £'000
75,594	Balance as at 1 April	66,585
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):	
(12,079)	Charges for depreciation and impairment of non-current assets	(1,804)
-	Revaluation losses on Property, Plant & Equipment	-
-	Amortisation of intangible assets	-
(1,538)	Revenue Expenditure funded from Capital under Statute	(195)
(851)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(226)
<u>(14,468)</u>		<u>(2,225)</u>
296	Adjusting amounts written out of the Revaluation Reserve	330
<u>(14,172)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(1,895)</u>
	Capital financing applied in the year:	
3,026	Use of the Capital Receipts Reserve to finance new capital expenditure	898
378	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(762)
1,500	Capital grants and contributions with conditions released to the CI&ES	-
542	Application of grants to capital financing from the Capital Grants Unapplied Account	947
729	Statutory provision for the financing of capital investment charged against the General Fund Balance	820
<u>250</u>	Capital Expenditure charged against the General Fund balance	<u>295</u>
6,425		2,198
(1,262)	Movements in the market value of Investment Properties debited or credited to the CI&ES	183
-	Value of donated asset credited to the CI&ES	30
<u>66,585</u>	Balance as at 31 March	<u>67,101</u>

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 and 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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

22(d). Pensions Reserve

2017/18 £'000		2018/19 £'000
(100,331)	Balance as at 1 April	(89,030)
14,266	Remeasurements of the net defined benefit liability	3,285
(7,440)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	(7,989)
4,475	Employer's pensions contributions and direct payments to pensioners payable in the year	4,254
<u>(89,030)</u>	Balance as at 31 March	<u>(89,480)</u>

Notes to the Core Financial Statements

22(e). Deferred Capital Receipts Reserve

2017/18 £'000		2018/19 £'000
1	Balance as at 1 April	1
-	Transfer to the Capital Reserve upon receipt of cash	-
1	Balance as at 31 March	1

Deferred capital receipts represent capital income still to be received from earlier disposals of Council assets where deferred payments had been agreed. Income still to be received is also accounted for within long-term debtors. As repayments are received into the Capital Receipts Reserve the deferred capital receipts reserve and long-term debtors are updated accordingly.

22(f). Collection Fund Adjustment Account

2017/18 £'000		2018/19 £'000
Council Tax		
171	Balance as at 1 April	257
193	Share of Council Tax surplus / (deficit) for the year	113
(107)	(Surplus) / deficit transferred to the General Fund as determined by regulation	(240)
257	Balance as at 31 March	130
Business Rates		
(317)	Balance as at 1 April	678
(811)	Share of Business Rates surplus / (deficit) for the year	(262)
36	Renewable energy scheme income	-
1,770	(Surplus) / deficit transferred to the General Fund as determined by regulation	(990)
678	Balance as at 31 March	(574)
935	Total Balance as at 31 March	(444)

The Collection Fund Adjustment Account allows for differences between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. The balance on the account represents the Council's share of the Collection Fund surplus or deficit.

22(g). Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains realised.

2017/18 £'000		2018/19 £'000
11	Balance as at 1 April	(116)
(127)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Remeasurement of UK Gilt to amortised cost under IFRS 9	27
-	Transfer of Available for Sale Reserve to Pooled Investment Funds Adjustment Account under IFRS 9	89
(127)	Movement in Year charged to CI&E	-
(116)	Balance as at 31 March	-

As a result of the implementation of IFRS 9, the Available for Sale Reserve has been decommissioned and the balance transferred.

Notes to the Core Financial Statements

22(h). Accumulated Absences Account

2017/18 £'000	2018/19 £'000
(137) Balance as at 1 April	(148)
137 Settlement or cancellation of accrual made at the end of the preceding year	148
(148) Amounts accrued at the end of the current year	(145)
Amount by which officer remuneration charged to the Comprehensive Income and	
(11) Expenditure Statement on an accruals basis is different from remuneration chargeable	
	3
(148) Balance as at 31 March	(145)

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, eg annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

22(i). Pooled Investment Funds Adjustment Account

2017/18 £'000	2018/19 £'000
- Balance as at 1 April	-
Statutory override to mitigate the impact of fair value movements on pooled investment	
- funds	(108)
- Transfer from Available for Sale Reserve	(89)
- Balance as at 31 March	(197)

As a result of the implementation of IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have introduced a statutory override for accounting for the changes in the fair value of pooled fund investments.

23. Cash Flow Statement Operating Activities

The cash flows for operating activities included the following items

2017/18 £'000	2018/19 £'000
317 Interest Received	(12)
(750) Interest Paid	(2)

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

2017/18 £'000	2018/19 £'000
2,391 Depreciation	1,805
9,684 Impairment and downward valuations	-
3 Amortisation	-
(976) Increase/(decrease) in creditors	1,173
1,603 (Increase)/decrease in debtors	2,894
29 (Increase)/decrease in inventories	(39)
166 Movement in pension liability	5,698
998 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	586
394 Other non-cash items charged to the net surplus or deficit on the provision of services	929
14,292	13,046
Adjusted net surplus or deficit on the provision of services for non-cash	

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

2017/18 £'000	2018/19 £'000
- Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(14)
(2,509) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,112)
(4,253) Any other items for which the cash effects are investing or financing cash flows	(1,056)
(6,762)	(2,182)

Notes to the Core Financial Statements

24. Cash Flow Statement Investing Activities

2017/18 £'000		2018/19 £'000
(3,862)	Purchase of property, plant and equipment, investment property and intangible assets	(2,167)
(12,250)	Purchase of short-term and long-term investments	(16,000)
(7)	Other payments for investing activities	(3)
2,509	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,112
5,000	Proceeds from short-term and long-term investments	7,765
3,495	Other receipts from investing activities	1,341
(5,115)	Net cash flows from investing activities	(7,952)

25. Cash Flow Statement Financing Activities

2017/18 £'000		2018/19 £'000
-	Cash receipts of short-term and long-term borrowing	-
1,204	Council tax and NNDR adjustments	(922)
(3)	Repayments of short-term and long-term borrowing	(3)
1,201	Net cash flows from financing activities	(925)

26. Cash Flow Statement Reconciliation of Liabilities arising from Financing Activities

The changes in the Authority's liabilities arising from financing activities can be classified as follows:

	Long Term Borrowings	Short Term Borrowings	Lease Liabilities	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2018	17,497	219	-	17,716
Cash Flows				
Repayment	(4)	-	-	(4)
Proceeds	-	-	-	-
Non-Cash				
Acquisition	-	-	-	-
Fair Value	(2)	1	-	(1)
Reclassification	(5,000)	5,000	-	-
Balance as at 31 March 2019	12,491	5,220	0	17,711

	Long Term Borrowings	Short Term Borrowings	Lease Liabilities	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2017	17,501	187	-	17,688
Cash Flows				
Repayment	(4)	34	-	30
Proceeds	-	-	-	-
Non-Cash				
Acquisition	-	-	-	-
Fair Value	-	(2)	-	(2)
Reclassification	-	-	-	-
Balance as at 31 March 2018	17,497	219	0	17,716

Notes to the Core Financial Statements

27. Expenditure Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government Grants, Council Tax, Business Rates and rents) by Local Authorities in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service areas. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Re stated				2018/19			
Net Expenditure Chargeable to the General Fund	Transfers (to)/from Earmarked Reserves	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Transfers (to)/from Earmarked Reserves	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Segments							
610	-	-	610	663	(80)	-	583
4,465	(99)	-	4,366	4,133	(22)	-	4,111
6,082	(80)	-	6,002	7,319	(322)	-	6,997
1,292	(747)	-	545	1,231	(315)	-	916
220	-	-	220	21	-	-	21
6,509	(525)	6,396	12,380	5,796	(265)	6,373	11,904
19,178	(1,451)	6,396	24,123	19,163	(1,004)	6,373	24,532
(19,722)	174	(2,579)	(22,127)	(19,738)	(1,945)	1,418	(20,265)
347		10,584	10,931	-	-	-	-
(197)	(1,277)	14,401	12,927	(575)	(2,949)	7,791	4,267
8,147	17,073		Opening General Fund/Earmarked Reserve Balance	8,344	18,350		
			Transition Entry for IFRS 9	(41)			
			Revised Opening Balance	8,303			
197	1,277		(Surplus)/Deficit on General Fund/Earmarked Reserve Balance in year	575	2,949		
8,344	18,350		Closing General Fund/Earmarked Reserve Balance as at 31 March	8,878	21,299		

* Central Services contains the centrally managed budgets which include Housing Benefits, utilities, depreciation and pensions

Notes to the Core Financial Statements

27(a). Note to the Expenditure and Funding Analysis

This note explains the main adjustments from the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement

2018/19	Net Expenditure Chargeable to the General Fund	Transfers (to)/from Earmarked Reserves	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	663	(80)	-	-	-	583
Corporate Services	4,133	(22)	-	-	-	4,111
Customer Services	7,319	(322)	-	-	-	6,997
Development	1,231	(315)	-	-	-	916
Environment	21	-	-	-	-	21
Central Services	5,796	(265)	2,078	4,298	(3)	11,904
Net Cost of Services	19,163	(1,004)	2,078	4,298	(3)	24,532
Other Income and Expenditure	(19,738)	(1,945)	344	-	1,074	(20,265)
(Surplus)/Deficit	(575)	(2,949)	2,422	4,298	1,071	4,267

2017/18 Re-stated	Net Expenditure Chargeable to the General Fund	Transfers (to)/from Earmarked Reserves	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	610	-	-	-	-	610
Corporate Services	4,465	(99)	-	-	-	4,366
Customer Services	6,082	(80)	-	-	-	6,002
Development	1,292	(747)	-	-	-	545
Environment	220	-	-	-	-	220
Central Services	6,509	(525)	3,421	2,965	10	12,380
Net Cost of Services	19,178	(1,451)	3,421	2,965	10	24,123
Other Income and Expenditure	(19,722)	174	(1,497)	-	(1,082)	(22,127)
Discontinued Operations	347	-	10,584	-	-	10,931
(Surplus)/Deficit	(197)	(1,277)	12,508	2,965	(1,072)	12,927

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- „ ▪ **Financing and Investment Income and Expenditure** – the statutory charges for capital financing ie Minimum Revenue Position and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices

- **Taxation and Non-Specific Grant Income and Expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

- **For Services** - this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs

- **For Financing and Investment Income and Expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

27(a). Note to the Expenditure and Funding Analysis (cont'd)

Other Adjustments

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

- **For Financing and Investment Income and Expenditure** - the other adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **The charge under Taxation and Non-Specific Grant Income and Expenditure** - represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

27(b). Expenditure and Income Analysed by Nature

2017/18 £'000		2018/19 £'000
	Expenditure	
22,190	Employee benefits expenses	23,094
54,551	Other service expenses	53,263
20,313	Depreciation, amortisation, impairment	6,131
3,144	Interest payments	2,983
192	Precepts and levies	270
(874)	(Gain)/loss on disposal of assets	(150)
99,516	Total Expenditure	85,591
	Income	
(14,831)	Fees, charges and other service income	(13,568)
(2,287)	Interest and investment income	(2,474)
(14,657)	Income from council tax, non-domestic rates, district rate income	(11,743)
(54,814)	Government grants and contributions	(53,539)
(86,589)	Total Income	(81,324)
12,927	(Surplus) or Deficit on the Provision of Services	4,267

28. Members' Allowances

2017/18 £'000		2018/19 £'000
	Allowances	
213	Basic	218
65	Special Responsibility	67
7	Mayoral Duties	7
1	Co-opted Members	2
286		294
	Expenses	
4	Travel & Subsistence	3
290	Total	297

Notes to the Core Financial Statements

29. Officers Remuneration

The numbers of employees whose remuneration (excluding employer's pension contributions) for the year exceeded £50,000 are as follows:

	2017/18 No.	2018/19 No.
£50,000 - £54,999	2 *	1
£55,000 - £59,999	3	-
£60,000 - £64,999	1	2
£65,000 - £69,999	3	2
£70,000 - £74,999	-	-
£75,000 - £79,999	3 *	2
£80,000 - £84,999	-	2
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-

* bands affected by a total of 2 termination payments made during 2017/18.

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	-	-	4	1	4	1	35	20
£20,001 - £40,000	-	-	4	-	4	-	99	-
£40,001 - £60,000	-	-	3	1	3	1	146	45
£60,001 - £80,000	-	-	2	1	2	1	124	71
£80,001 - £100,000	-	-	1	-	1	-	86	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total cost included in bandings							490	136
Add: Amounts provided for in CIES not included in bandings - under/over provisions relating to previous years								(1)
Add: Provisions in CIES not included in bandings - exit packages payable to following year leavers							71	114
Less: Reversal of provision for exit packages paid in year and now included in bandings, but provided for in prior year								(71)
Total cost included in CI&ES							561	178

The Council's 2018/19 Comprehensive Income and Expenditure Statement includes £0.001m relating to exit packages in 2017/18 being over provided for. There was an additional provision in 2017/18 of £0.071m relating to exit packages agreed for 2018/19, but for which no payments were made in 2017/18. This provision is reversed out in 2018/19 as the actual payments have been made and are included within the relevant banding in 2018/19. An additional provision of £0.114m is included in 2018/19 relating to 1 exit package agreed for 2019/20, but for which no payments have been made in 2018/19.

Notes to the Core Financial Statements

29. Officers Remuneration (cont'd)

Further details for those Senior Officers whose Salary is £50,000 or more per year are also tabled below:

Senior Officers - salary is between £50,000 and £150,000 per year - 2017/18 & 2018/19

			£ Salary (including fees & allowances) £'000	Benefits in Kind £'000	Total Remuneration excluding pension contributions £'000	Pension contributions £'000	Total Remuneration including pension contributions £'000
Chief Executive	2018/19	Note 1	22	-	22	2	24
	2017/18		129	-	129	17	146
Interim Chief Executive	2018/19	Note 2	80	-	80	12	92
	2017/18		76	-	76	11	87
Director Corporate Services	2018/19		69	-	69	10	79
	2017/18		79	4	83	12	95
Director Customer Services & Interim Deputy Chief Executive	2018/19		70	8	78	11	89
	2017/18		76	-	76	11	87
Director Development	2018/19		69	-	69	10	79
	2017/18		10	2	12	2	14
Director Environment	2018/19	Note 2	70	5	75	11	86
	2017/18		61	-	61	9	70
Assistant Chief Executive Officer Policy & Social Justice	2018/19		59	-	59	9	68
	2017/18		61	-	61	9	70
Chief Environmental Health Officer / Deputy Director	2018/19		59	-	59	9	68
	2017/18		69	-	69	10	79
Head of Shared Service & Deputy Director Customer Services	2018/19	Note 3	68	-	68	10	78
	2017/18		66	-	66	10	76
City Treasurer	2018/19		64	-	64	10	74
	2017/18		35	-	35	5	40
Re-imagining The Harris Project Leader	2018/19	Note 4	56	-	56	9	65
	2017/18		51	-	51	8	59
Head of Legal & Democratic Services - Monitoring Officer	2018/19		50	-	50	8	58
	2017/18		686	6	692	101	793
	2018/19		763	13	776	114	890
	2017/18						

Note 1: The Chief Executive retired on 18th May 2018. The annualised salary was £113,507 and the position was replaced with an Interim Chief Executive position from 19th May 2018. Salary includes Final Returning Officer payment for the UK Parliamentary Elections in 2017/18 and Returning Officer payment for the Preston City Council Elections 2018/19.

Note 2: Director Environment was appointed Interim Chief Executive from 19th May 2018 on an annualised salary of £91,800. The post of Director Environment with an annualised salary of £74,292 remains vacant pending a restructure.

Note 3: The Head of Shared Services & Deputy Director Customer Services provides services for both Preston City Council and Lancaster City Council as part of a shared service arrangement. He is formally employed by Preston City Council and Lancaster City Council is recharged 50% of his total remuneration.

Note 4: The Re-imagining The Harris Project Leader left on 11th November 2018. This was a shared arrangement with Lancashire County Council where he was formally employed by Preston City Council and Lancashire County Council were recharged 50% of his total remuneration. The position has since been replaced by external Consultants.

30. Termination Benefits

The Council terminated 3 contracts of employment in 2018/19, incurring costs of £178,430 (£560,911 in 2017/18).

The 2018/19 total includes accrued liabilities of £114,000, £35,000 for compensation for loss of office and £79,000 for pension benefits, relating to 1 of the 3 mentioned officers.

Notes to the Core Financial Statements

31. 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.

(i) Central Government

Central government has significant influence 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 (eg council tax bills, housing benefits).

(ii) Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Details of Members' interests are recorded in the Notification of Members' Financial and Other Interests file which is open to public inspection at the Town Hall, Preston.

Members have not disclosed any material transactions with related parties.

Grants paid by the Council to organisations with Member interest include:

- The Council as an independent body paid grants totalling £0.112m (2017/18 £0.111m) to voluntary organisations and local community groups in which one or more Members had an interest. The grants were made in proper consideration of declarations of interest, where relevant. Those Members with a declared interest did not take part in any discussion or decision relating to the grant.
- The Council as an Accountable Body paid grants totalling £0.031m (2017/18 £0.024m) on behalf of Friends of Fishwick & St Matthew's (FOFS) in which one or more Members had an interest. The grants were made in proper consideration of declarations of interest, where relevant.

(iii) Officers of the Council

Officers of the Council also hold positions in other organisations or companies as a consequence of being appointed by the Council, however no officer has disclosed any material transactions with related parties.

(iv) Other public bodies

Precepts in relation to the Lancashire Police Authority, Lancashire Combined Fire Authority and Lancashire County Council. Details of these are contained in the Collection Fund. The Council participates in one major pension scheme, the Local Pensions Partnership (LPP).

(v) Shared Services:

• Revenues and Benefits Shared Service

Preston and Lancaster City Councils have a combined Revenues and Benefits Shared Service. A Joint Committee discharges the functions of the Shared Service which are detailed in the Shared Services Agreement. The Host Authority of the Shared Service is Preston City Council.

The Shared Service 2018/19 gross expenditure was £3.567m (2017/18 £3.545m) with receipts from Lancaster City Council of £1.784m (2017/18 £1.773m).

• Corporate Enquiry Team Shared Service

Preston and Lancaster City Councils together with Fylde Borough Council have a combined Corporate Enquiry Team to protect the public purse and prevent, detect and deter fraud. The Host Authority of the shared service is Preston City Council. The 2018/19 gross expenditure was £0.160m (2017/18 £0.157m) with receipts from Lancaster City Council of £0.064m (2017/18 £0.065m) and Fylde Borough Council of £0.031m (2017/18 £0.028m).

(vi) Partnership working

During 2018/19 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operation is the Preston and Lancashire City Deal between the Council, Lancashire County Council and South Ribble Borough Council. The Leader of the City Council and one further Member of the Council is also on the City Deal Executive. Senior Officers are members of board's setup to deliver the City Deal. During 2018/19 the Council received £0.842m (2017/18 £0.844m) from the City Deal and paid £3.941m (2017/18 £4.744m) to the City Deal.

Notes to the Core Financial Statements

32. External Audit Costs

2017/18		2018/19
£'000		£'000
	Preston City Council incurred the following fees relating to external audit and inspection:	
61	Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor	47
11	Fees payable to Grant Thornton LLP for the certification of grant claims & returns	15
(9)	Public Sector Audit Appointments Refund	-
63		62

33. Agency Services

On 1st June 2015 a Corporate Enquiry Team Shared Service was established between Preston and Lancaster City Councils together with Fylde Borough Council. Its purpose was to protect the public purse and prevent, detect and deter fraud. The host authority of the shared service is Preston City Council. The 2018/19 gross expenditure was £0.160m (2017/18 £0.157m).

The Revenues and Benefits Shared Service was formed on 1st July 2011. It is a Jointly Controlled Operation between Preston City Council and Lancaster City Council to collect Local Taxation and the administration of Housing Benefit and Council Tax Support. Lancaster's Revenues and Benefits employees transferred to Preston City Council at the start of the partnership. The total expenditure incurred is split 50/50 between the Councils. A copy of the Shared Service Statement of Accounts can be found on the Council's website. The 50% fee received from Lancaster City Council for the service is detailed below:

2017/18		2018/19
£'000		£'000
1,773	Revenues & Benefits Shared Service	1,784
1,773		1,784

34. 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.

2017/18		2018/19
£'000		£'000
17,876	Opening Capital Financing Requirement	20,094
	Capital Investment:	
4,789	Property, Plant & Equipment	1,696
-	Heritage Assets	-
822	Investment Properties	386
6,957	Revenue Expenditure Funded from Capital Under Statute	4,494
	Sources of finance:	
(3,026)	Capital receipts	(898)
(5,803)	Government grants and other contributions	(3,768)
	Sums set aside from revenue:	
(726)	Voluntary set aside from Earmarked Reserves	(799)
(66)	Direct Revenue contributions	(210)
(729)	MRP (Minimum Revenue Provision)	(820)
20,094	Closing Capital Financing Requirement	20,175
	Explanation of movements in year	
(729)	Sums set aside from Revenue (MRP)	(820)
(8)	Voluntary set aside from Revenue	-
2,955	Increase in underlying need to borrow (unsupported by government financial assistance)	901
2,218	Increase/(Decrease) in Capital Financing Requirement	81

Notes to the Core Financial Statements

35. Defined Benefit Pension Scheme

(a) Retirement Benefit Obligations

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost

At 31st March 2019 the Council's principal pension arrangement for its employees was the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund as a whole was carried out at 31st March 2016, and at that date showed a funding level of 90% (assets of £6.0bn against accrued liabilities of about £6.7bn). At this actuarial valuation the average deficit recovery period adopted is approximately 16 years for employers although the Lancashire County Pension Fund has agreed a recovery period of 19 years for this Council. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

The next valuation of the Fund will take place with an effective date of 31st March 2019 with any revised contributions rates being applied to the Council with effect from 1st April 2020.

(b) Early payment of 3 years pension deficit lump sum in April 2017

At each valuation of the Fund the employer's deficit in respect of previous years is calculated and the time period over which this is to be repaid is determined. Each employer within the Fund pays the Fund a rate of "interest" for allowing payment over a longer period (19 years) to compensate the Fund for investment opportunities which it has forgone. Repaying the deficit in advance enables a saving due to the avoidance of these "interest payments". This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

The value of the benefit from paying the deficit lump sum early is significant because the pension fund return on its investments is much greater than the returns the Council can make on its own deposits. For the Council, the primary driver for investments is capital preservation which is dictated by the Prudential Code. For the Pension Fund, the time horizon is longer and the risk tolerance is higher and the drivers are return and diversification. In addition, by paying the pension deficit early, this reduces the level of the Council's short-term cash deposits for which there is counter party (lending) risk.

(c) Impact of McCloud judgement on accounting figures for the Local Government Pension Scheme

A decision by the Supreme Court in June 2019 means that a decision by the the Court of Appeal will stand. The Court of Appeal ruled in December 2018 that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Pension Fund actuary has provided a revised pension fund valuation to take account of the McCloud judgement and this has been included in the Statement of Accounts 2018/19 as a past service liability of £1.7m.

(d) Governance and Risk Management

The liability associated with the Council's pension arrangements is material to the Council, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

Nature of Fund

The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st March 2014 and on revalued average salary (a "career average" scheme) for service from 1st April 2014 onwards.

Governance

Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pension Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.

Notes to the Core Financial Statements

35. Defined Benefit Pension Scheme (cont'd)

Funding the Liabilities

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31st March 2016, which showed a shortfall of assets against liabilities of £0.69m as at that date, equivalent to a funding level of 90%.

Risks and Investment Strategy

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors.

Currency Risk

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. Credit risk is minimised by ensuring that counterparties meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

Liquidity Risks

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments, and the Fund has immediate access to its cash holdings.

Notes to the Core Financial Statements

Other Risks

Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the Council's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis in Note 35 (I) indicates the change in the defined benefit obligation for changes in the key assumptions.

Amendments and Curtailments

The provisions of the Fund were amended with effect from 1st April 2014. For service up to 31st March 2014 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the Fund's administering authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

(e) Transactions Relating to Retirement Benefits

We recognise 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

(f) 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 schemes is as follows:

2017/18		2018/19
£'000		£'000
300,326	Present Value of Funded Liabilities	323,682
9,408	Present Value of Discretionary Benefit Arrangements	9,377
(223,503)	Fair Value of Employer Assets	(244,979)
<u>86,231</u>	Net Pension Deficit	<u>88,080</u>

Notes to the Core Financial Statements

35. Defined Benefit Pension Scheme (cont'd)

(g) Comprehensive Income and Expenditure 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:

Lancashire County Pension Fund

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
		Service Cost:		
(4,874)	-	Current service cost	(4,464)	-
(294)	-	Curtailments	(136)	-
-	-	Past service cost	(1,729)	-
(72)	-	Administration expenses of the Pension Fund	(71)	-
162	-	Payments to pension fund (higher)/lower than Pension Fund estimated amount	52	-
		Financing and Investment Income and Expenditure		
(2,362)	(242)	Net interest expense	(2,204)	(238)
(7,440)	(242)	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	(8,552)	(238)
		Remeasurement of the Net Defined Liability Comprising:		
11,859	216	Actuarial gains / (losses) arising on changes in financial assumptions	(16,409)	(313)
-	-	- Change in Demographic assumptions gain /(loss)	-	-
-	-	- Experience gain /(loss)	-	-
2,407	-	- Remeasurement gain on assets	20,257	-
14,266	216	Total remeasurements recognised in other comprehensive income	3,848	(313)
6,826	(26)	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(4,704)	(551)
		Movement in Reserves Statement:		
7,440	242	Reversal of net charges made to the surplus or deficit on the provision of services	8,552	238
		Actual amount charged against the General Fund		
		Balance for pensions in the year:		
(3,882)	-	- Employers' contributions payable to scheme	(3,672)	-
-	(593)	Retirement benefits payable to pensioners	-	(582)

Notes to the Core Financial Statements

35. Defined Benefit Pension Scheme (cont'd)

(h) Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2017/18	2017/18		2018/19	2018/19
£'000	£'000		£'000	£'000
218,695	-	Opening fair value of scheme assets	223,503	-
5,517	-	Interest income	5,807	-
2,407	-	Remeasurements	20,257	-
4,637	593	Contributions from employer	4,306	582
927	-	Contributions from employees into the scheme	917	-
(8,608)	(593)	Benefits/transfers paid	(9,740)	(582)
(72)	-	Administration Expenses	(71)	-
223,503	-	Closing Fair Value of Scheme Assets	244,979	-

(i) Reconciliation of Present Value of the Scheme Liabilities

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2017/18	2017/18		2018/19	2018/19
£'000	£'000		£'000	£'000
319,026	9,976	Opening fair value of scheme liabilities	309,734	9,408
4,874	-	Current Service Cost	4,464	-
7,879	242	Interest Cost	8,011	238
927	-	Contributions from scheme participants	917	-
		Remeasurement (gains) and losses:		
(11,859)	(217)	Actuarial (gains)/losses arising from changes in financial assumptions	16,409	313
-	0	Experience (gain) / loss	-	-
-	-	(Gain) / loss on demographic assumptions	-	-
-	-	Past service cost	1,729	-
294	-	Curtailments	136	-
(8,608)	(593)	Benefits/transfers paid	(9,740)	(582)
(2,799)	-	Deficit Lump Sum repayment	1,399	-
309,734	9,408	Closing Fair Value of Scheme Liabilities	333,059	9,377

As detailed in the Narrative Report, the Council has prepaid the pension deficit due for three years by way of a lump sum payment in April 2017. £1.4m represents the value of the prepayment that relates to 2019/20.

Notes to the Core Financial Statements

35. Defined Benefit Pension Scheme (cont'd)

(j) Pension Scheme Assets Comprised:

Asset Category	Period Ended 31 March 2018			Period Ended 31 March 2019		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Cash						
- Cash & Cash Equivalents	-	(5,402)	(5,402)	-	-	-
- Cash Accounts	-	9,432	9,432	-	1,250	1,250
- Net Current Assets	-	(4,964)	(4,964)	-	177	177
Bonds						
- UK Corporate	1,274	-	1,274	1,662	-	1,662
- Overseas Corporate	-	2,654	2,654	-	1,210	1,210
- UK Index Linked	5,333	-	5,333	8,611	-	8,611
- Overseas Fixed Interest	-	216	216	-	-	-
Property						
- Offices	-	4,341	4,341	-	4,789	4,789
- Offices / Warehouse	-	467	467	-	633	633
- Industrial / Warehouse	-	6,199	6,199	-	7,400	7,400
- Shops	-	1,810	1,810	-	1,769	1,769
- Retail Warehouse	-	3,476	3,476	-	3,298	3,298
- Shopping Centre	-	860	860	-	830	830
- Multi let Commercial Building	-	3,865	3,865	-	4,113	4,113
Alternatives						
- Overseas Private Equity	-	16,224	16,224	-	18,828	18,828
- Infrastructure	-	28,324	28,324	-	34,631	34,631
- Credit funds	-	41,182	41,182	-	17,394	17,394
- Indirect Property Funds	-	3,394	3,394	-	3,749	3,749
- Pooled Fixed Income	-	5,514	5,514	-	26,647	26,647
- Overseas Pooled Equity Funds	-	99,304	99,304	-	107,988	107,988
Total Assets	6,607	216,896	223,503	10,273	234,706	244,979

Notes to the Core Financial Statements

35. Defined Benefit Pension Scheme (cont'd)

(k) Basis for Estimating Assets and Liabilities

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

The pension fund has been assessed by Mercer Limited, an independent actuary, estimates for the pension fund being based on the last valuation of the scheme as at 31st March 2016.

The main assumptions used by the actuary have been:

31 March 2018		31 March 2019
%		%
2.1	Rate of CPI Inflation	2.2
3.6	Rate of increase in salaries	3.7
2.2	Rate of increase in pensions	2.3
2.6	Rate for discounting scheme liabilities	2.4
	Life expectancy at 65 for current pensioners:	
22.7 years	Men	22.8 years
25.4 years	Women	25.5 years
	Life expectancy for future pensioners (aged 65 in 20 years' time):	
25 years	Men	25.1 years
28 years	Women	28.2 years

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The table below is an analysis of the sensitivity of the pension fund deficit to changes in the actuarial assumptions used.

(l) Sensitivity Analysis

Change in Assumptions at 31 March 2019	Impact on the Defined Benefit Obligation Increase / (Decrease) £'000
1 year increase in life expectancy	6,703
Increase of 0.1% in salaries	771
Increase of 0.1% in inflation	5,732
Increase of 0.1% in discount rate	(5,636)

The additional costs resulting from the Court of Appeal decision on the McCloud case (see Note 35c) are very sensitive to the assumptions made. For example, future pay growth is currently forecast to be 1.5% p.a. above CPI inflation. If the assumed future pay growth was set at zero then the potential additional costs in relation to McCloud would not be significant and could be taken as zero.

(l) Impact on the Council's Future Cash Flows

The Council has agreed a funding strategy with the pension fund for the next year. Future employer pension contributions from 1st April 2019 will be at a rate of 15.4% of pay (£2.5m) together with a pre-paid cash deficit recovery contribution, which will be £4.2m in total for three years, and discretionary post-retirement benefits of £0.6m. The next valuation of the Fund will take place with an effective date of 31st March 2019 with any revised contribution rates being applied to the Council with effect from 1st April 2020.

Notes to the Core Financial Statements

36. Contingent Liabilities

(i) Employee Industrial Disease Claims

The Council has an exposure to Employers Liability Claims occurring before it took out external insurance cover in October 1989. There are five outstanding claims reported to the Council. Four relate to Industrial Deafness and one relates to Asbestosis. At the time of preparing these accounts the total outstanding estimate for these 5 claims is £0.0675m. For claims incurred but not reported prior to October 1989, it is impractical to estimate the financial impact, as such a reserve has been established and is regularly reviewed to ensure its adequacy to pay claims presented in the future.

(ii) Section 106 (S106) Agreements

S106 of the Town and Country Planning Act 1990 allows a local planning authority to enter in to a legally binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a S106 Agreement and S106 monies received by the Council are used to fund the provision of infrastructure, such as highways, recreational facilities, education, health and affordable housing, which is necessary as part of the development or to mitigate its impact. Planning obligations under S106 of the Act are subject to statutory tests concerning their necessity, their relationship to the development concerned and their fairness and reasonableness in terms of what is being requested. The tests are set out in Regulation 122 of the Community Infrastructure Levy Regulations 2010 (as amended). Such agreements or obligations may lay down conditions that monies must be spent by a specified date and on specified items, if these conditions are not met then monies may be returnable and in some cases with interest applied. The Council has a number of S106 agreements in place with an outstanding balance of £0.421m in 2018-19 (£0.539m in 2017/18).

(iii) Gateway Stock Transfer

The stock transfer to Community Gateway Association (CGA) took place on the 28th November 2005. There remains a number of Contingent Liabilities.

(a) Asbestos Warranties

The Council was required as standard practice to provide an Asbestos Warranty. On the first £4.2m of these warranties, any expenditure would be met by the Community Gateway Association (CGA). The next £5.8m would be shared 50/50 between CGA and the Council. Any expenditure above £10m would be met in full by the Council. CGA have agreed an Asbestos Management Policy with the Council and the Council is monitoring their progress with asbestos removal from their properties, which is therefore not currently giving the Council cause for concern.

(b) Disposals Clawback Agreement

The disposal agreement provides that CGA has a full warranty for land transferred in respect of ground conditions should redevelopment for social housing occur at some future date. If redevelopment was to occur the Council would negotiate with CGA on a case by case basis.

(iv) Accountable Body Issues

The Council has Accountable Body status for a number of schemes operated by the Government and related agencies. Accountable Bodies have to operate within extremely rigorous and stringent Government regulations giving wide ranging rights for grants to be clawed back, if specific output targets are not met by the partner organisations. These accounts have been prepared on the basis that none of the grants involved will either be clawed back or withheld. The Council as an Accountable Body paid grants totalling £0.031m (2017/18 £0.024m).

(v) Pension Guarantor

Preston City Council has entered into agreements to act as guarantor in respect of the pension fund in perpetuity for former Council employees who transferred to other organisations:

- Preston Bus (1993)
- Preston Guild Hall (2014)
- Leisure Services (2017)

This guarantee means that if an admitted body fails to pay its pensions obligations to the Local Pensions Partnership (LPP) then the Council will be responsible for meeting those obligations. As at 31 March 2019 the Council understands that the pension contributions are being made in line with the actuaries' requirements.

Notes to the Core Financial Statements

36. Contingent Liabilities (cont'd)

(vi) Municipal Mutual Insurance (MMI)

Municipal Mutual Insurance was the predominant insurer of public sector bodies prior to its cessation of underwriting operations in September 1992. A Scheme of Arrangement was implemented in 1993 which, due to an unfavorable ruling from the Supreme Court, has been triggered. Two payments have been made totaling £0.158m. The potential liability of £0.274m in 2018/19 (2017/18 £0.274m) is in an earmarked reserve.

(vii) Applications for Mandatory Relief for NHS Trusts

The Council has received applications for mandatory business rates relief from various Lancashire NHS Trusts. The total business rates receivable from these NHS Trusts in 2018/19 was £2.0m (2017/18 £1.9m). If successful, they would be entitled to relief of up to 80% potentially backdated 8 years. The costs of any relief would be shared between the Council (40%), Central Government, Lancashire County Council and Lancashire Combined Fire Authority. Under the business rates retention scheme if the costs were significant the Council would qualify for a 'safety net' payment to ensure that income does not fall below 92.5% of baseline income.

37. Contingent Assets

(i) Right to Buy Receipts (RTB)

The Council continues to share in 'Right to Buy' receipts generated by the Community Gateway Association (CGA). The amount the Council received was £0.376m in 2018/19 (2017/18 £0.637m). The amount the Council receives in future years is dependent on future market conditions.

Collection Fund

The Collection Fund (England) 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.

2017/18		2018/19		
£'000		National Non Domestic Rates £'000	Council Tax £'000	Total £'000
Income				
65,751	Council Tax	-	71,399	71,399
63,218	National Non-Domestic Rates	63,023	-	63,023
Apportionment of Previous Year Deficit				
2,232	Central Government	-	-	-
1,786	Preston City Council	-	-	-
402	Lancashire County Council	-	-	-
-	Police and Crime Commissioner for Lancashire	-	-	-
44	Lancashire Combined Fire Authority	-	-	-
4,464		-	-	-
133,433	Total Income	63,023	71,399	134,422
Expenditure				
Precepts, Demands and Shares				
26,682	Central Government	26,580	-	26,580
31,982	Preston City Council	21,264	11,360	32,624
48,626	Lancashire County Council	4,784	48,174	52,958
5,934	Police and Crime Commissioner for Lancashire	-	6,602	6,602
2,883	Lancashire Combined Fire Authority	532	2,510	3,042
192	Parish Councils	-	269	269
116,299		53,160	68,915	122,075
Apportionment of Previous Year Surplus				
107	Central Government	1,188	-	1,188
431	Preston City Council	951	240	1,191
60	Lancashire County Council	214	967	1,181
24	Police and Crime Commissioner for Lancashire	-	131	131
-	Lancashire Combined Fire Authority	24	52	76
622		2,377	1,390	3,767
Charges to the Collection Fund				
960	Write-offs of uncollectable amounts	98	480	578
2,000	Increase in Bad and Doubtful Debts Impairment Allowance	1,610	1,346	2,956
1,492	Increase / (Decrease) in Provision for Appeals	3,178	-	3,178
225	Cost of Collection Allowance	225	-	225
National Non-Domestic Rates Transitional Protection				
8,849	Payments	5,339	-	5,339
36	Renewable Energy amounts	68	-	68
13,562		10,518	1,826	12,344
130,483	Total Expenditure	66,055	72,131	138,186
(2,950)	Movement on fund balance (Surplus) / Deficit	3,032	732	3,764
(145)	Balance on Collection Fund Brought Forward	(1,597)	(1,498)	(3,095)
(3,095)	(Surplus) / Deficit on Collection Fund Carried Forward	1,435	(766)	669

Notes to the Collection Fund

Index of Explanatory Notes to Collection Fund

Note

CF1	General
CF2	Council Tax
CF3	National Non-Domestic Rates (NNDR)
CF4	Distribution of Surpluses and Deficits
CF5	Council Tax/NNDR Bad Debts Impairment Allowance and NNDR Provision for Appeals

CF1. General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory requirement to operate the Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and NNDR. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Preston's Council Tax precepting bodies are Lancashire County Council (LCC), the Police and Crime Commissioner for Lancashire (PCCL) and Lancashire Combined Fire Authority (LCFA).

In 2013/14 Central Government revised how local government was financed by introducing the retained business rate scheme. The aim of the scheme is to give Councils a greater incentive to grow businesses in their area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

Under the scheme Preston City Council retains 40% of the NNDR collected, with the remainder being paid to precepting bodies, Central Government (50%), LCC (9%) and LCFA (1%).

Collection Fund surpluses or deficits declared by the billing authority in relation to the NNDR are apportioned to the relevant precepting bodies in the subsequent financial year.

The CIPFA code of practice stipulates that a Collection Fund Income and Expenditure account is included in the Council's annual accounts. Meanwhile, the Collection Fund Balance Sheet is incorporated into the Council's Consolidated Balance Sheet.

CF2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base i.e. the equivalent number of Band D dwellings.

Number of Chargeable Dwellings per Band at 31st March	31 March 2018 No.	31 March 2019 No.
Band A	27,011	27,199
Band B	11,610	11,750
Band C	9,210	9,335
Band D	6,300	6,402
Band E	2,645	2,747
Band F	1,363	1,445
Band G	894	897
Band H	39	40
Total	59,072	59,815
Band 'D' Equivalent Properties (Tax Base for the calculation of Council Tax)	37,202	38,482

Chargeable dwellings takes into account disabled relief, exemptions and the effect of estimated successful outstanding appeals reducing properties by one band. The increase in chargeable dwellings between 31st March 2017 and 31st March 2018 is largely due to new properties built during the year.

Notes to the Collection Fund

CF3. National Non-Domestic Rates (NNDR)

The Council collects NNDR for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

	31 March 2018	31 March 2019
NNDR Rateable Value at 31st March	£150,835,056	£151,395,899
NNDR Multiplier	0.479	0.493

In previous financial years the total amount due, less certain allowances, was paid to a central pool administered by Central Government, who then distributed the pool to local authorities based on a standard amount per head of the local adult population as part of the formula grant.

Under the new retained business rate scheme introduced 1st April 2013, instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due.

When the scheme was introduced Central Government set a baseline level for each billing authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their funding baseline amount. Tariffs are due from authorities who exceed their funding baseline amount, these are payable to Central Government and used to finance top ups to those authorities who do not achieve their targeted baseline funding. In 2018/19 Preston City Council paid a tariff of £17.453m to Central Government.

In addition, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of NNDR income. 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 2013) and other reliefs not allowed for when the safety net was set. The Council did not receive any safety net payments in 2018/19.

Conversely, if income exceeds the baseline amount, the Council must pay 50% of this growth as a levy to Central Government. In 2018/19 the Council was required to pay a levy of £0.019m.

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 business rates outstanding as at 31 March 2019. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in the same proportion as the precepting shares. The total provision required as at 31 March 2019 has been calculated at £12.616m (Preston City Council's share is £5.046m) to mitigate against the expected impact of these appeals on NNDR income in future years.

CF4. Distribution of Surpluses and Deficits

Any year end surpluses or deficits relating to Council Tax and NNDR collection are returned to, or recovered from, the relevant precepting authorities in the following years. The amount to be distributed is based on the forecast surplus or deficit on the fund estimated in January each year.

The closing deficit balance on the Collection Fund of £0.669m represents:

(i) a deficit of £1.435m on NNDR (Preston City Council's share is £0.574m) because the estimated surplus that was distributed during the year was higher than the actual surplus for 2018/19, and because empty property relief was higher than forecast.

(ii) a surplus of £0.766m on Council Tax (Preston City Council's share is £0.130m) mainly because the collection rate was higher than forecast.

CF5. Council Tax / NNDR Bad Debts Impairment Allowance and NNDR Provision for Appeals

The Collection Fund account provides for bad and doubtful debts on Council Tax arrears based on prior years experience and current year collection rates. All overdue debt is considered for impairment.

	2017/18		2018/19
	£'000		£'000
	8,621	Balance at 1 April	10,044
	(258)	Write-offs during the year for previous years	(480)
	<u>1,681</u>	Contributions to provisions during year	<u>1,825</u>
	1,423	Net increase / (decrease) in provision	1,345
	10,044	Balance at 31 March	11,389

Notes to the Collection Fund

CF5. Council Tax / NNDR Bad Debts Impairment Allowance and NNDR Provision for Appeals

The Council's proportion of these write-offs and increase in provision is shown below.

2017/18		2018/19
£'000		£'000
1,483	Balance at 1 April	1,695
(44)	Write-offs during the year for previous years	(80)
256	Contributions to provisions during year	282
212	Net increase / (decrease) in provision	202
1,695	Balance at 31 March	1,897

The Collection Fund account also provides for bad and doubtful debts on NNDR arrears on the same basis.

2017/18		2018/19
£'000		£'000
3,869	Balance at 1 April	4,446
(702)	Write-offs during the year for previous years	(98)
1,279	Contributions to provisions during year	1,708
577	Net increase / (decrease) in provision	1,610
4,446	Balance at 31 March	6,056

The Council's proportion of these write-offs and increase in provision is shown below.

2017/18		2018/19
£'000		£'000
1,548	Balance at 1 April	1,779
(281)	Write-offs during the year for previous years	(39)
512	Contributions to provisions during year	683
231	Net increase / (decrease) in provision	644
1,779	Balance at 31 March	2,423

The Collection Fund account also provides for appeals against the rateable value set by the Valuation Office Agency (VOA) not yet settled as at 31 March 2019.

2017/18		2018/19
£'000		£'000
7,945	Balance at 1 April	9,437
(4,683)	Amounts charged to provision	(2,110)
6,175	Contributions to provisions during year	5,289
1,492	Net increase / (decrease) in provision	3,179
9,437	Balance at 31 March	12,616

The Council's proportion of this provision is shown below.

2017/18		2018/19
£'000		£'000
3,178	Balance at 1 April	3,775
(1,873)	Amounts charged to provision	(844)
2,470	Contributions to provisions during year	2,115
597	Net increase / (decrease) in provision	1,271
3,775	Balance at 31 March	5,046

Bequests and Trust Funds (Unconsolidated)

	Balance as at 1 April 2018 restated £	Expenditure/ Transfers £	Income/ Transfers £	Gains/ (Losses) on Investments* £	Balance as at 31 March 2019 £
Preston Relief in Need					
Restricted Endowment Fund	84,312			(2,014)	82,298
Unrestricted Endowment Fund	177,730			1,854	179,584
Restricted Grant Fund	8,935	(3,132)	3,648		9,451
Unrestricted Grant Fund	3,777	(7,832)	8,221		4,166
Dr Shepherd's Library Trust Fund					
Endowment Fund	3,729			(238)	3,491
Grant Fund	701		56		757

The balance on Dr Shepherd's Library Trust Fund as at 1 April 2018 has been restated to correct the unrealised gain on the Endowment Fund in 2017/18 which was overstated by £160.

Preston Relief in Need Charity

Preston Relief in Need Charity was established and registered in 1977 following the consolidation of twenty-five small local charities. It is registered with the Charity Commission no. 224848 and has now merged again with other similar local charities, the latest being the former associated Preston and District Relief in Sickness Fund with whom they had common trustees.

The Charity is managed by a Board of Trustees with day to day management entrusted to the City Treasurer of Preston City Council with the support of relevant colleagues. Meeting every ten weeks, the Trustees always ensure before making a grant that applicants have exhausted all statutory services and benefits available.

The objectives and activities of the Charity are managed by investing Endowments and the income arising may be utilised in relieving persons resident in the City of Preston or, in exceptional cases, in the immediate locality, who are in conditions of need, hardship or distress by making grants of money or providing or paying for items, services or facilities calculated to reduce the need, hardship or distress of such persons.

Other Funds (Unconsolidated)

	Balance as at 1 April 2018 £	(Expenditure) /Transfers £	Income/ Transfers £	Gains/ (Losses) on Investments £	Balance as at 31 March 2019 £
Mayors Fund Raising Account					
Grant Fund	1	-	-	-	1

Annual Governance Statement

Introduction

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the Council has put in place arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

This Annual Governance Statement provides an overview of the Council's key governance systems and explains how they are tested and the assurance that can be relied upon to show that those systems are working effectively. The statement comprises an overview of the key elements of its governance framework and what evidence has been received in order to determine the effectiveness of the Council's governance arrangements. In addition the statement contains an update on areas for improvement which were identified last year together with proposed areas for improvement for the coming year.

What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account.

The Council has adopted a Code of Corporate Governance which is consistent not only with the seven core principles of the new CIPFA/SOLACE Framework "*Delivering Good Governance In Local Government*" but the general principles of openness, transparency and accountability.

The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The framework comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the Council in its pursuit of its vision and objectives. The key elements of the Council's Corporate Governance Framework are set out in the Council's Code of Corporate Governance which can be found on the website entitled [Local Code of Corporate Governance | Preston City Council](#). The Council's local Code of Corporate Governance is reviewed annually.

The table overleaf provides a summary:

The Principles

PRINCIPLE	THE COUNCIL ACHIEVES THIS BY
<p>PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p>	<ul style="list-style-type: none"> • Having formal Codes of Conduct defining standards of behaviour expected of Members and Officers • Maintaining a framework which addresses the risks of fraud and corruption including an Anti-Fraud & Corruption Strategy and Policy and a Whistleblowing Policy • Maintaining effective systems to protect the rights of staff, including whistleblowing policies
<p>PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> • Seeking the views of its stakeholders and responding appropriately • Public attendance at Council meetings • Budget consultation and service led consultation
<p>PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> • Making a clear statement of the Council’s purpose and vision which forms the basis for corporate and service planning • Communicating the Council’s activities and achievements, including its financial position and performance • Making a clear statement committing to the Fairness for You, Your City and Your Council Priorities
<p>PRINCIPLE D: Determining the interventions necessary to optimise the achievement of intended outcomes</p>	<ul style="list-style-type: none"> • Making a clear statement of the Council’s purpose and aims and using this as a basis for corporate and service planning • Ensuring there is a sound risk management framework to support the achievement of the Council’s intended outcomes
<p>PRINCIPLE E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Developing the capabilities of both Members and Officers through appropriate training • Maintaining an effective workforce plan to enhance the strategic allocation of resources • Working through effective partnerships
<p>PRINCIPLE F: Managing risks and performance through robust internal control and strong public and financial management</p>	<ul style="list-style-type: none"> • Maintaining both independent Audit and Scrutiny functions • Maintaining a robust regulatory framework • Ensuring financial management supports decision making and provides sufficient information to support the delivery of the Council’s objectives.
<p>Principle G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability</p>	<ul style="list-style-type: none"> • Maintaining compliance with the Local Government Transparency Code • Maintaining effective and accessible arrangements for dealing with complaints • Maintaining an effective Scrutiny function which encourages constructive challenge

See website for the local code of governance [Local Code of Corporate Governance | Preston City Council](#) which provides a more detailed description of how the Council’s governance arrangements complies with the seven main principles including how this is evidenced.

The Council's Objectives

The Council is always striving to be more responsive to what the community needs. It does so by means of openness and transparency in its decision making, enabling the views of the community to be heard as much as possible. It achieves this through specific consultation exercises which help to formulate its objectives. The vision and objectives for the Council are agreed by Cabinet as the decision making body, working with the Council's Corporate Management Team. The Council's vision is to see Preston as a growing, vibrant City.

To achieve the Council's vision and medium to long term objectives for the City, the Council has set out three priority areas. These are **Your City;**

Your Council, and Fairness For You. Underpinning the Corporate Priorities is the Medium Term Financial Strategy (MTFS) which sets out the revenue and capital resources available to the Council and how they are used to deliver essential services and objectives to priority areas. The Council's vision, priorities and MTFS are all encapsulated in the document Achieving Preston's Priorities approved by Council in February 2018. This can be found on the Council's website. Each of the three priority areas has a number of corporate projects associated with them which are designed to progress the priorities. In addition, each Service Delivery Plan includes key work areas which reflect individual service area contributions to the priorities.

Values of Good Governance

The Council promotes and demonstrates the values of good governance by upholding high standards of conduct and behaviour. This is achieved by the following means:

Codes of Conduct/Protocols

- for Officers
- for Members
- Professional Ethics codes

The Council has Codes of Conduct for both Officers and Members plus a Member/Officer Protocol in order to ensure appropriate standards of behaviour are maintained.

Governance Assurance Reviews (GARS)

- Signed Statements:
 - Senior Officers
 - Section 151 Officer
 - Monitoring Officer
 - Head of Workforce
 - Emergency Planning Officer (Health & Safety Manager)
 - Chief Internal Auditor

Accountability for good governance is evidenced at senior officer level by means of a half-yearly system of reporting.

Council Policies

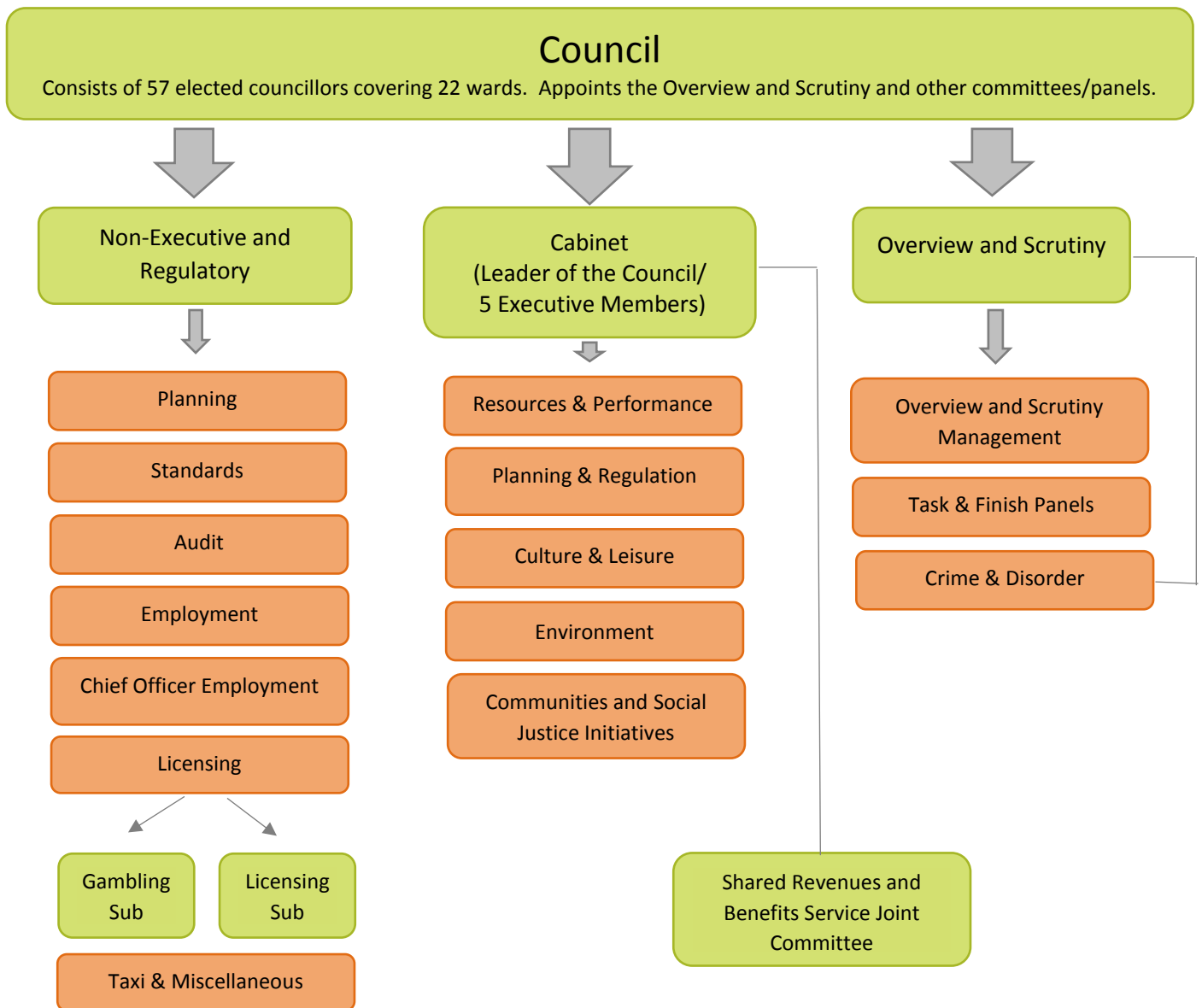
- Zero Tolerance approach to fraud (demonstrated through the Anti-Fraud Corruption Statement)
- Whistleblowing Policy
- Anti Money Laundering Policy
- Anti Bribery Policy
- Counter Fraud training courses

The Council has a number of policies in place which promote high standards of conduct and behaviour throughout the Council.

Annual Governance Statement

How the Council works

All Members meet together as “The Council”. Meetings are normally open to the public. The conduct of the Council’s business is defined by formal procedures and rules which are set out in the Council’s Constitution. This explains the roles and responsibilities of the Cabinet, the non-executive, Scrutiny and Officer functions together with the delegation arrangements that are in place. It also contains the Procedure Rules and the Code of Conduct for Members. The diagram below shows the Council’s structure and its Committees.



The above reflects the structure of the Council during 2018/19. In accordance with The Preston (Electoral Changes) Order 2018 and following an electoral boundary review the Council has reduced its number of Members from 57 to 48 and number of wards from 22 to 16. All out elections were held on 2 May 2019.

The Council has made a further change at the Annual Council meeting in May 2019. Members appointed an additional Cabinet Member with responsibilities for Community Wealth Building.

Annual Governance Statement

How the Council Gains Assurance/Review of Effectiveness

A key feature of the Statement is how the Council gains assurance as to the effectiveness of its governance arrangements. In the first place it needs to identify the areas where assurance is required, be clear about where that assurance comes from and then consider the effectiveness of the assurance it receives. This is shown in the table below:

Assurance required upon	Sources of Assurance	Assurances received
<ul style="list-style-type: none"> Delivery of Council’s aims and objectives Services are delivered economically, efficiently and effectively Management of risk Effectiveness of internal controls Public accountability Budget & financial management arrangements Roles & responsibilities of Members & Officers Standards of conduct and behaviour Compliance with legislation & regulations, internal policies and procedures Action Plans dealing with significant issues approved, actioned and reported on 	<ul style="list-style-type: none"> Constitution <ul style="list-style-type: none"> • Members • Statutory Officers • Scheme of Delegation • Financial Procedure Rules • Contract Procedure Rules Corporate Governance Group Internal and External Audit Independent external sources Scrutiny function Council, Cabinet and Panels Medium Term Financial Strategy Complaints Procedure HR policies & procedures Whistleblowing & counter fraud arrangements Risk Management Framework Performance Management Framework Codes of Conduct/Protocols Corporate Management Team 	<ul style="list-style-type: none"> Governance Assurance Reviews (GARs) Statement of Accounts External Audit Reports Internal Audit Reports External Inspection Reports Scrutiny Reviews Effectiveness reviews of Internal Audit and Audit Committee External testing of ICT network Public Service Network accreditation Audit Committee review of Corporate risks

Corporate Governance Group

One of the key ways of facilitating assurance gathering is through the Council’s **Corporate Governance Group** of senior officers whose role is to plan and co-ordinate improvements to the Council’s Governance Framework. The group meet monthly and during the last year some of their work has involved reviewing risk management including risk owners attendance to review their risk registers and monitoring outstanding risks. The group also review the corporate risk register prior to going to CMT. Other work especially with the involvement of the Chief Internal Auditor includes recommending to Corporate Management Team improvements such as additional risk training and improvements to the existing Grace risk system along with a review of the existing GARS process. Other items tabled at the meeting include outcome of audits, updates on GDPR and information governance, updates on the governance actions included in last year’s Annual Governance Statement, 7 minute briefings on governance, risk and fraud.

Annual Governance Statement

Audit Committee

The Council's Audit Committee, monitors the performance of the Council's assurance and governance framework. This is a committee which is independent of the Cabinet and reports directly to Council. The committee has the responsibility to ensure that the monitoring and probity of the Council's Governance Framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

The Council's Audit Committee, as those charged with governance, have prepared a response to the questions raised by Grant Thornton which cover important areas of risk assessment. As part of the External Audit assessment procedures and in line with the auditing standards, Grant Thornton are required to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:

- Fraud, Laws and Regulations.

During 2018/19, an assessment was undertaken and this confirmed that the Audit Committee are largely operating in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. An action plan to address any gaps in the arrangements has been agreed with the Audit Committee and comprehensive Audit Committee training is planned. Examples of key business carried out by the Audit Committee is set out below:

Table: Audit Committee Key Business during 2018/19

<ul style="list-style-type: none">• 2017/18 Annual Governance Statement approved• Unaudited 2017/18 SOA reviewed• Statement of Accounts 2017/18 approved• External Audit Plan received• Annual Audit Letter and the External Auditors Certification Report received• Internal Audit Plan approved• Internal Audit and Audit Committee reviews approved• Internal Audit Progress reports received• Chief Internal Auditors Annual report approved	<ul style="list-style-type: none">• Corporate Enquiry Team Business Plan received• Annual fraud report received• Corporate Risk Register reviewed• Governance Improvement Plan noted• Code of Corporate Governance received• Treasury Management report reviewed• Waivers under the Contract Procedure Rules noted• Regulation of Investigatory Powers Report (RIPA) received• Debtor write offs received
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Internal Control

The system of internal control is a significant part of the framework and is designed to manage risk. It is the processes in place that manage risks and increase the likelihood of the Council achieving its service objectives and Corporate Priorities.

Responsible Financial Officer

The Council has incorporated the requirements of the CIPFA Statement on the Role of the Chief Financial Officer into its governance framework and has produced evidence to demonstrate its compliance with these criteria as set out in the Council's Good Governance Framework. The Section 151 Officer is a permanent member of the Council's Corporate Management Team and can report directly to the Chief Executive on any matter where she feels it appropriate.

Annual Governance Statement

Internal Audit and the Audit Opinion

The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. During 2018/19, 74% of the reviews undertaken were awarded either a Full or Substantial assurance rating. This confirms that the Council's control arrangements continue to operate to a good standard. Any identified areas for improvement are agreed with senior management and are monitored to ensure they are effectively implemented.

The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. They have been given the responsibility to annually review the effectiveness of the Council's governance arrangements and any identified areas for improvement are included within the Annual Governance Statement Action Plan. This review has confirmed that the Council's Governance Framework remains effective.

In line with the Public Sector Internal Audit Standards the Chief Internal Auditor has carried out an internal review of the internal audit service and is reporting compliance to the June 2019 Audit Committee. The Council has a shared arrangement with Fylde Borough Council for the Chief Internal Auditor (CIA) post. During 2018/19 the internal Audit team have improved and streamlined the audit processes creating efficiencies and enabling more productive time available for audits

Statutory Regulations

The principal statutory obligations and functions of the Council are identified in the Constitution and reflected in the Budget and Policy Framework which is approved by Council. The Council carries out an annual review of the effectiveness of the system of internal control in line with the Accounts and Audit Regulations.

Senior Officers

Directors are required to respond to the questions raised by Grant Thornton which cover important areas of risk assessment acknowledging their responsibility for internal control, countering fraud and corruption, identification of significant risks and ensuring risk mitigation controls are in place.

Members

All existing Members undergo MiPod training on the Code of Conduct for Members. This is an interactive 24/7 e-learning package and links have been provided to all Parish Clerks / Parish Councillors to enable participation in the exercise if they wish. New Members elected in May 2019 onwards are currently undergoing training. In addition, GDPR training has been provided to Members.

Standards Committee

The Standards Committee are responsible for promoting and maintaining high standards of conduct of Members. An Annual Report sets out the work of the Committee including training provided to Members and the number of complaints that have been received. The Committee has devised Code of Conduct and General Data Protection Regulations (GDPR) compulsory training programmes through the Council's MiPod system. Members can access information on the Council's website on the Data Protection Act 2018 and how to protect and process personal data. An advice surgery is provided to Members prior to every Council meeting, where Members have the ability to discuss potential conflicts of interest etc in respect of items on the agenda.

Annual Governance Statement

Information Governance

The Council has information governance policies and procedures in place including having a General Data Protection Officer and an Information Governance Officer.

The **General Data Protection Regulation (GDPR)** -and the **Data Protection Act 2018** were introduced in May 2018. Staff awareness was raised via a 7-minute briefing; a MiPod course, management updates and the Council's intranet was updated to include information on the new legislation. Data Protection Impact Assessment forms were updated.

Freedom of Information (FOI) The Council has 20 working days to respond to a request under FOI and this deadline was complied with in 90% of cases. An appeal to the Information Commissioner(IC) made in the previous year resulted in a requirement to disclose information to the applicant.

Counter Fraud

The Corporate Enquiry Team works in partnership with Lancaster City Council and Fylde Borough Council. During 2018/19 the team focused on Business Rates, Council Tax and Social Housing fraud. The team participated in a pilot National Fraud Initiative data match for business rates and worked on pro-active data matches on small business rate relief. Preston and Lancaster Shared Service were highly commended in the Fighting Fraud and Corruption Locally Local Government Awards. The team investigated allegations of fraud from members of the public, staff and external agencies.

The team acts as single point of contact for the Department for Work and Pensions (DWP) investigators and associated work. From 29 April 2019 the Council will be participating in joint investigations with the DWP that involve Council Tax Support and national benefits. The team continues to work with other organisations to tackle fraud and participates in operation GENGA, a multi-agency initiative to tackle organised crime.

Table: 2018/19 Outcomes:

<p>Counter Fraud</p> <ul style="list-style-type: none"> • Business Rates data matches identified incorrect relief claims totalling £173,588 • Single point of contact for the DWP • identified overpayments of £424,448.87 with estimated future savings of £231.873.20, eight social housing properties were recovered 	<p>Business Continuity</p> <ul style="list-style-type: none"> • Full exercise undertaken November 2018 • Raised awareness and assurance that processes are in place in the event of a major interruption • Some minor BC incidents reported during 2018/19, no serious impact on service.
<p>2018/19</p>	
<p>Health & Safety</p> <ul style="list-style-type: none"> • 2018/19 81 accidents, no serious accidents • Accident rate 0.6 (target 0.4) • No of RIDDOR reportable accidents remains at 4 • Events on Council owned land no serious issues 	<p>Information Governance & GDPR</p> <ul style="list-style-type: none"> • 712 Freedom of Information (FOI) requests rec'd • 6 data breaches, none required reporting to IC • 13 subject access requests made under Data Protection legislation • 1 request for erasure of personal data.

Annual Governance Statement

Risk Management

The Council has strong risk management arrangements in place with the GRACE risk management system being utilised to record and manage risks at all levels, including strategic and operational. Risks are evaluated on the likelihood of risks materialising and impact if realised. Internal Audit carries out an annual review of the Risk Management Framework in accordance with the terms of the Risk Management Policy. The Annual Governance Statement Action Plan includes details to further strengthen the current arrangements by bespoke risk management training.

Business Continuity (BC)

The Council has a Business Continuity Recovery Group (BCRG) who regularly meet in line with the disaster recovery/business continuity processes of the Council. This includes reviewing the BC Policy Statement, the Corporate BC Plan and the individual service BC Plans. These documents are all available on the Council's intranet (Cityspace). The Council's system data is backed up on a virtual server at a remote location.

Performance Management

The Council has a Performance Management Framework, the overall aim of which is to ensure a culture of continuous performance and improvement. Following a recent audit the Council has included a number of actions as part of the key improvements for 2019/20.

External Audit

In July 2018 the external auditors, Grant Thornton, gave an unqualified opinion on the Council's 2017/18 accounts together with an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness for securing economy, efficiency and effectiveness in its use of resources. However the audit could not be officially concluded due to an objection to the accounts. The consideration of the objection has now concluded and Grant Thornton have issued the certificate of completion for the 2017/18 audit. The external audit of 2018/19 accounts commenced during June 2019 and subsequent Audit Opinion to Audit Committee in July 2019.

The Service Improvement Board (SIB)

The SIB has continued to provide strategic leadership, governance and direction in terms of delivering the Council's service improvement programme. Projects continue to be delivered successfully and the Board is currently overseeing all the Council's digital initiative projects including further roll-out of Interactive Voice Recognition (IVR), external print and post, mobile working in various business areas. Self-serve scanning for customers in the One Stop Shop was introduced during 2018. All projects are subject to business cases and have risk registers.

Information Communication Technology (ICT)

Council services depend on a reliable ICT infrastructure, availability of email, voice and back-office applications. The ICT service works hard to maintain business up-time whilst still ensuring systems and software are kept up-to-date and secure. We are about to undergo the Council's PSN health check for 19/20 and are confident we remain fully compliant.

Cyber security training continues for users to maintain awareness and vigilance.

Health & Safety

The Council has a corporate Health and Safety team, although line managers manage health and safety in their own areas seeking advice from the corporate health and safety section when necessary. From 1 April 2019 a new electronic system for reporting accidents is in place to make reporting an incident easier and reduce workload for the Workforce section.

During 2019 a new audit programme is being planned which includes reviewing all policies and guidance notes. A major piece of work is starting to measure the vibration levels of all equipment and tools used in the authority which will allow exposure levels to be monitored in the future. The drug and alcohol policy is being reviewed and we will be undertaking training to allow staff to test for these substances in a proper manner.

Dealing with last year's Key Improvement Areas

In last year's Annual Governance Statement the Council set itself three major areas for improvement. The following shows the progress that was made against the Areas for Improvement reported in last year's Annual Governance Statement:

New Interim Chief Executive and interim changes to Directorate – A new interim Chief Executive was appointed from 19 May 2018 for a 12 month period following the retirement of the previous Chief Executive and interim arrangements were made to Directorates. An action was included to recognise the increased risk during a period where interim arrangements are in place. An internal recruitment was undertaken in early 2019 and a permanent appointment came into effect from April 2019.

Electoral Boundary Changes - In order to maintain the level of electoral equality, the Local Government Boundary Commission for England (LGBCE) undertook an electoral review of Preston. This examination of the Council's electoral arrangements included the total number of Members to be elected to the Council; the number and boundaries of electoral wards; the number of Members for any electoral ward and the name of the wards.

The LGBCE published the new electoral arrangements for Preston which include 16 wards for Preston and the maximum of 48 Members across these 16 wards, and Members subsequently approved the new arrangements during 2018. All polling stations for the new polling districts/wards were reviewed and detailed planning for the 2019 election was undertaken. The new arrangements and election to the new wards occurred on Thursday 2 May at the local elections and the Council now has 48 new Members in 16 wards

Cyber Security –next generation - Following on from the initial cyber security training everyone was to receive an invite to do a Cyber strength assessment. 2018/19 was year two of the cyber security awareness programme. Phishing tests continued throughout the year and everyone was invited to do further customised training.

As we move into year 3 of our cyber security awareness programme, the Council has moved to a new platform in order to keep the training fresh. As new members of staff and Council Members join the organisation, it is crucial they are made aware of the potential dangers and that they are the Council's last line of defence. Spoof phishing will continue throughout 19/20 with tailored training for vulnerable users.

Annual Governance Statement

Key Areas for Improvement

Building on the improvements in 2018/19 the Council has undertaken an in-depth review of all the governance arrangements and identified the following areas where it wishes to see stepped improvements in 2019/20:-

Table: Key Improvement Areas for 2019/20

Area	Actions for inclusion within the AGS	Target Date	Responsible
Employees	Review and update People Strategy.	March 2020	Director of Corporate Services
Partnerships	Identify key partnerships and develop Partnership Protocol incorporating governance arrangements. Formal monitoring and reporting to Members on Partnership governance will be carried out annually.	December 2019	Corporate Management Team (CMT)
Communication	Communication Strategy to be developed.	December 2019	Director of Customer Services
Performance Management	(i) A review of all performance indicators to be undertaken in order to rationalise and streamline reported figures so that they are meaningful and demonstrate achievement of objectives. (ii) The Council's Performance Hub to be reviewed to ensure PI trends are being reported accurately and are meeting the needs of service users.	December 2019	(i) CMT / (ii) City Treasurer
Risk Management	Refresher training to ensure that emerging, current risks and further actions are recorded and reviewed in a timely manner and are reflective of the risks to the service.	December 2019	City Treasurer
Ethical Standards	Review the Councils arrangements against the best practice recommendations.	December 2019	CMT

In addition to the above the Council is intending to continue with the programme of 7 minute briefings on governance, risk management and fraud.

Annual Governance Statement

Conclusion

On the basis of the work carried out, which has been reviewed by the Audit Committee, we are satisfied that the Governance Framework is effective and continues to be regarded as fit for purpose. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the stepped improvements required following the in-depth review of all governance arrangements, and we will monitor their implementation as part of our next annual review. Whilst we continue to be in a sustained period of funding reductions which is impacting on capacity and provision of services, both Members and Officers will need to be vigilant to ensure that our governance arrangements remain robust and sustainable.

Signed:

M Brown

Leader of the Council

A Phillips

Chief Executive

Caron Parmenter

Monitoring Officer

Jackie Wilding

Section 151 Officer

Glossary of Terms

This Glossary of Terms is designed to aid interpretation of the Council's Statement of Accounts.

Accounting Policies - The rules and practices adopted that determine how transactions and other events are reflected in financial statements.

Accruals - The concept is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods or services are received rather than when the payment is made.

Accumulated Absences Account - The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March.

Actuary - An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.

Authorised Limit - This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balances - The total level of funds the Council has accumulated over the years, available to support revenue expenditure within the year (also known as reserves).

Bequest and Trust Funds - Funds administered by the Council on behalf of charitable organisations and/or specific organisations.

Budget - A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

Business Improvement District (BID) - BIDs are provided for under Part 4 of the Local Government Act 2003 (England & Wales) whereby a levy is collected from Business Ratepayers to provide agreed additional services.

Capital Expenditure - Expenditure on the acquisition, creation or enhancement of a non-current asset e.g. property, plant and equipment that have a long term value to the Council.

Cash Equivalents - Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA) - The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading accountancy body for the public sector. The statement of accounts is prepared in accordance with the code of practice published by CIPFA.

Collection Fund - The Collection Fund is a separate statutory fund which Billing Authorities have to maintain. It shows the transactions in relation to collection from taxpayers of National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to Precepting Authorities and the General Fund.

Community Assets - A class of asset within property, plant and equipment that the Local Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Community Infrastructure Levy (CIL) - CIL is a planning charge available to Local Authorities for new types of development in their areas.

Contingent Liability - A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Glossary of Terms

Council Tax - This is a banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each Local Authority for the properties in its area.

Council Tax Requirement - This is the estimated revenue expenditure on General Fund services that need to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Council Tax Support Scheme - This is the assistance provided by Billing Authorities to households on low incomes to help them pay their Council Tax bill. This scheme replaced Council Tax benefit in April 2013 and is a locally based scheme.

Creditors - Amounts owed by the Council for work done, services rendered or goods received for which payment has not been made by the Balance Sheet date.

Debtors - Amounts owed to the Council for work carried out, services rendered or goods provided by the Council for which income has not been received by the Balance Sheet date.

Depreciation - This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a property, plant and equipment, whether arising from use, passage of time or obsolescence through technological or other change.

Direct Revenue Financing - Resources provided from an Authority's revenue budget to finance the cost of capital projects.

Events after the Balance Sheet Date - These are events, favorable or adverse, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

External Audit - The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Finance Lease - This is a lease that substantially transfers all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instruments - A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and complex ones such as derivatives and embedded derivatives.

General Fund - This is the main revenue account of the Council covering day to day spending on services other than the provision of housing. Credited to the fund are charges made by the Council, specific Government and other grants and receipts from the Collection Fund.

Heritage Assets - These assets are held due to their historical, artistic, scientific, technological, geophysical or environmental qualities. They are intended to be preserved in trust for future generations, which are held and maintained for its contribution to knowledge and culture.

Housing Benefit - This is financial help to persons on low income to meet, in whole or part, their rent. Benefit is paid by Local Councils but Central Government refunds part of the cost of these benefits and of the running costs of the services to Local Councils.

International Financial Reporting Standards (IFRS) - Defined Accounting Standards that must be applied by all reporting organisation's to their financial statements, in order to provide a true and fair view of the organisation's financial position.

Impairment - This is a reduction in the value of a non-current asset below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price

Glossary of Terms

decreases, a significant decline in a non-current assets market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets - A category of property, plant and equipment that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Materiality - The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by the reader.

Medium Term Financial Strategy (MTFS) - This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget and capital programme.

Minimum Revenue Provision (MRP) - The minimum amount (as laid down in Statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Ministry of Housing, Communities & Local Government (MHCLG) - A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

National Non-Domestic Rates (NNDR) - NNDR is a tax levied on business properties and sometimes known as Business Rates. This tax is set nationally by the Government. Sums based on rateable values are collected by billing authorities and shared between major preceptors (10%), central Government (50%) and themselves (40%).

Net Book Value - The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Realisable Value - The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-current Assets - Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Operating Leases - An operating lease is a lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own an asset. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept - This is a charge levied by one Authority which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Property / Plant & Equipment - Assets that are held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Examples include council dwellings, other land and buildings, vehicles, plant, equipment, infrastructure assets and community assets.

Provision - These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

Prudence - Prudence is the inclusion of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Prudential Code for Capital Finance - The basic principle of the Code is that Local Authorities will be free to invest in capital expenditure so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the Authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

Public Works Loan Board (PWLB) - PWLB is a government agency which provides loans to Local Authorities.

Glossary of Terms

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

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- 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 interest; or
- 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.

Related Party Transactions - 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.

Reserves - Amounts set aside in one year's accounts which can be spent in later years. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

Residual Value - This is the estimated amount which can be obtained from selling an asset after deducting disposal costs.

Revaluation Reserve - The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure Funded from Capital under Statute (REFCUS) - Expenditure that does not result in creation of a non-current asset, but can be classified as capital for funding purposes. Such expenditure is charged to the Comprehensive Income and Expenditure Statement and an adjustment made in the Movement in Reserves Statement to enable the expenditure to be funded from capital resources rather than impact on the Council Tax. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

Revenue Support Grant (RSG) - This is a general grant received from Central Government to contribute towards the cost of providing services.

Treasury Management - This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy - A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Unusable Reserves - Unusable Reserves are not available to use to support services and are in the main used to hold unrealised gains and losses.

Usable Reserves - Usable Reserves can be applied to fund expenditure or reduce local taxation.

Useful Life - The period over which the Local Authority will derive benefits from the use of an asset.