

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31ST MARCH 2019

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INDEPENDENT AUDITORS REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYLDE BOROUGH COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Fylde Borough Council ('the Authority'):

- 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; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Expenditure and Funding Analysis;
- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the related notes 1 to 44;
- the Collection Fund; and
- the related notes to the collection fund 1 to 4.

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 2018/19).

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer 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.

We have nothing to report in respect of these matters.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 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 respect of these matters.

INDEPENDENT AUDITORS REPORT

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our 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 FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report 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 issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Fylde Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Fylde Borough Council 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 Fylde Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

INDEPENDENT AUDITORS REPORT

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Fylde Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

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

Paul Hewitson (Appointed auditor)
For and on behalf of Deloitte LLP
Newcastle, UK
31 July 2019

NARRATIVE REPORT BY CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The Council is statutorily required to produce annual accounts, and this document sets out the Council's Statement of Accounts for the financial year ending 31st March 2019. The Accounts and Audit Regulations 2015 require me, as the Council's responsible financial officer, to certify that they 'present a true and fair view of the financial position of the authority'. The Council is then formally required to approve and publish the Statement of Accounts no later than 31st July 2019. This function is delegated at Fylde Council to the Audit and Standards Committee. Following approval, the Statement of Accounts must be signed and dated by the member presiding at the meeting at which approval is given.

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

In my role as Chief Financial Officer and the Council's statutory Section 151 Officer, I am required to prepare a narrative report to accompany the Statement of Accounts. This narrative report is prepared in a style that aims to enable readers to understand and interpret the accounting statements. By producing this report, I aim to give electors, local residents, Council Members, partners, stakeholders and other interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The format of the Statement of Accounts is heavily prescribed and follows the requirements as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), and the Service Reporting Code of Practice for Local Authorities 2018/19 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

Prior to the period for the exercise of public rights, which must include the first 10 working days of June, a local authority in England is required to publish the unaudited statement of accounts. In practical terms this is by 31st May 2019. The Regulations also require that local authorities in England publish their audited statement of accounts by 31st July 2019.

The purpose of this report is to assist the readers' interpretation of the accounts and to provide an overall summary of the Council's financial performance for 2018/19, to explain the Council's financial position as at 31st March 2019, and to give a summary insight into what the financial future holds for the Council.

2. PROFILE OF THE BOROUGH

Fylde Borough consists of the seaside towns of Lytham and St Annes-on-Sea, the market town of Kirkham and a rural hinterland with numerous small picturesque villages. St Annes-on-Sea is a traditional seaside resort with a Victorian pier, quality accommodation and fine floral displays, a gentler and more peaceful tourism destination than Blackpool. 'Leafy' Lytham is a desirable location for residents and visitors with a number of high value properties, an attractive Victorian shopping centre, a grade one listed hall in pleasant surroundings and an expansive seafront Green with the iconic white Windmill facing out to the sea. Kirkham is a traditional market town surrounded by beautiful countryside with strong links to neighbouring Wesham, Treales, Roseacre, Wrea Green and Freckleton.

The rural hinterland provides a contrasting lifestyle and tourism experience with countryside pursuits such as walking, cycling, horse riding and boating complemented with high quality, award-winning, eating establishments and accommodation, all mixed into a vast farming community. The rich heritage within the towns and villages has helped to make the Fylde countryside a destination in its own right.

Fylde's population of around 79,000 live in about 35,000 households over a geographical area of 166 square kilometres. The population is forecast to rise to 84,200 by 2039.

Fylde is one of the safest areas of the country when compared with its 'family' group of local authorities based on population and demographics. The borough has been a popular retirement destination for many years, resulting in a higher than average percentage of the population being over 60 years of age.

Economic Profile

Fylde has a diverse economy that is centred on manufacturing, the energy sector, aeronautics, farming and tourism industries. There are two regionally significant employers in BAE Systems at Warton and the Toshiba Westinghouse nuclear processing plant at Springfields. Other major employers include the public sector through the Department of Work and Pensions (DWP) and Land Registry, financial services organisations and the many hotels, cafes, restaurants and leisure facilities reflecting the tourism aspect of the local economy.

In October 2011, the government created a single Lancashire Enterprise Zone that covers two separate sites, one of which is located around the BAE Systems manufacturing facility and runway at Warton in the Council's area. Within these sites financial incentives and a simplified planning system are designed to encourage businesses and create employment. The zone is operated by BAE Systems and Lancashire County Council (with strategic oversight being provided by the Lancashire Enterprise Partnership). The enterprise zone is focussed on high-end manufacturing that is related to the military aeronautic industry, and as such is designed to complement existing production at the BAE Systems facility.

In the 2015 Budget, the Chancellor announced that a further Enterprise Zone would be established at Blackpool Airport and adjoining land, which straddles the border between Fylde and Blackpool Council areas. This Enterprise Zone came into being in April 2016 with a focus on the energy, manufacturing, service industries (insurance / financial) and aviation business development. The Council is represented on the Enterprise Zone Programme Board along with Blackpool Council and private sector partners. A specialist energy college within the enterprise zone was completed and opened during 2017/18, forming part of the Blackpool & the Fylde College. Enterprise Zones are designated by Government for a period of 25 years.

Political and Organisational Structure

The Borough is divided into 21 wards each represented by one or more elected councillors. The Council holds 'all out' elections every four years with the last election being held in May 2019 at which a Conservative majority was returned for the fifth consecutive election. Fylde is a two tier district Council with Lancashire County Council being responsible for delivering the upper tier authority functions.

The Council has operated a committee system of governance since May 2015 after a change of governance from a Cabinet system was mandated through a referendum triggered by a petition. The Council Leader belongs to the Conservative majority group. Further details of the political and organisational structure of the Council are set out in the Annual Governance Statement which can be found towards the end of this document.

3. MEDIUM TERM FINANCIAL STRATEGY

The Council has established and embedded sound financial management practices, the cornerstone of which is a Medium Term Financial Strategy (MTFS). The strategy is updated and reported to Members on a regular basis, with the latest update being approved at the Council meeting of 5th March 2019. In that report I concluded, having taken account of the major items of expenditure and income and their sensitivity to change, together with the risks detailed in the report, that the finances of the Council are robust.

The purpose of the MTFS is detailed within that document, together with details of: the Vision for the Borough; the Council's Strategic Planning and Performance Management Framework; the Council's Capital Strategy and Asset Management Plan; Savings and Growth proposals; Reserves and Balances provision; details of the Council's Capital Programme; key areas of financial risk facing the Council; and a five year financial forecast for the Council. One key aim of the MTFS is to ensure that the resources available to the Council are aligned with the priorities set out within the Council's approved Corporate Plan. Both the MTFS and the Corporate Plan can be found on the Council's website at www.fylde.gov.uk.

4. CHANGES INTRODUCED BY THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING 2018/19 (THE CODE)

For 2018/19 'The Code' has introduced a number of accounting changes:

- Adoption of IFRS 9 'Financial Instruments.'
- Adoption of IFRS 15 'Revenue Contracts with Customers.'

5. THE FINANCIAL STATEMENTS

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations 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) and the Service Reporting Code of Practice 2018/19 (SeRCOP), 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. Full details of the accounting policies that have been adopted in the preparation of the Statements of Accounts are set out in Note 1 to the accounts on page 37.

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates or jointly controlled entities that require it to prepare group accounts.

The Core Financial Statements contained within the accounts and the purpose of each is set out below: -

- Expenditure and Funding Analysis – this shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Programme Committees.
- Comprehensive Income and Expenditure Statement – this consists of two sections: the first section showing entries for income and expenditure arising from day to day operational services and the second section showing the increase or decrease to net worth as a movement in fair value of assets.
- Movement in Reserves Statement – this is a summary of the movement in year on the different reserves held by the Authority analysed into 'usable reserves' (those which can be applied to fund expenditure) and un-usable 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 – this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- Notes to the Core Financial Statements – these assist in the interpretation of the accounts by comprising a summary of significant accounting policies and other explanatory information.

Additional statements accompanying the accounts:

- Statement of Responsibilities for the Statement of Accounts – this identifies the officer who is responsible for the proper administration of the Council's financial affairs.
- Risk Management Policy Statement - this outlines the Council's approach to the management of risk.
- Collection Fund - this was established to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates, as a requirement for all billing authorities under the Local Government Finance Act 1988.

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

In line with the Code of Practice on Local Authority Accounting 2018/19 the Annual Governance Statement is included within the Statement of Accounts.

6. THE COUNCIL'S SPENDING

The Council effectively has two types of expenditure:

- **Revenue expenditure** – this is essentially the day to day costs incurred by the Council in providing services, including for example, employee costs, premises running costs, transport related costs and supplies and services.
- **Capital expenditure** – this is essentially one-off major items of expenditure relating to the purchase of new assets or expenditure which materially improves the working life of existing assets.

At the Annual Budget Setting Council meeting, the Council plans and approves how much it is going to spend in the coming year and reflects these spending plans as budgets. It calculates how much money needs to be raised from Council Tax having allowed for income and government grants, and determines how much it can raise from existing resources, contributions from outside sources or borrowing to fund its capital expenditure.

6.1 REVENUE EXPENDITURE

This part of the report deals with the revenue outturn position for the Council for the financial year ended 31st March 2019.

Net Budget Requirement

On the 5th March 2019, the Council approved a Revised Revenue Budget net requirement of £9.482m for 2018/19.

Throughout 2018/19, in response to the uncertainty surrounding the nature and level of current and future income streams as a consequence of changes in national funding arrangements, there has been close control of expenditure. Officers with budget holder responsibility were instructed to remain prudent and minimise expenditure commitments and maximise efficiencies and savings wherever possible. That instruction remains in place, and has resulted in the generation of in-year savings throughout the majority of 2018/19.

The outturn position for 2018/19 was a net budget requirement of £8.934m, resulting in a favourable variance (before financing and slippage) of £0.548m.

Financing

In relation to financing, the outturn position for 2018/19 was net financing received during the year of £11.122m compared to a budget of £10.881m, resulting in a favourable variance of £0.241m.

Together with the favourable variance on the net budget requirement of £0.548m therefore the surplus of resources for the year is a total sum of £0.789m before taking account of slippage and further transfers to reserves.

During the year the Government announced that it would provide funding to each local authority to manage any local financial consequences arising from the UK departure from the European Union, now scheduled to be no later than 31st October 2019, in the sum of £17,484 in 2018/19 and a further £17,484 in 2019/20. This funding has been put aside into a new earmarked reserve to provide a reserve to fund any such financial impacts of 'Brexit' as and when they arise.

The underlying favourable outturn position after accounting for this transfer and for slippage of £0.242m into 2019/20 is therefore reduced from £0.789m to £0.530m.

At its meeting on 24th June 2019 the Finance and Democracy Committee approved a transfer in the sum of £0.530m into the Capital Investment Reserve in 2018/19 to provide additional financing resources for future capital projects.

The Council accounts for the Council Tax and Business Rates income that it collects through a 'Collection Fund'. Under the accounting arrangements for Council Tax and Business Rates any surplus or deficit on the collection fund each year is split between the Government and the other precepting bodies. The deficit on the Collection Fund at the end of 2018/19 was £0.195m with the Fylde Council share being £0.142m.

A proportion of the collection fund deficit arises as a result of the increase in the provision for outstanding Business Rate appeals against the Valuation Office assessment of the Rateable Value of business properties. The total value of the provision for appeals has been increased to £4.865m from £3.656m in 2017/18, with Fylde Council's share of the provision at year end being £1.946m (2017/18 £1.463m). It is expected that this revised level of provision is sufficient to meet the full cost of known and anticipated rating appeals.

The Council joined the Lancashire Business Rate Pool with effect from 1st April 2017 in order to benefit from a reduced government levy on business rate growth which resulted in a higher level of retained Business Rates. Full details of the pool and its benefits to the Council are set out within a note to the Collection Fund.

During 2018/19 Fylde Council confirmed its membership of the Lancashire Business Rate Pool for 2019/20, together with the participation of Fylde Council in the submission of a bid by Lancashire authorities to form part of the '75% Business Rate Retention Pilot Scheme' arrangements for 2019/20.

As part of the December 2018 Local Government Settlement announcement the bid by Lancashire councils to be selected as one of the '75% Business Rate Retention Pilot' schemes for 2019/20 was confirmed as being successful.

Under the previous pooling arrangements business rate income raised in Fylde was first split with 50% going to the government and the rest being shared between Fylde Council (40%), Lancashire County Council (9%) and Lancashire Fire and Rescue Service (1%). From 2019/20 under the new pilot scheme this initial split will change to 25% government and 75% local preceptors. This increases the reward possible from growth of business rate income, but there is also a greater risk of adverse consequences if income declines.

The government is consulting on the reform to the Business Rates system due to be implemented for all authorities in 2020/21. Currently the forecast assumes a reduced level of business rate income from 2020/21 onwards at a level that is closer to the current baseline level. This will be kept under close scrutiny and future estimates of business rate income may be amended when the outcome of the review are known.

Any amendments to the levels of forecast business rate income to be retained will be reflected in future updates to the Financial Forecast.

The collection fund accounting processes mean that there are significant timing differences between when a deficit or surplus on the collection fund occurs and when the relevant payments or receipts are made to or from the relevant parties to the collection fund. The Council's Financial Forecast will be updated during 2019/20 to reflect the anticipated timing of cash flows to and from the collection fund.

A Summary of the outturn position and the transfers to reserves described above are shown in Table 1 below:

Table 1 – General Fund Revenue Outturn Position and Transfers to Reserves 2018/19

	Budget	Actual	Variance	
	£m	£m	£m	
Net expenditure for the year	9.482	8.934	(0.548)	(Fav)
Financing for the year	(10.881)	(11.122)	(0.241)	(Fav)
Surplus of resources for the year	(1.399)	(2.188)	(0.789)	(Fav)
Less :				
Budgeted transfer to Capital Investment Reserve	1.399	1.399	-	
Balance - further transfers to reserves	-	(0.789)	(0.789)	(Fav)
Analysis of further transfers to reserves:				
Transfer of Government Grant to EU Exit Reserve	-	(0.017)	(0.017)	(Fav)
Required transfer to GF revenue balances re slippage	-	(0.242)	(0.242)	(Fav)
Further transfer to Capital Investment Reserve	-	(0.530)	(0.530)	(Fav)
Total further transfers to reserves	-	(0.789)	(0.789)	(Fav)

Full details and further analysis of expenditure, income and budget variances will be set out in the Medium Term Financial Strategy (MTFS) Outturn Report to be reported to the Finance and Democracy Committee on 24th June 2019. A copy of the report can be found on the Council's website at www.fylde.gov.uk.

Cost of Services 2018/19

The 2018/19 Gross Cost of General Fund Services, excluding internal support service recharges, is analysed by service area in Table 2 below:

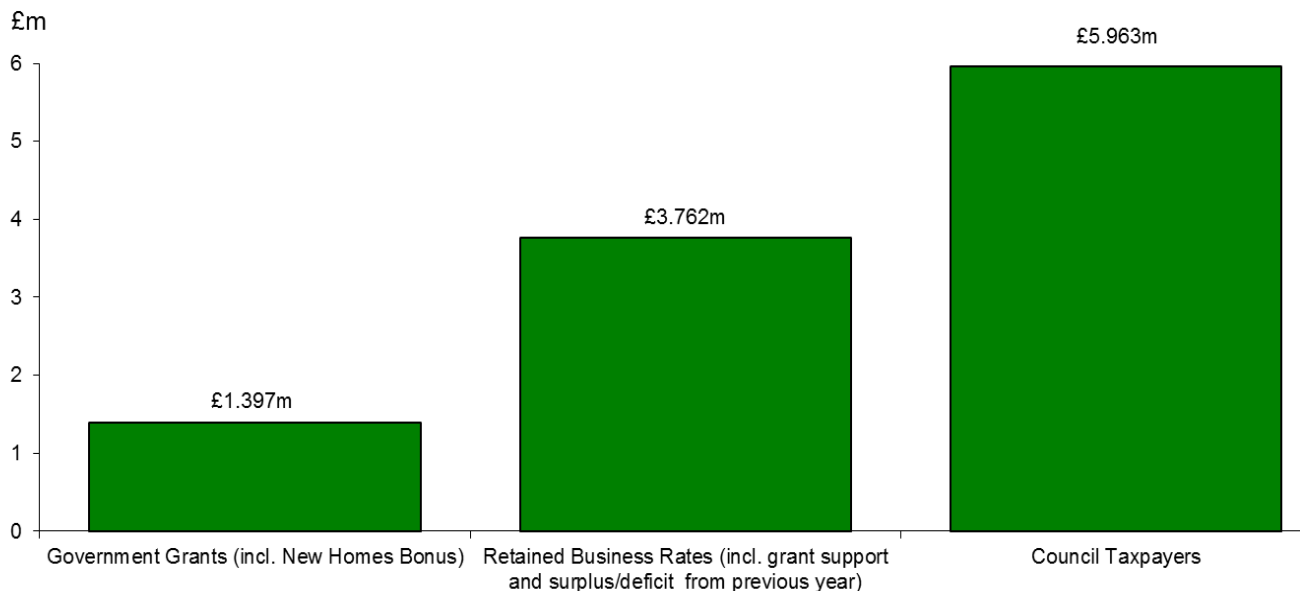
Table 2 – Gross Cost of General Fund Services 2018/19

	Outturn	
	£'m	
Service:		
Refuse Collection	2.615	
Street Cleaning	0.941	
Other Environmental Health	1.059	
Development Control, Building Control and Local Plans	1.667	
Tourism and Leisure	3.432	
Housing	3.761	
Housing Benefits	19.381	
Local Tax Collection	0.850	
Economic Development and Regeneration	0.656	
Other	4.569	
Gross Expenditure Totals	38.931	
Income and Grants:		
Other Government Grants (incl Housing Benefit Subsidy Grant)	(18.552)	
Other Grants and Contributions	(4.084)	
Other Income, Fees and Charges etc.	(7.361)	
Income and Grants Totals	(29.997)	
Net Expenditure for the Year	8.934	(as per Table 1)

6.2 INCOME

The Council finances its net operating expenditure from Council Tax, General Government Grants and Revenue Support Grant and, under revised arrangements since 2013/14, the local share of Business Rates. The contribution made by each is shown in the following graph:–

Source of Funding 2018/19



Council Tax

Fylde Council charged an average Band D Council Tax of £201.61 for 2018/19 (excluding Town and Parish precepts), which was a £5.85 increase from the 2017/18 average Band D charge for a Band D property. This represented an increase of 2.99% which is within the Central Government capping limit for 2018/19. Individual year-on-year changes within the Borough varied due to the impact of Town and Parish Council precepts and the liability for Special Expense charges in Lytham and St Annes. The actual in-year rate of collection in 2018/19 was 97.1%. The collection rates for 2017/18 and 2016/17 were 96.8% and 96.2% respectively. Ultimately the Council collects in the region of 99% of Council Tax. In 2018/19 the Council retained £5.963m of Council Tax income.

Government Grants and Non Domestic Rates

Income from government grants received in 2018/19, including New Homes Bonus, totalled £1.397m. The Council's share of local business rate income for 2018/19, including grant support for national discount schemes and the surplus/deficit from the previous year, totalled £3.762m.

6.3 CAPITAL

In 2018/19 total capital expenditure was £15.087m as compared to a revised total programme of £17.577m. After adjusting for slippage of £2.479m this leaves a net underspend for the year of £11k. An analysis of how the money was spent, and financed, is shown in Table 3 below.

Table 3 – Capital Expenditure and Sources of Financing 2018/19

Expenditure by Scheme:		£'000	£'000
Finance & Democracy Committee:			
Accommodation Project – Phase 8 – Car Park		205	
	sub-total		205
Tourism & Leisure Committee:			
Ashton Gardens Depot		120	
Fairhaven Lake and Gardens		108	
Promenade Gardens Water Play Facility		259	
Promenade Footways		45	
Staining Playing Fields Development Scheme		1	
Town Hall Arts Store Improved Storage Facilities		47	
Lytham Hall Restoration - Coastal Revival Fund		43	
	sub-total		623
Operational Management Committee:			
Replacement Vehicles		1,314	
Coastal Cleansing and the Provision of Beach Bins		25	
Public Transport Improvements		18	
Fairhaven & Church Scar Coast Protection Scheme		9,224	
	sub-total		10,581
Environment, Health & Housing Committee:			
Disabled Facilities Grants Programme		1,460	
Housing Needs Grants		3	
Affordable Housing Scheme – 93 St Albans Road		56	
Affordable Housing Scheme – Sunnybank Mill, Kirkham		460	
Affordable Housing Scheme – Keenan Mill		840	
Church Road Methodist Church, St Annes		275	
Affordable Warmth Scheme		23	
CCTV Replacement Schemes		11	
Lytham Park Cemetery - Windbreak Canopy		106	
	sub-total		3,234
Planning Committee:			
Kirkham Public Realm Improvements		45	
M55 Link Road – Design Fees		255	
Coastal Footpath Enhancements		20	
Ansdell / Fairhaven - Public Realm Scheme		100	
St Annes Pier - Coastal Revival Fund		24	
	sub-total		444
Total Expenditure			15,087
Financing:			
Grants & Contributions		12,915	
Internal Borrowing		1,067	
Capital Receipts		195	
Revenue Contribution		136	
Performance Reward Grant Reserve		11	
Capital Investment Reserve		763	
Total Financing			15,087

7. TREASURY MANAGEMENT

The Council is bound by the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities, and it is required to comply with both these Codes through regulations issued under the Local Government Act 2003.

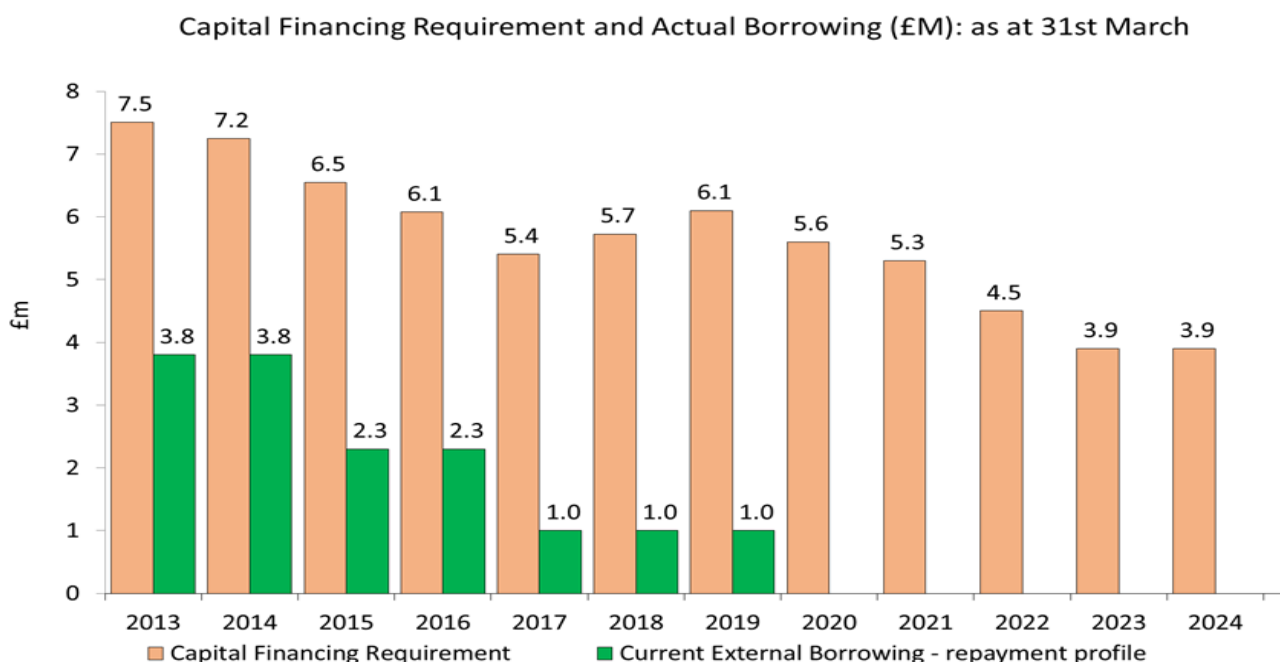
The Prudential Indicators and Treasury Management Strategy for 2018/19 to 2020/21 have been agreed by the Council. Performance is monitored and reported during the year. For 2018/19 the Council has complied with all agreed internal procedures and the Prudential Indicators set for borrowing have been managed within the limits set.

The security of investments is the Council's main investment objective. This is achieved by adhering to the Treasury Management Strategy, as approved by Council on 5th March 2018. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

A key Prudential Indicator for every Council is the Capital Financing Requirement (CFR). The CFR is the amount that the Council needs to borrow in order to fund its capital expenditure requirements: it is in effect the Council's underlying need to borrow. The CFR for Fylde Council for the year ended 31st March 2019 was £6.1m. The Council is able to borrow money from either the Public Works Loans Board (PWLB) (an agency of HM Treasury), from banks, building societies, or from other public bodies. The Council's borrowing need as at 31st March 2019 was met by a combination of PWLB borrowing of £1.0m and internal cash balances. These amounts are analysed in the notes to the Balance Sheet. The interest paid in respect of the Council's external debt in 2018/19 was £39k (£39k in 2017/18).

The Authorised Limit for External Debt is a further 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 £7.0m. The Council's actual total debt at 31st March 2019 of £1.0m was significantly below the Authorised Limit as a result of the use of internal borrowing (cash balances used to meet the CFR in place of external borrowing). This will be repaid in full during 2019/20.

No new external borrowing has been taken since 2010/11 as internal borrowing has been the most effective means of funding capital expenditure. This has the effect of also lowering the overall treasury risk by reducing both external debt and temporary investments. The chart below shows estimated external borrowing and the Capital Financing Requirement (CFR) from 2013 to 2022.



During the year, cash sums managed internally by the Council have been invested for periods of up to twelve months with approved banks, money market funds, and other Local Authorities. The Council held an average cash balance (including short-term investments) of £22.5m of internally managed funds during 2018/19. The

overall performance was a gross return of 0.62%, compared with a benchmark return of 0.51%. Interest earned was £140k compared to a revised budget of £118k. The level of interest from investments was in excess of the revised budget as the actual level of external investments was higher than was anticipated due to the Council benefitting from a more favourable cash-flow position than was forecast.

Economic Background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, dominated much of the economic stage during 2018/19 and is expected to continue to be a major influence on the economy in the near future.

The Bank of England's Monetary Policy Committee (MPC) voted unanimously for a bank base rate rise of 0.25% in August 2018, taking the Bank of England base rate to 0.75%. The MPC has since maintained the base rate at 0.75%. The Bank has recently reiterated the message that inflationary pressures may lead to further increases in the bank base rate but that any future increases will be gradual and measured.

The headline rate of UK Consumer Price Inflation fell back to 1.8% year-on-year in March 2019 from 2.7% in August 2018 and as such is now within the Bank of England 2.0% target rate, easing immediate pressures for an interest rate rise.

While external inflationary pressures from energy costs and import prices are expected to subside, domestic pressures are projected to build over the medium term with the balance of these effects may take inflation back above the Bank of England's target throughout most of their forecast period, meaning that strong real income growth is unlikely to materialise any time soon.

Gilt yields have remained at low levels. Some upward movement from current levels is anticipated based on a transitional Brexit period. However, the near economic outlook is projected to be weak with volatility being anticipated arising from both economic and political events.

Pension Fund

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits for officers who contribute into the pension scheme. Although not required to be paid until employees retire, the pension fund is committed to making the payments and the council is required to disclose the authority's liability at the time that employees earn their future entitlement. The scheme is funded, however, meaning that both the authority and employees pay contributions into the fund calculated at a level intended to balance the pension liabilities with scheme assets.

During 2017/18 the Council made a lump sum £2.547m pre-payment of employer pension contributions in respect of 2018/19 and 2019/20. The Council did this to secure a discount from the pension fund which outweighed the equivalent investment income that could be generated from investing the money elsewhere. The prepayment for these two years has been charged directly against the net Pension Liability in 2018/19. The net liability on the pension fund as shown on the balance sheet was therefore reduced from £26.523m to £25.249m as at 31st March 2019 (£23.227m as at 31st March 2018). As a result of these transactions it is recognised that there is an imbalance between the net pension liability and the pension reserve totals at the reporting date. This imbalance will be removed in 2019/20.

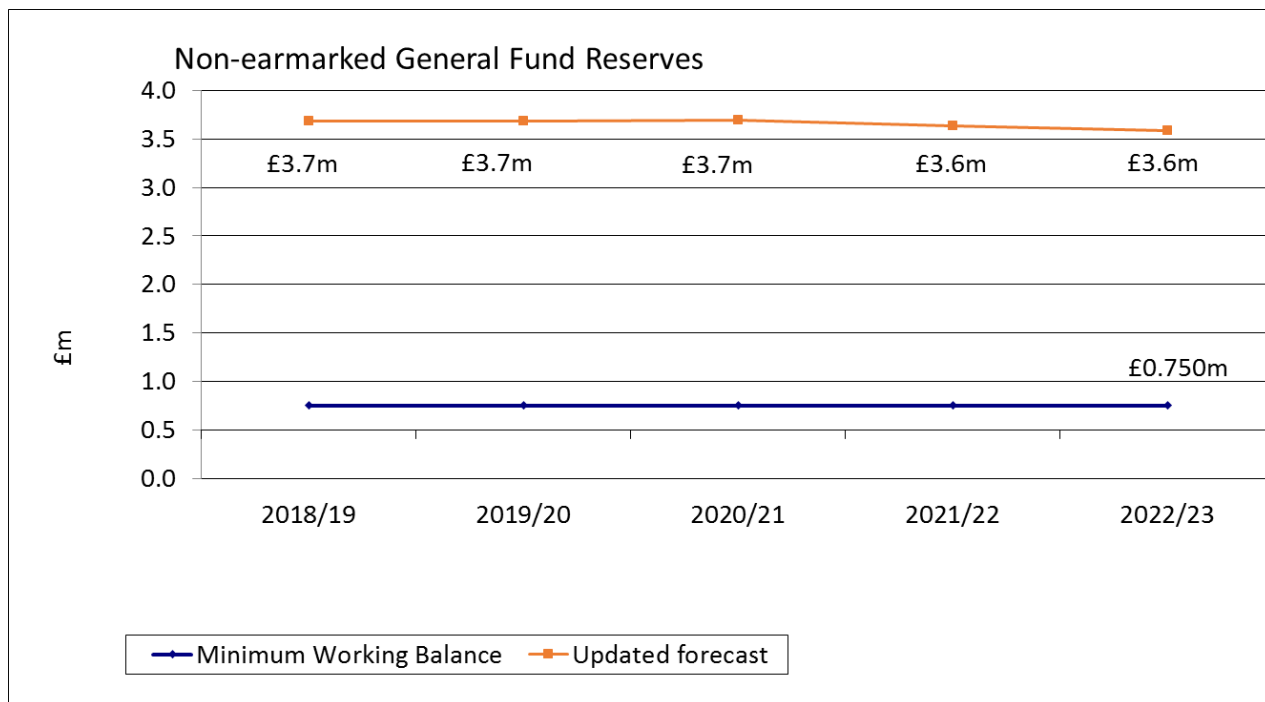
The Council's share of the pension fund deficit has fluctuated widely over the past few years, with a significant impact being the financial assumptions made by the scheme actuary, Mercer Ltd. This has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Statutory arrangements for funding the pension fund mean that the deficit will be made good by increased contributions over the remaining working life of employees as assessed periodically by the pension fund actuary. The next full revaluation will be undertaken in 2019. Full details of the scheme history and assumptions used by the actuary are included in note 41 to the accounts.

8. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

The favourable revenue outturn represents a further improvement to the overall financial position of the Council which will be reflected in future updates to the Financial Forecast during 2018/19. It allows for a further contribution to be made to the Capital Investment Reserve in the sum of £0.530m which will provide additional financing resources for future capital projects – which in turn reduces the need for the Council to borrow.

Through continued focus on the importance of financial stability, the Council has delivered a savings programme over a number of years and has continued to reduce senior management costs and other overheads. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain high quality frontline services to customers. This work has yielded ongoing savings to help improve the Council's financial position over that period. For Fylde Council to continue to successfully meet the new challenges that it faces it is vital that this approach is re-doubled and that all reasonable opportunities for further cost-reduction measures and for the generation of additional income are considered. Prudent financial management in previous years has provided a level of reserves which allows the necessary time to determine how this Council can best respond to the increased challenges.

Reserves & Balances



In addition to the non-earmarked General Fund Reserve shown in the graph above the Council also has a number of ear-marked revenue reserves, set-aside for specific purposes. The total of these ear-marked reserves at 31st March 2019 is £10.817m. Full details of these reserves are shown at Note 8 to these accounts.

The current Capital Programme is fully-funded. Furthermore, in order to provide a resource for future additions to the Capital Programme the Council has created a Capital Investment Reserve. Following favourable outturn positions in recent years it has been possible to transfer resources into that reserve which have provided funding for numerous capital schemes. The consequence of Member decisions to limit capital scheme growth in recent years is a reduced overall requirement to borrow which in turn results in a reduction in borrowing costs.

The Medium Term Financial Strategy

The Medium Term Financial Strategy sets out the Council's revenue budget allocations, the programme for capital investment, efficiency targets and forecasts for the five year period covered by the Strategy. The key influences on this strategy include:

- The continuing reduction in central government funding for local government;
- The consequent spending constraints resulting from reduced resources in the medium term;
- Ensuring a robust and sustainable budget through the prudent use of reserves and balances and ensuring externally funded projects are facilitated;
- Developing new ways of delivering services using modernisation techniques to achieve higher levels of customer satisfaction, efficiency, value for money, strategic partnerships, service commissioning, and enterprise; and
- The need to continuously review and maintain existing assets to a quality standard.

The MTFS looks at the current year and ahead over the next four years to identify the resources likely to be required by the Council to finance service priorities and to meet spending pressures. It aims to:

Ensure the sustainability of the Council's budget;
Facilitate pro-active strategic management of the budget to ensure service investments and dis-investments flow from the Council's corporate and service planning frameworks;
Be responsive to a changing and uncertain financial climate in which existing funding streams cease and new opportunities arise; and,

- Demonstrate clearly to stakeholders, both internal and external, what the Council's plans are for the use of its resources.

Links to other Enabling Strategies

The Medium Term Financial Strategy is one of the Council's enabling strategies aimed at improving transparency and accountability in the way the Council delivers services and functions. Each enabling strategy is reviewed annually as part of the planning cycle and taken together drive innovation and efficiency to achieve continuous improvement. The other enabling strategies are:

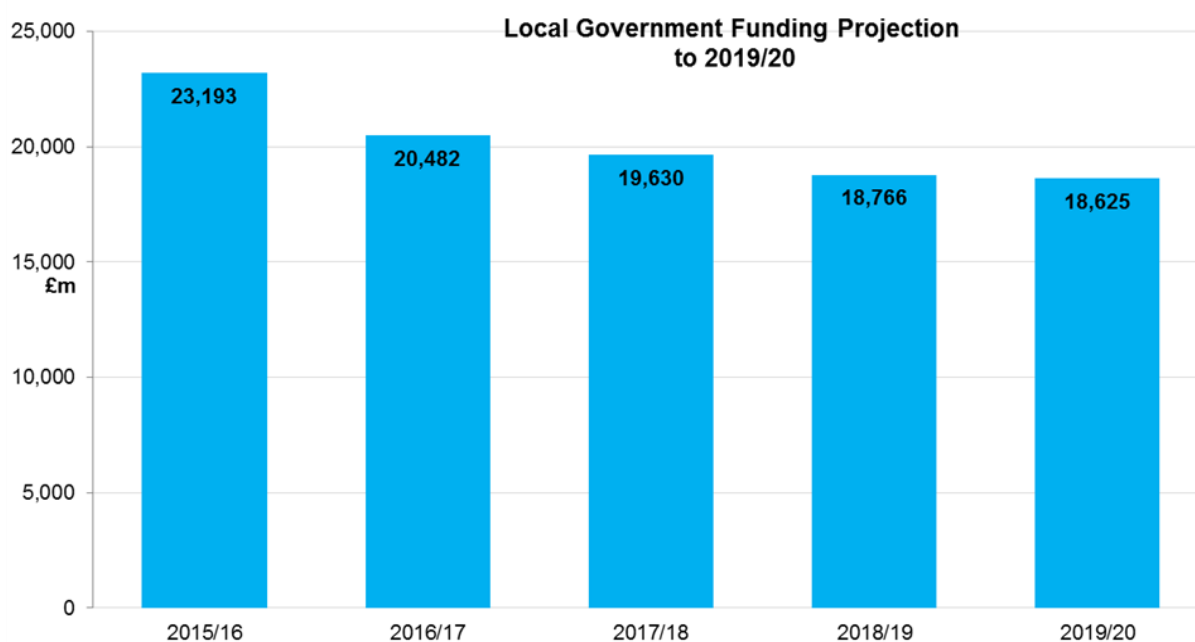
- ICT Strategy;
- Procurement Strategy;
- Communication Strategy;
- Asset Management Plan & Capital Strategy; and
- Transformation Strategy

The MTFS takes account of the resources the Council requires to deliver the strategies. Where resources are limited the Council's overall objectives will be the same but the pace of achievement may be adjusted. This factor may become more significant as reductions in public sector funding are further revised and take greater effect.

The Longer-Term Outlook and the Vision for the Borough

To provide a general outlook for the financial position of the public sector, the scale of the overall projected reduction in central government funding to local authorities, and the change in the composition of that funding, is demonstrated in the following chart which shows the reduction in total local government funding levels over the period from 2015/16 to 2019/20:

Total local government funding levels over the period from 2015/16 to 2019/20



The Council produces a Corporate Plan which outlines the key actions, targets and outcomes for the Authority and the wider community. The Plan is developed through consultation and feedback with stakeholders based on the key strategic responsibilities of the Council.

The Corporate Plan takes into consideration emerging legislation, policy and changes in resources and responsibilities informed by the Local Government Association, the Ministry for Housing Communities and Local Government, the Department for Work and Pensions and the various professional associations which provide support on policy, finance, governance, waste, planning, parks, public health and environmental health. The intention is to forecast the resources required to address the strategic issues the Council will need to deliver against over the next four years.

The Corporate Plan 2016-2020 is divided into five priority areas as listed below:

1. Value for Money.
2. Clean and Green.
3. A vibrant Economy.
4. A Great Place to Live.
5. A great Place to Visit.

Within these broad categories are a number of specific initiatives aimed at contributing to the long-term financial resilience of the Council in the face of the challenges ahead, including, importantly, the need to reduce reliance on central government funding. These are specifically:

- Produce and implement an investment strategy;
- Explore and initiate new income streams;
- Review the potential / function of all property assets in response to the need to be financially self-sustaining by 2020;
- Improve online services to increase efficiency, reduce transaction costs and generate income;
- Engage effectively with the Local Enterprise Partnership;
- Facilitate and support Town Centre Partnerships; and
- Channel business rates funding opportunities to economic development.

Much work has already been undertaken to progress these initiatives. A full update on each initiative contained within the Corporate Plan is provided within section 9 of this Narrative Report.

Although it is clear that further challenges lie ahead in the later years of the current update to the financial forecast, the finances remain generally stable and the reserves and balances are at healthy levels as compared to earlier periods. Furthermore Fylde Council has a past record of taking actions in order to meet and overcome those challenges; the introduction of a chargeable green waste collection service from 2017/18 being a recent and a prime example of such action, as was the decision to join a Business Rates pool from 2017/18 and a '75% Business Rate Retention Pilot' scheme for 2019/20, the latter of which is expected to further increase the total of retained business rates for the borough.

There are two Enterprise Zones located within the borough: the Lancashire Advanced Manufacturing and Engineering Enterprise Zone at Warton and the Blackpool Airport Corridor Enterprise Zone which straddles the boundary with Blackpool Council. The enterprise zone in Warton has been in place since 2012. The Blackpool Airport Corridor Enterprise Zone, which is targeted at the energy, aerospace and aviation, food and drink manufacture, has been in place since 2016. There is a further enterprise zone at Hillhouse which is entirely within Wyre Borough which was approved at the same time as the Blackpool Airport EZ. Fylde Council is working in partnership with Blackpool and Wyre Councils through a joint Economic Prosperity Board to oversee the initiative and to achieve the ambitions for the site.

Enterprise Zones are helping to attract more investment into the borough, bringing jobs and businesses, delivering long-term, sustainable growth based on cutting-edge technology and enterprise. The Blackpool Airport Corridor Enterprise Zone Masterplan outlines the aspirations for the site including the generation of 3,000 new jobs, securing in excess of £300m of private sector investment and with over 180 new businesses locating to the site.

Fylde Council will continue to seek other such opportunities to maintain a robust financial position in the face of a challenging and changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan.

Managing Risks and Uncertainties

The Council recognises that effective risk management is integral to the Council's corporate governance arrangements. The Council's Corporate Risk Management Group meets quarterly to review the Council's strategic risks as identified on the Council's Strategic Risk Register, and identify any new risks that may prevent the Council from achieving its long-term corporate objectives.

The Council has developed a methodology which provides a structured process for the identification, evaluation and management of risk at strategic and operational levels. The Audit and Standards Committee approve any changes to the Risk Strategy and monitor actions designed to alleviate or ameliorate risks on a regular basis.

In January 2019, the Council adopted a new Risk Management system called GRACE. This system will give managers the platform to help identify, record, manage and ultimately reduce/remove risks from their areas of responsibility.

The note on Contingent Liabilities (note 42 to this Statement of Accounts) outlines a number of potential future risks that may arise but which have not yet materialised.

9. ORGANISATIONAL PERFORMANCE AND CULTURE

Fylde Council is currently performing well. The Council enjoys high levels of employee and resident satisfaction (see Residents Survey summary table below) that are measured every year, a robust Medium Term Financial Strategy and budget that currently requires no service reductions or redundancies over the next four years. The Council has also embarked on a culture change programme aimed at delivering continuous improvement.

The culture change at Fylde has been driven by the need to transform the Council from a traditional bureaucratic local authority to a modern efficient organisation. The Council was in a poor financial position in 2007/8 with general reserves forecast to fall below the £500,000 recommended lowest limit with further pressure on reserves if the Council continued to operate in the way that it was doing. The Council has reduced the number of direct employees by almost 50% in the last 10 years, general fund reserves are in excess of £3.9 million, with a further £10.8 million currently held within earmarked reserves.

Key to transforming the Council has been employee engagement that has secured ownership of change and improvement. Competencies were developed in consultation with employees and have been placed at the core of behaviour across the Council. Every process, strategy and policy has been influenced by the competencies in order to embed the behaviours required to transform traditional public sector attitudes that had been developed over many years. The approach has been underpinned by a communication strategy that is reviewed regularly to ensure that every possible means of informing and supporting employees to demonstrate the required behaviours is in place.

The culture change programme has been delivered through 'leadership from everywhere' in the organisation, developing advocates through the 'Ambassadors' programme, mentoring, coaching, employee workshops, 'open door' policy, leadership by example, management by walkabout, and team working across the organisation. Simple mantras have made it easy for everyone to understand how they can make a difference such as; 'more from less' and 'treat people how you would like to be treated'. These have been demonstrated and reinforced through the online employee newsletter, the Chief Executive's weekly Five Points, at Team Briefs and Team Talks.

The borough again hosted a wide variety of tourism and leisure events including the hugely successful Lytham Festival on Lytham Green. This week long event attracted tens of thousands of music and entertainment lovers providing a huge economic boost to the area whilst cementing Fylde's place on the UK events map.

The year 2018/19 saw several achievements for Fylde Council, starting with St Annes beach being awarded the 'Seaside Award' from Keep Britain Tidy for the 4th year in a row. The bathing waters were also classified as 'good', meaning residents and visitors can enjoy the beaches knowing they are clean and safe.

The Council began to offer an exciting new venue for weddings and civil partnership ceremonies in 2018 at the iconic Town Hall in St Annes.

A brand new SPLASH facility was agreed by Councillors with building taking place throughout the year, and the facility officially opened in April 2019.

Six of Fylde’s parks and open spaces were recognised by the Green Flag Award Scheme as some of the very best in the world, and the incredible hard work and dedication of Fylde’s staff and volunteers saw the borough receive almost 40 honours from the North West In Bloom Awards.

The borough’s Royal Lytham and St Annes Golf Club hosted the 2018 Ricoh Women’s British Open between the 2nd and 5th August 2018. It was the 5th time it has been hosted by the Royal Lytham and St Annes Golf Club. Previously it had been held there in 1998, 2003, 2006 and most recently back in 2009 when Catriona Matthew famously became the first Scottish woman to clinch a Major title.

Work progressed throughout the financial year on the £20m Coast Defence project at Lytham and Fairhaven which will enhance flood prevention and transform the coastline in that area.

A resident satisfaction survey is carried out each year and the results, as set out in the table below, show high levels of customer satisfaction with the Councils performance.

The Resident Survey Results 2012 to 2018

QUESTIONS <i>(Percentages figures are the percentage satisfied, good and excellent)</i>	2018	2017	2016	2015	2014	2013	2012	Overall 2012-18 Average	2008/09 LGA Place Survey
Number of responses	431	610	136	461	608	829	1,583	665	1,224
How would you rate the refuse collection service at Fylde	94%	92%	92%	97%	94%	95%	93%	94%	76%
How would you rate the household recycling service at Fylde	89%	86%	87%	93%	92%	93%	91%	90%	78%
How would you rate the parks and open spaces in Fylde	96%	93%	98%	95%	94%	94%	93%	95%	68%
How would you rate the cleanliness of the streets in Fylde	78%	73%	83%	85%	83%	83%	81%	81%	65%
How would you rate the planning service at Fylde*	68%	60%	79%	69%	63%	70%	71%	69%	52%
How would you rate the customer service at Fylde*	87%	74%	89%	89%	89%	88%	90%	87%	n/a
Overall I would rate the Fylde as a place to visit	97%	95%	90%	97%	97%	97%	95%	95%	n/a
Overall I would rate Fylde as a place to live	95%	94%	99%	97%	97%	97%	95%	96%	87%
How would you rate the value for money I receive from Fylde Council	78%	70%	82%	84%	85%	85%	81%	81%	63%
Overall and taking everything into account, how would you rate Fylde Council	86%	76%	87%	92%	90%	90%	88%	87%	n/a

*Only includes percentage of the respondents that **have used** the service

The Corporate Plan

The Council defines its key objectives through its Corporate Plan. The Corporate Plan 2016-2020 is in the form of a number of specific priorities, with linked actions, which sit within one of five policy themes. The Corporate priorities are:





- **Value for Money;**
- **Clean and Green;**
- **A Vibrant Economy;**
- **A Great Place to Live; and**
- **A Great Place to Visit.**




The Corporate Plan is subject to regular review to measure progress on each of the defined actions, with an update being provided to Members in a twice-yearly report to Council. The next update to the Council will be accessible on the Council website at:





<https://fylde.cmis.uk.com/fylde/Committees.aspx>




An update on progress on each of the actions within the Corporate Plan is shown below:

Key to symbols







	Completed – over performing against target or milestone achieved
	On Track – the milestone is performing within tolerance of target.
	Cautionary Performance – moderately under performing. Whilst the milestone has slipped from target it maybe a minor blip overall or minor action will remedy it.
	Under Performance – the milestone is under performing against target.


VALUE FOR MONEY	
CORPORATE PLAN ACTION	STATUS
Action: Produce and implement an investment strategy	
Update: The commercial strategy has been agreed by Council and is in place.	
Action: Explore and initiate new income streams	
Update: A number of new income streams are in place and existing income sources have been increased including: charges for estates management & lease renewals; wedding services at the Town hall; pre-planning advice; and sand winning. The Council will continue to explore and initiate new income streams.	
Action: Complete the accommodation project works	
Update: Work has been finished with the car park refurbishment completed in June 2019.	

Action: Review the potential / function of all property assets in response to the need to be financially self-sustaining by 2020	
Update: Progress has been made with increased income as a result of rent reviews and concession renewals, the new structure and new personnel have adopted a more commercial approach to asset management that delivers market income.	
Action: Improve online services to increase efficiency, reduce transaction costs and generate income	
Update: Improvement has been made with the development of a new transactional website with an increased number of services available online 24/7 further process re-engineering is required in some service areas where the primary technology is being upgraded.	
Action: Produce a new Council Website with streamline content and integrate digital by preference to enable 24/7 services	
Update: The new transactional website is operating with ongoing feedback from customer experience being used to continually improve the offer	
Action: Develop digital solution to customer and employee demand	
Update: Extensive use of social media platforms and digital communication groups / networks is well established along with the transactional website and intranet. Digital solutions will be part of the process re-engineering integral to the continuous service review culture at Fylde.	



CLEAN AND GREEN	
CORPORATE PLAN ACTION	STATUS
Action: Focus resources on the reduction of seasonal litter	
Update: An increased number of larger bins in targeted locations, additional weekend resources, a more flexible and responsive workforce, joined up approach to weekend resources / personnel, dedicated beach bins, greater support to volunteer groups, plastic free and package reduction campaigns, along with a focus on litter management in event plans have all led to reduced seasonal litter.	
Action: Strive to achieve Blue Flag status for the beaches	
Update: Signage and infrastructure required for a Blue Flag are in place or on schedule and work with partners to achieve the necessary water bathing standard is in place, the Blue Flag will be achieved once the water bathing standard has been reached.	
Action: Produce landscape masterplan for Lytham Park Cemetery	
Update: The Landscape Masterplan has been drafted which includes extending the cemetery to the North East, an engineering scheme to store drainage water on site, improved car parking and new roads / paths.	

A VIBRANT ECONOMY	
CORPORATE PLAN ACTION	STATUS
Action: Engage effectively with the Local Enterprise Partnership(LEP)	
Update: The new Economic Prosperity Board (Blackpool, Fylde & Wyre) has direct representation on the LEP and necessary links to the Enterprise Zones at Blackpool Airport and Hillhouse.	

Action: Progress the re-opening of the M55/ Moss Road link	
Update: Progress has been hindered by the ability of a private sector partner to secure funding resulting in the procurement process being suspended and unplanned further negotiations leading to delays that cannot be accurately estimated – the project is currently not on schedule.	
Action: Investigate the potential of developing the digital high street	
Update: Public WiFi access has been provided at public locations i.e. Town Hall, Lytham Green with many other locations provided for by major private sector broadband suppliers. The digital high street concept is being incorporated into generic work on the high street revival.	
Action: Facilitate and support Town Centre Partnerships	
Update: The three primary town centres have established business networks that are supported by the Council and Town Councils where applicable.	
Action: Channel business rates funding opportunities to economic development	
Update: The Lancashire Business Rates Pool pilot scheme includes a proportion of the funds being dedicated to economic development across Lancashire, the details of longer term arrangements for business rate locally will be known after the pilot and relevant to the next Corporate Plan.	
Action: Contribute to the Fylde Coast Highways and Transport Masterplan	
Update: The plan is the responsibility of LCC, officers from various service areas at Fylde have all made contributions through different engagement methods.	
Action: Develop a plan for the redevelopment of The Island as a destination point	
Update: Initial engagement and research has been carried out along with a review of the current lease arrangements and light market testing for potential investment opportunity. A bid has been made to the Environment Agency for sea defence assessment work with a view to securing funds for a project that would act as a catalyst for the redevelopment of the site.	

A GREAT PLACE TO LIVE	
CORPORATE PLAN ACTION	STATUS
Action: Tackle social isolation and health inequalities with Public Health	
Update: Work between Fylde Council, Lancashire County Council Public Health, Fylde and Wyre CCG (Clinical Commissioning Group) and the charity Just Good Friends is tackling loneliness and isolation across the borough. Well North have completed research on social isolation as a barrier to Health and Wellbeing in the Lytham St Annes GP surgery neighbourhood; outcomes and best practice from this work are being used by partner agencies across the Fylde.	

A GREAT PLACE TO VISIT

CORPORATE PLAN ACTION	STATUS
Action: Improve entrance signage and welcome points	
Update: Branding and design have been completed and a survey of all entrance points. The signage policy has been agreed work is ongoing to identify partners, some of which may be sponsors or advertisers, to design and fund new Borough boundary signage and welcome points.	
Action: Work up the stage 1 development of the Fairhaven Lake Project Plan and submit stage 2 bid to Heritage Lottery Fund	
Update: The Heritage Lottery Fund bid was successful and the project team are currently delivering the agreed project plan.	

10. OUTLOOK FOR THE FUTURE

The favourable outturn position for revenue allows for a further contribution to be made to the Capital Investment Reserve in the sum of £0.530m which will provide additional financing resources for future capital projects. This additional contribution is beneficial Council's overall financial position and thus is to be welcomed.

The Council's overall financial strength shows improvement from the position as presented to the Budget Council meeting in March 2019. The Financial Forecast continues to show a budgeted surplus for 2019/20 and a relatively balanced budget position thereafter, based on current estimates of future financing.

A significant factor in the forecast from 2020/21 is the forecast reduction in the level of retained business rates from 2020/21 onwards arising from the Governments stated intention of further reform to the business rates retention mechanism from that year. In anticipation of this change the Council's current Financial Forecast assumes that income from retained business rates falls significantly from 2020/21 onwards. When details of the reforms and the impact on future retained business rate income become known the financial forecast will be updated accordingly.

Additionally a forthcoming review of the spending needs of local authorities for 2020/21 (announced by the government in December 2017) is widely anticipated to re-balance public funding in such a way that may be detrimental to district councils, although details of the review and its outcome are yet to emerge.

Whilst challenges remain, and will no doubt continue to be present given the reduction in central government funding for future years, prudent financial management has provided a relatively stable financial environment which allows the necessary time to determine how this Council can best respond to the challenges it faces.

Section 8 of this narrative report provides information regarding the current and forecast level of revenue reserves. Although there will doubtless be further challenges to be addressed in the future the current financial position of the Council, and specifically the level of revenue reserves, is healthy. The future revenue position of the Council is relatively stable with a projected surplus in 2019/20 and a generally balanced budget position thereafter, based upon current estimates of future central government financing.

The creation of a Capital Investment Reserve, into which revenue surpluses have been transferred for a number of years, has meant that a significant number of capital schemes have been delivered without the requirement for external financing. The reduced requirement to borrow in turn results in a reduction in borrowing costs and thus contributes to an improved overall revenue position. During 2019/20 the Council is projected to repay the total £1m of external debt that was held at 31st March 2019 to the PWLB.

The Council has not required any temporary borrowing to support its cashflow during 2018/19. Nor does it anticipate any cashflow concerns in future years through careful management of cashflow and investment decision-making.

Cashflow forecasts are prepared and reviewed regularly throughout the financial year by senior finance officers. The forecast is revised as required to reflect changes in actual cash movements, transaction timing changes and to include new cash movements. The monthly cash flow forecast is used as the basis for

determining the level of cash that is available for external investment to thereby generate additional revenue income. In order to ensure that excessive funds are not invested externally and consequently causing potential liquidity issues for the Council it is day-to-day practice to leave a minimum cash balance of £0.5m within the Council's current bank account. In addition to this the Council has adopted a new policy in 2018/19 where short term liquid deposits of at least £6m are maintained on call or available within a week's notice. Monies will not be placed on fixed term deposit when such an action would reduce cash balances below this level. It is expected that such practices will provide sufficient liquidity of funds at all times. However, if necessary short term borrowing is available from the Money Market as and when required.

The key financial risks that the Council is currently facing can be summarised as:

- the risk of lower than projected income resulting from retained Business Rates in future years;
- reduced levels of future central government funding arising from the Fair Funding Review;
- reduced level of grant for Housing Benefit Administration with the expansion of Universal Credit to replace Housing Benefits; and
- the risk that borrowing cost assumptions may require amendment in the light of changes to the economic environment.

Full details of the above is shown within the MTFs as presented to the Budget Council on 5th March 2019.

In preparation for the known future financial challenges the Council has, in recent years, undertaken a review of potential means of responding to those circumstances. Consequently a number of important decisions have already been made with regard to income generation and expenditure reduction that will have a positive effect on the financial forecast for future years, demonstrating a responsiveness to the current financial challenges which is essential for the Council to meet in order to continue to benefit from a robust financial position.

Council and Committee reports are accessible on the Council website at:

<https://fylde.cmis.uk.com/fylde/Committees.aspx>

At a strategic level, activity and resources are focused on the delivery of the key objectives of the Council as set out within the Council's approved Corporate Plan. Given the level of reserves that has been generated in recent years the small budget deficits currently estimated in the final years of the forecast appear to be at manageable levels. However in an uncertain financial environment the position can change in unexpected ways. It is important that the Council continues to operate in a sound and prudent manner in order to maintain a stable financial position and to explore further means by which the financial position can be further strengthened, whilst continuing to provide high quality services to residents and to deliver the priorities set out in the Corporate Plan.

In June 2016 the UK voted to leave the European Union, commonly referred to as 'Brexit'. In March 2017 the government acted to confirm the effective date of the UK exit from the European Union to be March 2019. However parliament was unable to determine an agreed form of departure and that deadline was not met. A revised deadline of 31st October 2019 has been agreed with the European Union (EU) members although parliament to date continues to seek agreement on the form and terms of the departure and the future relationship between the United Kingdom and the remaining EU member states. The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, dominated much of the economic stage during 2018/19 and is expected to continue to be a major influence on the economy in the near future.

There are potential impacts on the following areas of the Council's financial statements, in particular:

- Asset valuations, such as those over property, may be more difficult to estimate and may be more volatile where the view of market participants may have changed following the referendum result.
- Defined benefit pension valuations are inherently very sensitive to the selection of an appropriate discount rate. Actuarial views around discount rates and other assumptions may be impacted in the future by the exit of the UK from the European Union.

CONCLUSION

Prudent financial management has provided a level of reserves which allows the necessary time to determine how this Council can best respond to future financial challenges, including the outcome of the Fair Funding Review. Officers and Members will be continuously monitoring all areas of concern through established budget forecasting and setting procedures and will work to ensure that the Council's Revenue Budget remains robust and sustainable.

The Council has a track record of making savings as dictated by resource availability. I am therefore confident that the Council will continue to maintain a balanced budget position in the medium term.

This is the Statement of Accounts upon which the auditor should enter his certificate and opinion, and has been prepared under the Local Government Finance Act 1982.

Signed

P. O'Donoghue, ACMA, CGMA
Chief Financial Officer, Section 151 Officer

Date: July 2019

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer's Certification

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

P. O'Donoghue, ACMA, CGMA
Chief Financial Officer, Section 151 Officer

Date: July 2019

CORE FINANCIAL STATEMENTS

INTRODUCTION TO THE CORE FINANCIAL STATEMENTS

Introduction to the Core Financial Statements

Set out below is a brief explanation of the Core Financial Statements which are presented on the following pages:

- **The Expenditure and Funding Analysis (Page 30)**

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

- **The Comprehensive Income and Expenditure Statement (Page 31)**

The Comprehensive Income and Expenditure 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. Authorities raise taxation to cover expenditure in accordance with regulations; 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.

- **The Movement in Reserves Statement (Page 32)**

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority'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 movement in the year following those adjustments.

- **The Balance Sheet (Page 33)**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 is those that the authority 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 in Reserves Statement line '*Adjustments between accounting basis and funding basis under regulations*'.

- **The Cash Flow Statement (Page 34)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

- **The Collection Fund (Page 90)**

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

EXPENDITURE AND FUNDING ANALYSIS

2017/18			2018/19			
Net Expenditure Chargeable to the General Fund	Adjustments (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			Programme Committees			
1,686	391	2,077	Tourism and Leisure	1,792	526	2,318
1,887	736	2,623	Operational Management	2,325	898	3,223
546	150	696	Environment, Health and Housing	389	151	540
994	45	1,039	Planning	917	44	961
2,815	573	3,388	Finance and Democracy	2,998	1,081	4,079
7,928	1,895	9,823	Net Cost of Services	8,421	2,700	11,121
(11,071)	(3,715)	(14,786)	Other Income and Expenditure	(9,835)	(11,281)	(21,116)
3,006	(3,006)	-	Transfer to Earmarked Reserves	1,172	(1,172)	-
(137)	(4,826)	(4,963)	(Surplus)/Deficit	(242)	(9,753)	(9,995)
(3,548)			Opening General Fund Balance	(3,685)		
(137)			(Surplus)/Deficit on General Fund	(242)		
(3,685)			Closing General Fund Balance as at 31st March	(3,927)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18 as restated*							2018/19		
Gross Expenditure	Gross Income	Net Expenditure					Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000					£'000	£'000	£'000
			<u>Programme Committees</u>						
3,496	(1,419)	2,077		Tourism and Leisure		3,964	(1,646)	2,318	
5,552	(2,929)	2,623		Operational Management		5,584	(2,361)	3,223	
2,734	(2,038)	696		Environment, Health and Housing		2,384	(1,844)	540	
1,967	(928)	1,039		Planning		1,791	(830)	961	
23,287	(19,899)	3,388		Finance and Democracy		23,745	(19,666)	4,079	
37,036	(27,213)	9,823		Cost of Services		37,468	(26,347)	11,121	
838	-	838		Other Operating Expenditure	9	1,135	-	1,135	
808	(372)	436		Financing and Investment Income and Expenditure	10	861	(586)	275	
2,042	(18,102)	(16,060)		Taxation and Non-Specific Grant Income and Expenditure	11	3,600	(26,126)	(22,526)	
40,724	(45,687)				12	43,064	(53,059)		
		(4,963)		(Surplus)/Deficit on Provision of Services				(9,995)	
			19	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	13			278	
			82	Impairment losses on Non-Current Assets charged to the Revaluation Reserve	14			-	
		(3,856)		Re-measurement of the net defined benefit liability/(asset)	41			(1,149)	
		(3,755)		Other Comprehensive Income and Expenditure				(871)	
		(8,718)		Total Comprehensive Income and Expenditure				(10,866)	

*see note 1 section E.

MOVEMENT IN RESERVES STATEMENT

Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 26)	Unusable Reserves (Note 27)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Year							
Balance at 31st March 2018	3,685	9,645	63	791	14,184	(125)	14,059
Movement in Reserves during 2018/19							
Total Comprehensive Income and Expenditure	9,995	-	-	-	9,995	871	10,866
Adjustments between accounting basis and Funding under Regulations	7 (8,581)	-	(63)	1,494	(7,150)	7,150	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,414	-	(63)	1,494	2,845	8,021	10,866
Transfers to/from Earmarked Reserves	8 (1,172)	1,172	-	-	-	-	-
Increase/(Decrease) in 2018/19	242	1,172	(63)	1,494	2,845	8,021	10,866
Balance at 31st March 2019	3,927	10,817	-	2,285	17,029	7,896	24,925
Comparative Year							
Movement in Reserves during 2017/18							
Balance at 31st March 2017	3,548	6,639	63	245	10,495	(5,154)	5,341
Total Comprehensive Income and Expenditure	4,963	-	-	-	4,963	3,755	8,718
Adjustments between accounting basis and Funding under Regulations	7 (1,820)	-	-	546	(1,274)	1,274	-
Net Increase/(Decrease) before transfers to Earmarked Reserves	3,143	-	-	546	3,689	5,029	8,718
Transfers to/from Earmarked Reserves	8 (3,006)	3,006	-	-	-	-	-
Increase/(Decrease) in 2017/18	137	3,006	-	546	3,689	5,029	8,718
Balance at 31st March 2018	3,685	9,645	63	791	14,184	(125)	14,059

BALANCE SHEET

Balance As at 31 st March 2018		Notes	Balance As at 31 st March 2019
£'000			£'000
23,518	Property, Plant and Equipment	13	33,015
3,788	Heritage Assets	14	3,788
3,155	Investment Properties	15	3,194
-	Intangible assets	16	-
4	Long Term Debtors	18	2
30,465	Long Term Assets		39,999
12,026	Short Term Investments	17	12,025
550	Assets held for sale	19	550
76	Inventories	20	84
6,385	Short Term Debtors	21	3,218
2,464	Cash and Cash equivalents	22	7,787
21,501	Current Assets		23,664
(12)	Short Term Borrowing	17	(1,012)
(10,187)	Short Term Creditors	23	(7,354)
(1,463)	Provisions	24	(1,946)
(33)	Provision for Accumulated Absences	27	(36)
(11,695)	Current Liabilities		(10,348)
(1,985)	Long Term Creditors	25	(3,141)
(1,000)	Long Term Borrowing	17	(-)
(23,227)	Liability related to Defined Benefit Pension Scheme	41	(25,249)
(26,212)	Long Term Liabilities		(28,390)
14,059	NET ASSETS		24,925
14,184	Usable Reserves	26	17,029
(125)	Unusable Reserves	27	7,896
14,059	TOTAL RESERVES		24,925

CASH FLOW STATEMENT

2017/18 £'000		Notes	2018/19 £'000
4,963	Net Surplus / (Deficit) on the Provision of Services		9,995
(2,806)	Adjustments for non-cash movements	28	6,939
(3,987)	Adjust for movements relating to investing and financing activities	28	(14,540)
(1,830)	Net Cash Flows from Operating Activities		2,394
(1,371)	Investing Activities	29	3,064
(4,094)	Financing Activities	30	(135)
(7,295)	Net Increase or (Decrease) in Cash and Cash Equivalents		5,323
9,759	Cash and Cash Equivalents at the beginning of the reporting period		2,464
2,464	Cash and Cash Equivalents at the end of the reporting period	22	7,787

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

INTRODUCTION

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the accounting policies set out at Note 1. The notes that follow set out supplementary information to assist readers of the accounts.

1 ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations 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) and the Service Reporting Code of Practice 2018/19 (SeRCOP), 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.

b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings are accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Acquisitions and Discontinued Operations

Where, and if, appropriate, income and expenditure directly relating to acquisitions or discontinued operations is shown separately on the face of the Comprehensive Income and Expenditure Statement under the appropriate heading.

d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 Authority's cash management.

e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority'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.

IFRS 9 and IFRS 15 have been applied for the first time in 2018/19. The impact of these new accounting standards have been considered and quantified by the Council, and the impact has been determined to be immaterial.

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

There are two prior period adjustments, one on the Comprehensive Income and Expenditure Statement (CIES), and one in note 41 – Defined Benefit Pension Schemes.

In the previous year, income and expenditure from service segments were included within the Comprehensive Income and Expenditure Statement (CIES). The adjustment on the face of the CIES in relation to the prior year is a decrease in gross expenditure of £9,382k and a respective decrease in gross income to reflect the removal of the income and expenditure which has been generated between segments. The error has no impact on net deficit on provision of services for the year, or on the balance sheet.

In the previous year, a prepayment of £2.5m was made by Fylde into the pension scheme, which in note 41 was included in the Present Value of the defined benefit obligation. The prepayment is an asset, so the 2017/18 comparatives have been restated to show the prepayment within Fair Value of plan assets. The Surplus/(Deficit) in the Scheme is unaffected by this restatement.

f) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision (MRP) contribution, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

g) Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

h) Employee Benefits

(i) Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in which the holiday absence occurs.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 year-end.

(iii) Post-employment 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 worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Council scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a real discount rate of 2.4% (2017/18 2.6%), based on the indicative rate of return on an AA corporate bonds.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions made to the Lancashire County Council Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Authority also 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 any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

i) Events after the Reporting Period

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

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

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

j) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and an 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 comprised:

- Long-term loan from the Public Works Loans Board; and
- Trade payables for goods and services received.

(ii) **Financial Assets**

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

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
 - cash in hand;
 - bank current and deposit accounts;
 - fixed term deposits with banks;
 - loans to other local authorities; and
 - trade receivables for goods and services provided.
- Fair value through profit and loss (all financial assets) comprising:
 - money market funds.

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.

k) **Foreign Currency Translation**

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

l) **Government Grants and Contributions**

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

- The Authority 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 (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

m) Heritage Assets

Heritage assets are defined as assets which have historical, artistic or cultural qualities and that are held and maintained principally for their contribution to knowledge and culture.

The introduction of FRS 30 and subsequently FRS 102 Heritage Assets has resulted in the requirement for this standard to be included within the council's accounting policies from 2011/12. Prior to 2011/12 the Code did not require heritage assets to be reported separately. These will have previously been reported as part of Community Assets in the balance sheet.

There is no IFRS that deals with tangible heritage assets. Authorities are therefore required to account for tangible heritage assets in accordance with FRS 102.

Accounting for Heritage Assets in 2018/19

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets are presented below.

Heritage assets should normally be included in the balance sheet at their current value. Where it is not practical to obtain a valuation at a reasonable cost heritage assets should be valued at cost.

Where the Council has information on the cost or value of a heritage asset that value has been used in compilation of the 2018/19 balance sheet. Where this information is not available and the historical cost information cannot easily be obtained the asset can be excluded from the balance sheet.

Valuations may be made by any method that is appropriate. There is no requirement for valuations to be carried out or certified by external valuers nor is there any prescribed minimum period between valuations. However where heritage assets are valued at their current value that value has to be reviewed with sufficient frequency to ensure the valuation is up to date.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

The Authority's collections of heritage assets are as follows.

- ***Art Collection***

- The art collection comprises approximately 200 paintings of a wide range of subjects most of which have been donated or bequeathed to the Council and a number of which are by local artists and depict scenes from around the local area. Prominent amongst the collection is a painting by Johann Heinrich Fuseli, R.A. entitled 'Vision of Catherine of Aragon'. This work is of significant merit and is periodically loaned to public galleries in order that it may be widely viewed.
- The valuation will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.
- Public access to the collection is afforded by exhibition in a local gallery space and the loan of the more significant components to local, national and international galleries.
- Donations are recognised at valuation with valuations provided by the external valuers.

- **Memorials & Monuments**
 - The Council owns a range of memorials and monuments situated within the borough including a number of war memorials.
 - The Authority does not consider that reliable cost or valuation information can be obtained for all except one of the items within this category of heritage assets. This is because of the unique nature of the assets held and lack of comparable market values. Consequently the Authority recognises these assets on the balance sheet at a nominal value. The single item for which a value is included in the balance sheet is a memorial sculpture which is valued for insurance purposes in the sum of £80,000, the estimated replacement cost. This insurance valuation will be regularly reviewed and the value updated as necessary.
 - The Authority does not intend to extend the range of this class of assets.
 - Public access is afforded by the location of the items in prominent and accessible locations within the borough.
- **Sculptures / Ivories**
 - The Council owns a range of sculptures including a collection of Japanese ivory figurines all of which have been donated or bequeathed.
 - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.
 - Public access to the collection is afforded by exhibition in a local gallery space and loan of the more significant components to local galleries upon request.
 - Donations are recognised at valuation with valuations provided by the external valuers.
- **Trophies & Other Items**
 - The Council owns a number of trophies of a sporting heritage and other miscellaneous items of a ceremonial nature.
 - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.
 - Public access to these items is limited to the display of the items at civic events.
- **Civic Regalia**
 - The Council owns a variety of chains, pendants and badges which together with the ceremonial mace comprise the civic regalia.
 - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.
 - Public access to these items is limited to the display of the items at civic events and occasionally as components of an exhibition.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see accounting policy on page 46.

n) Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able

to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o) Interests in Companies and Other Entities

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts.

p) 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 FIFO costing formula.

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

q) 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 the delivery of the Council's services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

r) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly;

- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

s) Leases

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

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

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

The Authority as Lessee

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.

Operating Leases

Rentals paid under operating leases are treated as revenue transactions and are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

t) Overheads and Support Services

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

u) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for 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 future economic benefits or service potential associated with the item will flow to the Authority; that the cost of the item can be measured reliably; and that the cost exceeds the 'de minimis' threshold of £10,000. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

(ii) Measurement

Non-Current Assets are valued on the basis recommended by CIPFA (Chartered Institute of Public Finance & Accountancy) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the RICS (The Royal Institute of Chartered Surveyors). Non-Current Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

All valuations have been undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards by our in house surveyor. The values have been arrived at by having regard to market evidence and the Surveyor's knowledge and experience of the properties involved.

Definitions of each of the valuation methodologies used are:

Market Value - *“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.*

Depreciated Replacement Cost - *“The current cost of replacing an asset with its modern equivalent asset less deductions for the physical deterioration and all relevant forms of obsolescence and optimisation.”*

Existing Use Value - *“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost”.*

Operational properties have been valued on the basis of Existing Use Value, unless they are Specialised, in which case they have been valued on the basis of Depreciated Replacement Cost. All Depreciated Replacement Cost valuations are subject to the prospect and viability of the continued occupation and use of the properties concerned.

Non-operational properties have been valued on the basis of Market Value. In the case of the **Community assets** they have been valued on either Existing Use Value or Market Value.

Heritage Assets

Valuation methodologies in respect of heritage assets are outlined in note m on Heritage Assets above.

Revaluations of Non-Current Assets included in the balance sheet at current value are planned at intervals of not more than five years. Investment properties are reviewed every year to consider that the value of the assets are fairly reflected in the Balance Sheet. In addition material changes in asset values are recorded as they occur.

(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.

Where impairment losses are identified, they are accounted for by:

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

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

(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 asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Newly acquired assets are depreciated fully in the year of 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 all assets.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

(v) **Componentisation**

The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Council will use the value of an individual asset relative to the overall asset portfolio to assess whether an asset is material. Any building element below 1% of the value of the portfolio is not therefore viewed as material. In terms of significance, the CIPFA advice is that they are not looking for more than 3 to 4 components in addition to the “host” asset. The Council will therefore adopt a de minimis cost equating to 20% of the asset value.

(vi) **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets Held for Sale, are where the:

- Asset is immediately available for sale;
- Sale is highly probable;
- Asset is actively marketed; and
- Sale is expected to be completed within 12 months.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set

aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

v) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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.

w) Reserves

The Authority 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus 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 so that there is no net charge against council tax for the expenditure.

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

The Council operates a number of different reserves, the purpose of each is laid out in note 8 on pages 56 to 57.

x) Revenue Expenditure Funded by Capital Under Statute

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

y) Value Added Tax (VAT)

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

z) Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, 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:

- In the principal market for the asset or liability, or
- 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. The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.
- Level 2 – inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets,
 - quoted prices for identical or similar assets or liabilities in markets that are not active,
 - inputs other than quoted prices that are observable for the asset or liability, for example,
 - interest rates and yield curves observable at commonly quoted intervals,
 - implied volatilities,
 - credit spreads,
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').
- Level 3 – inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

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

The Codes of Practice on Local Council Accounting in the United Kingdom for 2018/19 and 2019/20 have introduced several changes in accounting policies which will be required from 1st April 2019. If these had been adopted retrospectively for the financial year 2018/19 there would be no material changes within the financial statements.

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 relate to:

- a) Amendments to IAS 40 Investment Property: Transfers of Investment Property.
- b) Annual Improvements to IFRS Standards 2014-2016 Cycle.
- c) IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- d) IFRIC 23 Uncertainty over Income Tax Treatments.
- e) Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

Not all of the above are relevant to Fylde Council and it is anticipated that the amendments will not have a material impact on the information provided in the financial statements.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 (pages 37 to 49), the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future event. The critical judgements made in the Statement of Accounts are:

- The Authority continues to face significant financial uncertainty in future years and in turn the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

There are three items in the Authority's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year, namely the liability related to the defined benefit Pension Scheme, the future of the Lancashire Business Rates Pool and the provision for NNDR Appeals.

Estimation of the net liability to pay pensions depends on a number of complex judgments 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 Authority 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 £1.517m (2017/18 £1.417m). Also, a one year addition to the members' life expectancy would result in an increase in the pension liability of £1.892m (2017/18 £1.767m).

The Council joined the Lancashire Business Rate Pool with effect from 1st April 2017 in order to benefit from a higher level of retained Business Rates. As part of the December 2018 Local Government Settlement announcement the bid by Lancashire councils to be selected as one of the '75% Business Rate Retention Pilot' schemes for 2019/20 was confirmed as being successful. Under the previous pooling arrangements business rate income raised in Fylde was first split with 50% going to the government and the rest being shared between Fylde Council (40%), LCC (9%) and Lancashire Fire and Rescue Service

(1%). From 2019/20 under the new pilot scheme this initial split will change to 25% government and 75% local preceptors. This increases the reward possible from growth of business rate income, but there is also a greater risk of adverse consequences if income declines.

The government is consulting on the reform to the Business Rates system due to be implemented for all authorities in 2020/21. Currently the forecast assumes a reduced level of business rate income from 2020/21 onwards at a level that is closer to the current baseline level. This will be kept under close scrutiny and future estimates of business rate income may be amended when the outcome of the review are known.

Any amendments to the levels of forecast business rate income to be retained will be reflected in future updates to the Financial Forecast.

With regards NNDR Appeals, as a consequence of the revised arrangements in respect of business rates, which came into effect from 2013/14, local authorities became liable for a share of the cost of the settlement of appeals in respect of the valuation of properties by Valuation Office Agency (VOA), that being the body which determines business rates liability. For 2018/19 the total value of the Provision for Appeals has been increased to £4.865m from £3.656m in 2017/18 with Fylde Council's share of this being £1.946m (2017/18 £1.463m). The increase reflects a number of potential claims under the new business rates appeal process from April 2017. It is anticipated that this revised level of provision is sufficient to meet the full cost of the outstanding appeals currently lodged and any future appeals under the new check challenge and appeal system. If the cost of appeals from 2019/20 onwards is less than the amounts set-aside in the provision for this purpose it may be possible to release further sums from the Provision for Appeals and consequently the Council's business rates income in that year would increase accordingly. This judgement is based upon information held on outstanding appeals and after having taken specialist advice.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31st May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no post balance sheet events.

6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2018/19:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6a) £'000	(Note 6b) £'000	(Note 6c) £'000	£'000
<u>Programme Committees</u>				
Tourism and Leisure	477	49	-	526
Operational Management	776	121	1	898
Environment, Health and Housing	102	48	1	151
Planning	-	43	1	44
Finance and Democracy	74	1,007	-	1,081
Net Cost of Services	1,429	1,268	3	2,700
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,273)	630	362	(11,281)
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 7)	(10,844)	1,898	365	(8,581)

Comparatives for 2017/18:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6a) £'000	(Note 6b) £'000	(Note 6c) £'000	£'000
Programme Committees				
Tourism and Leisure	345	47	(1)	391
Operational Management	614	119	3	736
Environment, Health and Housing	97	53	-	150
Planning	6	42	(3)	45
Finance and Democracy	503	70	-	573
Net Cost of Services	1,565	331	(1)	1,895
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,530)	687	1,128	(3,715)
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 7)	(3,965)	1,018	1,127	(1,820)

6a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

6b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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

For *Financing and investment income and expenditure* – the net interest on the defined benefit liability is charged to the CIES.

6c) Other Differences

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

- For *Financing and investment income and expenditure* the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under *Taxation and non-specific grant income and expenditure* represents the difference between what is chargeable under statutory regulations for council tax and NDR 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.

7 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2018/19	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
1. Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets.	1,430	-	-	(1,430)
• Movement in market value of Investment Properties.	(39)	-	-	39
• Amortisation of Intangible Assets.	-	-	-	-
• Capital grants and contributions applied.	(1,918)	-	-	1,918
• Movement in Donated Assets Account.	-	-	-	-
• Revenue expenditure funded from capital under statute.	3,600	-	-	(3,600)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	283	-	-	(283)
2. Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
• Statutory provision for the financing of capital investment.	(666)	-	-	666
• Capital expenditure charged against the General Fund (Direct Revenue Contributions)	(910)	-	-	910
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(12,491)	-	12,491	-
Applications of grants and capital financing transferred to the Capital Adjustment Account.	-	-	(10,997)	10,997
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(132)	132	-	-
Use of Capital Receipts Reserve to finance capital expenditure.	-	(195)	-	195
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	3,276	-	-	(3,276)
Employer's pension's contributions and direct payments to the pensioner's payable in the year.	(1,378)	-	-	1,378
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amounts by which council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	362	-	-	(362)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	2	-	-	(2)
Total Adjustments.	(8,581)	(63)	1,494	7,150

Comparatives for 2017/18	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
1. Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
• Charges for depreciation and impairment of non-current assets.	1,574	-	-	(1,574)
• Movement in market value of Investment Properties.	(125)	-	-	125
• Amortisation of Intangible Assets.	-	-	-	-
• Capital grants and contributions applied.	(1,248)	-	-	1,248
• Movement in Donated Assets Account.	-	-	-	-
• Revenue expenditure funded from capital under statute.	2,042	-	-	(2,042)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	89	-	-	(89)
2. Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
• Statutory provision for the financing of capital investment.	(672)	-	-	672
• Capital expenditure charged against the General Fund (Direct Revenue Contributions)	(649)	-	-	649
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(4,781)	-	4,781	-
Applications of grants and capital financing transferred to the Capital Adjustment Account.	-	-	(4,235)	4,235
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(195)	195	-	-
Use of Capital Receipts Reserve to finance capital expenditure.	-	(195)	-	195
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	2,402	-	-	(2,402)
Employer's pension's contributions and direct payments to the pensioner's payable in the year.	(1,384)	-	-	1,384
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amounts by which council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	1,128	-	-	(1,128)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1)	-	-	1
Total Adjustments.	(1,820)	-	546	1,274

8 MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 1 st April 2017	Transfer In 2017/18	Transfer Out 2017/18	Balance at 31 st March 2018	Transfer In 2018/19	Transfer Out 2018/19	Balance at 31 st March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Name of Reserve							
IT Reserve	90	-	(50)	40	-	-	40
Vehicle Maintenance Reserve	-	-	-	-	-	-	-
Performance Reward Grant Reserve	38	-	-	38	-	(11)	27
Vehicle Replacement Financing Reserve	-	-	-	-	-	-	-
Land Charges New Burdens Reserve	-	-	-	-	-	-	-
MMI Insurance Reserve	81	-	(1)	80	-	-	80
Capital Investment Reserve	1,323	2,022	(125)	3,220	1,928	(763)	4,385
Community Right to Bid/Challenge Reserve	46	-	-	46	-	-	46
Collection Fund Deficit Reserve	381	-	(381)	-	-	-	-
Funding Volatility Reserve	3,221	2,000	-	5,221	-	-	5,221
Accommodation Project Reserve	500	-	(500)	-	-	-	-
M55 Link Road Reserve	959	41	-	1,000	-	-	1,000
EU Exit Funding Reserve	-	-	-	-	18	-	18
Total Earmarked Reserves	6,639	4,063	(1,057)	9,645	1,946	(774)	10,817

Purpose of Earmarked Reserves

Reserves are those sums set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

The Council operates a number of different earmarked reserves, the purpose of each is summarised below:-

- **IT Reserve (formerly Replacement Systems Reserve)** – This is a voluntary set-aside established for the funding of new IT initiatives and the development of IT systems.
- **Vehicle Maintenance Reserve** – This is a voluntary set-aside established in 2008/09 to contribute towards the cost of vehicle maintenance repairs.
- **Performance Reward Grant Reserve** – Created in 2009/10, this is a voluntary set-aside of performance reward grant (PRG). Although Fylde Council is the Accountable Body for the Fylde PRG, the Fylde Local Strategic Partnership are the appointed decision making body in relation to the allocation of the PRG.

- **Vehicle Replacement Financing Reserve** – Created in 2010/11, this is a voluntary set-aside established to meet the cost of future debt repayments in respect of the replacement and purchase of vehicles.
- **Land Charges New Burdens Reserve** – Created in 2010/11, this is a voluntary set-aside towards potential third party claims in relation to historic Land Charge enquiries.
- **MMI Insurance Reserve** – Created in 2011/12, this is a voluntary set-aside to cover the Council's maximum exposure in relation to the potential clawback of previously paid claims under the scheme of arrangement with the Council's previous Insurer, Municipal Mutual Insurance.
- **Capital Investment Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to help finance future capital expenditure.
- **Community Right to Bid/Challenge Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to finance expenditure linked to the award of Community Right to Bid and Community Right to Challenge grant received by the Council during 2012/13, 2013/14 and 2014/15.
- **Collection Fund Deficit Reserve** – Created in 2013/14, this is a voluntary set-aside of funds to meet the Council's share of any collection fund deficit or levy payments in respect of Business Rates.
- **Funding Volatility Reserve** – Created in 2013/14, this is a voluntary set-aside established to provide a degree of protection to the Council's finances against future volatility in central government funding allocations.
- **Accommodation Project Reserve** – Created in 2015/16, this is a voluntary set-aside of funds to finance expenditure linked to the Accommodation Project capital scheme.
- **M55 Link Road Reserve** – Created in 2016/17, this is a voluntary set-aside of funds to finance a contribution towards to the construction of a link road between the M55 and St Annes together with a number of public and private sector partners.
- **EU Exit Funding Reserve** – Created in 2018/19, this is a voluntary set-aside of government grant received to be used to enhance capacity and capability in making preparations for exiting the European Union.

9 OTHER OPERATING EXPENDITURE

	2017/18	2018/19
	£'000	£'000
Town and Parish Council Precepts	910	957
IAS19 Administration Expenses	25	27
(Gains)/Losses on the disposal of non-current assets	(97)	151
Total	838	1,135

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18	2018/19
	£'000	£'000
Interest payable and similar charges	39	39
Net interest on the net defined benefit liability (asset)	662	603
Interest Receivable and similar Income	(74)	(140)
Income and expenditure in relation to investment properties and changes in their fair values (see note 15)	(191)	(227)
Total	436	275

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	2017/18	2018/19
	£'000	£'000
Council Tax Income	(6,620)	(6,973)
Non-Domestic Rates income and expenditure	(2,274)	(2,200)
Non-Ringfenced Government Grants (see Note 36)	(3,179)	(2,544)
Capital Grants and Contributions	(3,987)	(10,809)
Total	(16,060)	(22,526)

12 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2017/18	2018/19
	£'000	£'000
Expenditure/Income		
Expenditure:		
Employee benefits expenses	9,462	10,747
Other services expenses	26,919	26,140
Support service recharges	9,382	8,617
Depreciation, amortisation, impairment	3,491	5,029
Interest payments	39	39
Precepts and levies	910	958
(Gain)/Loss on the disposal of assets	(97)	151
TOTAL EXPENDITURE	50,106	51,681
Income:		
Fees, charges and other service income	(8,696)	(8,291)
Support service recharges	(9,382)	(8,617)
Interest and investment income	(74)	(140)
Income from Council Tax, Non-Domestic Rates etc.	(9,975)	(10,317)
Grants and contributions	(26,942)	(34,311)
TOTAL INCOME	(55,069)	(61,676)
(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES	(4,963)	(9,995)

13 PROPERTY, PLANT AND EQUIPMENT
Movements on Balances

2018/19	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
at 1 st April 2018	15,603	9,810	5,822	-	3,002	34,237
Additions	478	1,604	173	-	9,224	11,479
Revaluations to the Revaluation Reserve	(1,556)	-	(183)	-	-	(1,739)
Derecognition - disposals	(254)	(2,087)	-	-	-	(2,341)
Impairment (losses) / reversals	(149)	-	-	-	-	(149)
Other movements in cost or valuation	-	-	-	-	-	-
At 31st March 2019	14,122	9,327	5,812	-	12,226	41,487
Accumulated Depreciation						
at 1 st April 2018	(3,259)	(7,004)	(456)	-	-	(10,719)
Depreciation Charge	(510)	(762)	-	-	-	(1,272)
Depreciation written out to the Revaluation Reserve	1,461	-	-	-	-	1,461
Derecognition - disposals	-	2,058	-	-	-	2,058
At 31st March 2019	(2,308)	(5,708)	(456)	-	-	(8,472)
Net Book Value of Assets						
At 31 st March 2019	11,814	3,619	5,356	-	12,226	33,015
At 31 st March 2018	12,344	2,806	5,366	-	3,002	23,518
Comparatives for 2017/18						
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
at 1 st April 2017	15,216	8,513	5,452	-	-	29,181
Additions	500	1,297	459	-	3,002	5,258
Revaluations to the Revaluation Reserve	(113)	-	-	-	-	(113)
Derecognition - disposals	-	-	(89)	-	-	(89)
Impairment (losses) / reversals	(433)	-	-	-	-	(433)
Other movements in cost or valuation	-	-	-	-	-	-
At 31st March 2018	15,170	9,810	5,822	-	3,002	33,804
Accumulated Depreciation						
at 1 st April 2017	(2,568)	(6,228)	(456)	-	-	(9,252)
Depreciation Charge	(352)	(776)	-	-	-	(1,128)
Depreciation written out to the Revaluation Reserve	94	-	-	-	-	94
Derecognition - disposals	-	-	-	-	-	-
At 31st March 2018	(2,826)	(7,004)	(456)	-	-	(10,286)
Net Book Value of Assets						
At 31 st March 2018	12,344	2,806	5,366	-	3,002	23,518
At 31 st March 2017	12,648	2,285	4,996	-	-	19,929

Depreciation Methodologies

Depreciation is charged on a straight line basis on all fixed and intangible assets with a finite useful life. Newly acquired assets are depreciated fully in the year of acquisition in line with the SORP. Asset lives range between 15-50 years for operational buildings and 3-10 years for vehicles, plant and equipment.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

There has been no change during the period in either the estimate of useful lives or the estimate of any residual values.

Assets Under Construction

This relates to the Coast Protection Scheme at Fairhaven and Church Scar.

Capital Commitments

Capital projects often take several years to complete. This means that the Authority is often committed to capital expenditure in later years arising from contracts entered into at the balance sheet date whereby all or part of the capital work has yet to be undertaken. The estimated value of capital expenditure committed at 31st March 2019 to be paid from 2019/20 onwards is £9.606m, and relates to the Coast Protection Scheme (2018/19 £14.525m).

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The assets were valued by the Council's Estates and Asset Manager who is a registered valuer and has appropriate experience and expertise in this type of valuation work. 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. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost. For assets valued at Depreciated Replacement Cost a review of the build costs is also completed to ensure there is no material change in value. For specialised operational assets the current value in existing use is interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

The following statement shows the progress of the Authority's rolling programme for the revaluation of Property, Plant and Equipment including additions and disposals.

Valuation methodologies in respect of heritage assets are outlined in note m of the Accounting Policies section of these accounts.

	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	-	3,619	5,356	-	12,226	21,201
Valued at fair value as at:						
31 st March 2019	6,847	-	-	-	-	6,847
31 st March 2018	2,509	-	-	-	-	2,509
31 st March 2017	-	-	-	-	-	0
31 st March 2016	1,433	-	-	-	-	1,433
31 st March 2015	1,025	-	-	-	-	1,025
Total Cost or Valuation	11,814	3,619	5,356	-	12,226	33,015

14 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets held by the Authority:

	Art Collection	Memorials & Monuments	Sculptures / Ivories	Trophies & Other Items	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
at 1 st April 2017	3,226	80	136	52	376	3,870
Additions	-	-	-	-	-	-
Revaluations	(154)	-	52	21	(1)	(82)
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Net Book Value of Assets at 31st March 2018	3,072	80	188	73	375	3,788
Cost or Valuation						
at 1 st April 2018	3,072	80	188	73	375	3,788
Additions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Net Book Value of Assets at 31st March 2019	3,072	80	188	73	375	3,788

Information on the Council's collection of heritage assets and the accounting policies adopted in respect of heritage assets is shown in note m of the Accounting Policies section of the Statement of Accounts.

15 INVESTMENT PROPERTIES

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

	2017/18	2018/19
	£'000	£'000
Rental Income from Investment Property	(298)	(407)
Direct operating expenses arising from investment	232	219
	(66)	(188)
Changes in Fair Value of Investment Properties	(125)	(39)
Net (Gain) / Loss	(191)	(227)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2017/18	2018/19
	£'000	£'000
Balance at start of year	3,030	3,155
Net gains /(losses) from fair value adjustments	125	39
Reclassification of Assets	-	-
Balance at end of year	3,155	3,194

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see page 49 for explanation of fair value levels).

Transfers between Levels of the Fair Value Hierarchy

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

Valuation Techniques used to determine Level 3 Fair Values for Investment Properties

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which includes the entity's own data, taking into account all information about market participant assumptions that is reasonably available. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs etc.

Changes in the Valuation Technique

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

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuer

The investment property portfolio has been valued at 31st March 2019 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by the Council's Estates and Asset Manager who is a registered valuer and has appropriate experience and expertise in this type of valuation work.

16 INTANGIBLE ASSETS

Intangible assets comprise the software licences for the main Authority systems, and other new e-government systems. The policy adopted is to depreciate over a 3 to 5 year useful life.

	2017/18	2018/19
	£'000	£'000
Balance at start of year		
• Gross carrying amounts	547	547
• Accumulated amortisation	(542)	(547)
Net carrying amount at 1st April	5	-
Additions:		
• Amortisation for the period	(5)	-
Net carrying amount at 31st March	-	-
Comprising:		
• Gross carrying amounts	547	547
• Accumulated amortisation	(547)	(547)
	-	-

17 FINANCIAL INSTRUMENTS

a) Financial Instrument – Reclassification and Re-measurement of Financial Assets

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

The changes made on transition to the balance sheet are summarised below.

Previous Classification		New Classifications at 1 April 2018			
		Amortised Cost	Fair Value through profit or loss	Non-Financial Instrument Balances	Total Balance Sheet Carrying Amount
		£'000	£'000	£'000	£'000
<u>Investments</u>					
Short Term Investments	Loans & Receivables	12,026	-	-	12,026
<u>Debtors</u>					
Short Term Debtors	Loans & Receivables	535	-	-	535
Long Term Debtors	Loans & Receivables	4	-	-	4
Cash & Cash Equivalents	Loans & Receivables	2,464	-	-	2,464
Cash & Cash Equivalents	Available for Sale	-	-	-	-
Reclassified amounts at 1 April 2018		15,029	-	-	15,029
Re-measurements at 1 April 2018		-	-	-	-
Re-measured carrying amounts at 1 April 2018		15,029	-	-	15,029

(b) Financial Instrument - Balances

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

	Long Term		Current	
	31/03/18	31/03/19	31/03/18	31/03/19
	£'000	£'000	£'000	£'000
<u>Financial Assets</u>				
Investments				
At amortised cost				
Loans and Receivables - Principal	-	-	12,000	12,000
Loans and Receivables – Accrued Interest	-	-	26	25
Total Investments	-	-	12,026	12,025
Cash and Cash Equivalents				
At amortised cost				
Loans and Receivables – Cash (Including bank accounts)	-	-	2,463	7,782
Accrued Interest	-	-	1	5
Total Cash and Cash Equivalents	-	-	2,464	7,787
Debtors				
At amortised cost				
	4	2	535	349
Total included in Debtors	4	2	535	349
Debtors that are not financial instruments	-	-	5,850	2,869
Total included in Debtors	4	2	6,385	3,218
<u>Financial Liabilities</u>				
Borrowing				
Financial Liabilities at amortised cost - Loans (Principal sum borrowed)	(1,000)	-	-	(1,000)
Financial Liabilities at amortised cost - Loans (Accrued Interest)	-	-	(12)	(12)
Total Borrowing	(1,000)	-	(12)	(1,012)
Creditors				
Financial liabilities at amortised cost	(1,985)	(3,141)	(5,984)	(3,303)
Total included in Creditors	(1,985)	(3,141)	(5,984)	(3,303)
Creditors that are not financial instruments	-	-	(4,203)	(4,051)
Total Creditors	(1,985)	(3,141)	(10,187)	(7,354)

(c). Financial Instrument – 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 present value of the remaining contractual cash flows at 31st March 2019.

Financial instruments classified at amortised cost are carried in the Balance Sheet at fair value. Their values have been estimated by calculating the net present value of the remaining contractual cash flows at the 31st 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 value of investments have been discounted at the market rate for the similar instruments with similar remaining terms to maturity on the 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 assets or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Fair Value Level	31/03/18		31/03/19	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000

Financial Assets held at amortised cost:

Cash & Cash Equivalents	2	2,464	2,464	7,787	7,787
Short-Term Investments - Loans to Local Authorities	2	12,026	12,026	12,025	12,025
Long-Term Debtors		4	4	2	2
Short-Term Debtors		535	535	349	349
Total Financial Assets		15,029	15,029	20,163	20,163

Financial Liabilities held at amortised cost:

Long-term PWLB Loans	2	1,000	1,058	-	-
Short-term Creditors		5,984	5,984	3,303	3,303
Long-term Creditors		1,985	1,985	3,141	3,141
Borrowing repayable within 12 months		12	12	1,012	1,031
Total Financial Liabilities		8,981	9,039	7,456	7,475

The fair value of short-term liabilities and assets including trade debtors and receivables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date.

(d). Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and expenditure Statement in relation to Financial Instruments consists of the following:

2018/19			
Financial Liabilities	Financial Assets		
Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss	Total
£'000	£'000	£'000	£'000
Income			
Interest income	-	111	-
Dividend income	-	-	29
Interest and Investment Income	-	111	29
Expense			
Interest expense	(39)	-	-
Interest payable and similar charges	(39)	-	-

Comparatives for 2017/18			
Financial Liabilities	Financial Assets		
Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss	Total
£'000	£'000	£'000	£'000
Income			
Interest income	-	63	11
Dividend income	-	-	74
Interest and Investment Income	-	63	11
Expense			
Interest expense	(39)	-	-
Interest payable and similar charges	(39)	-	-

18 LONG TERM DEBTORS

These relate to amounts owing to the Council which are being repaid over various periods longer than one year.

	2017/18	2018/19
	£'000	£'000
Parish Council Interest Free Loan	4	2

19 ASSETS HELD FOR SALE

All assets held for sale are anticipated to be disposed of in a period of less than one year.

	2017/18	2018/19
	£'000	£'000
Balance outstanding at start of year	550	550
Revaluation losses	-	-
Impairment losses	-	-
Assets Sold	-	-
Balance outstanding at year end	550	550

20 INVENTORIES

The Council only holds an inventory of consumable materials, no other types of inventories are held.

	2017/18	2018/19
	£'000	£'000
Balance at start of the year	88	76
Purchases	253	262
Recognised as an expense in the year	(256)	(259)
Written (off)/on balances	(9)	5
Balance outstanding at year end	76	84

21 SHORT-TERM DEBTORS

	2017/18	2018/19
	£'000	£'000
Central Government Bodies	2,677	499
Other Local Authorities	1,936	1,095
NHS Bodies	76	0
Other entities and individuals	1,696	1,624
Total	6,385	3,218

The main reasons for the decrease in the value of Short-Term Debtors are:

- In 2017/18 a large grant from the Environmental Agency for the Coastal Defence Project was due for £1.675m.
- There has been a large reduction in the preceptors share of Council Tax net debtors £1.037m in 2018/19 and £1.695m in 2017/18.
- Housing Benefits Subsidy – The amount outstanding from the Department of Work and Pensions stood at £0.526m in 2017/18, whereas in 2018/19 the Council owe £0.106m, which is contained within the short-term creditors.

22 CASH AND CASH EQUIVALENTS

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

	2017/18	2018/19
	£'000	£'000
Cash held by the Authority	1	1
Bank Current Accounts	2,463	7,786
Term Deposits	-	-
Total	2,464	7,787

23 SHORT-TERM CREDITORS

	2017/18	2018/19
	£'000	£'000
Central Government Bodies	2,751	2,499
Other Local Authorities	994	960
Public Corporations and Trading Funds	-	6
Other entities and individuals	6,442	3,889
Total	10,187	7,354

The main reasons for the overall reduction in the value of Short-Term Creditors are:

- Delivery of new waste vehicles – amounts owing in 2018/19 £nil (£1.186m 2017/18).
- Fairhaven Coast Protection Scheme – retention monies had been cleared in 2018/19 (£0.625m 2017/18).
- S106 money repayable within one year has reduced to £1.090m in 2018/19 (£2.532m 2017/18).

24 PROVISIONS

	2017/18	2018/19
	£'000	£'000
<u>NDR Appeals</u>		
Balance at 1st April	1,969	1,463
Additional/(Reduction) in provisions made in year	(506)	483
Balance at 31st March	1,463	1,946

NDR Appeals Provision

Due to the localisation of Business Rates, which became effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability along with the Ministry of Housing, Communities & Local Government (50%), Lancashire County Council (9%) and the Lancashire Fire Authority (1%). As at 31st March 2019, the total value of the Provision for Appeals was increased to £4.865m from £3.656m in 2017/18 with Fylde Council's share of this being £1.946m (2017/18 £1.463m).

25 LONG-TERM CREDITORS

	2017/18	2018/19
	£'000	£'000
Section 106 Agreements	1,985	3,141
Total	1,985	3,141

Section 106 Agreements are for the fulfilment of obligations under certain Planning Application Approvals. The amounts held under Long-Term Creditors represents cash received to fund expenditure commitments that are expected to be incurred against these Agreements after more than 12 months from the Balance Sheet date.

26 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 32.

	2017/18	2018/19
	£'000	£'000
General Fund Balance	3,685	3,927
Earmarked General Fund Reserves	9,645	10,817
Capital Receipts Reserve	63	-
Capital Grants Unapplied	791	2,285
Total Usable Reserves	14,184	17,029

27 UNUSABLE RESERVES

	2017/18	2018/19
	£'000	£'000
Revaluation Reserve	11,468	9,189
Capital Adjustment Account	13,831	25,245
Pensions Reserve	(25,774)	(26,523)
Collection Fund Adjustment Account	383	21
Accumulated Absences Account	(33)	(36)
Total Unusable Reserves	(125)	7,896

Further details of each of these reserves and accounts are set out on the following pages:

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated to the balance on the Capital Adjustment Account.

	2017/18	2018/19
	£'000	£'000
Balance at 1st April	11,444	11,468
Upward Revaluation of assets	280	383
Downward Revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(256)	(661)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services	24	(278)
Difference between fair value depreciation and historic cost depreciation	-	(445)
Revaluation adjustments transferred to the Capital Adjustment Account	-	(1,519)
Accumulated gains on assets sold or scrapped	-	(37)
Amounts written off to the Capital Adjustment Account	-	(2,001)
Balance as at 31st March	11,468	9,189

Capital Adjustment Account

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve

	2017/18	2018/19
	£'000	£'000
Balance at 1st April	10,537	13,831
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(1,561)	(1,420)
• Revaluation losses on Property, Plant and Equipment	-	-
• Amortisation of Intangible Assets	-	-
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss in disposal to the Comprehensive Income and Expenditure Statement	(89)	(246)
• Revenue expenditure funded from capital under statute	(2,042)	(3,599)
• De-minimis Capital Expenditure	(13)	(9)
	(3,705)	(5,274)
Adjusting amounts written out of the Revaluation Reserve	-	1,964
Net written out amount of the cost of non-current assets consumed in the year	(3,705)	(3,310)
Capital Financing applied in the year		
• Use of the Capital Receipts Reserve to finance new capital expenditure	186	195
• De-minimis Capital Receipts	9	-
• Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,042	3,476
• Application of grants to capital financing from the Capital Grants Unapplied Account	3,441	9,438
• Statutory provision for the financing of capital investment charged against the General Fund	672	666
• Capital expenditure charged against the General Fund	649	910
	6,999	14,685
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-	39
Balance as at 31st March	13,831	25,245

Pensions Reserve

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

	2017/18	2018/19
	£'000	£'000
Balance at 1st April	(28,612)	(25,774)
Re-measurements of the net defined benefit liability/asset	3,856	1,149
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,018)	(1,898)
Balance as at 31st March	(25,774)	(26,523)

Collection Fund Adjustment Account

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

	2017/18	2018/19
	£'000	£'000
Balance at 1st April	1,511	383
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(1,128)	(362)
Balance as at 31st March	383	21

Accumulated Absences Account

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

	2017/18	2018/19
	£'000	£'000
Balance at 1st April	(34)	(33)
Settlement or cancellation of accrual made at the end of the preceding year	34	33
Amounts accrued at the end of the current year	(33)	(36)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	(3)
Balance as at 31st March	(33)	(36)

28 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

	2017/18	2018/19
	£'000	£'000
Interest Received	(74)	(140)
Interest Paid	39	39
Total	(35)	(101)

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

	2017/18	2018/19
	£'000	£'000
Depreciation	1,128	1,271
Impairment	433	149
Increase/(Decrease) in Creditors	266	(883)
(Increase)/Decrease in Debtors	(5,446)	2,509
Decrease/(Increase) in Inventories	12	(8)
Increase/(Decrease) in Provision for Appeals and Accumulated Absences	(507)	486
Movement in Pension Liability	1,018	3,171
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	290	244
Total	(2,806)	(6,939)

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

	2017/18	2018/19
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	(132)
Capital Grants included in the net surplus/deficit on the provision of services	(3,987)	(14,408)
Total	(3,987)	(14,540)

29 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017/18	2018/19
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(5,595)	(11,479)
Purchase of Short Term Investments	(2,000)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	195	132
Other receipts from investing activities	6,029	14,411
Net cash flows from investing activities	(1,371)	3,064

30 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2017/18	2018/19
	£'000	£'000
Other receipts from financing activities	(4,094)	(135)
Repayments of short-term and long-term borrowing	-	-
Net cash flows from financing activities	(4,094)	(135)

31 TRADING OPERATIONS

The Council operates one trading activity which is for Grounds Maintenance, providing services to external clients within and outside of the borough. The financial results are as follows:

	2017/18	2018/19
	£'000	£'000
Turnover	(727)	(754)
Expenditure	713	701
Net (Surplus) / Deficit on trading operations for the year	(14)	(53)

The Grounds Maintenance trading operations are incorporated into the Comprehensive Income and Expenditure Statement. In 2018/19, the Grounds Maintenance operations generated a surplus of £52,683 compared with a surplus of £13,920 in 2017/18. In addition to the surpluses shown above, these activities also benefit the Council by providing a positive contribution to corporate support service and service management costs..

32 AGENCY SERVICES

The Council acts as agent for Lancashire County Council in respect of Highways work in the urban core and also street lighting, gully cleansing and special maintenance.

A summary of the Off-Street Civil Parking Enforcement Parking Accounts, as required by Section 55 of the Road Traffic Regulation Act 1984, is shown below:

	2017/18	2018/19
	£'000	£'000
Income (Penalty Charge Notice only)	(42)	(49)
Expenditure	89	84
(Surplus) Deficit	47	35

33 MEMBERS ALLOWANCES

The Authority paid the following amounts to members of the Council during the year:

	2017/18	2018/19
	£'000	£'000
Allowances	248	247
Expenses	3	3
Total	251	250

34 OFFICERS REMUNERATION AND TERMINATION BENEFITS

The following table sets out the remuneration of Senior Officers whose salary was £50,000 or more (excluding employer's pension contributions):

Title of Post		Remuneration	Expense Allowances	Compensation for Loss of office (Redundancy Payment)	Total Remuneration excl. pension contributions	Pension contributions (Incl. strain/ Augmented costs)	Total Remuneration incl. pension contributions
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2018/19	100	-	-	100	15	115
	2017/18	97	-	-	97	15	112
Director – Resources	2018/19	71	-	-	71	11	82
	2017/18	76	-	-	76	11	87
Director – Development Services	2018/19	70	-	-	70	11	81
	2017/18	69	-	-	69	11	80
Chief Financial Officer	2018/19	66	-	-	66	10	76
	2017/18	64	-	-	64	10	74

The remuneration shown in the table above includes payments for services performed in relation to local District Council by-elections held during 2018/19.

In addition to the above Senior Officers, other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

Remuneration Bands	2017/18	2018/19
	No.	No.
Main Bands:		
£50,000 - £54,999	1	1

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below:

Exit Package Cost band (incl. special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages by each band	
	2017/18 No.	2018/19 No.	2017/18 No.	2018/19 No.	2017/18 No.	2018/19 No.	2017/18 £'000	2018/19 £'000
£0 – £20,000	2	-	-	1	2	1	6	20
£20,001 - £40,000	-	-	1	1	1	1	40	30
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
	2	-	1	2	3	2		
Total cost included in the Comprehensive Income and Expenditure Statement							46	50

In 2018/19 the authority terminated the contracts of 2 employees, incurring costs of £49,965 (£45,703 in 2017/18).

35 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to external audit and inspection:

	2017/18 £'000	2018/19 £'000
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year	48	37
Rebate received from Public Sector Audit Appointments (PSAA)	(7)	-
Fees payable to external auditor for the certification of grant claims and returns for the year	8	10
Fees payable to the Cabinet Office in respect of the National Fraud Initiative	-	2
Total	49	49

36 GRANT INCOME

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

	2017/18	2018/19
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant (net of LCTS adjustment)	(326)	(47)
New Homes Bonus (net of payment to Town and Parish Council's)	(1,665)	(1,284)
Small Business Rate Relief Grant	(1,081)	(1,148)
Transition Grant	(56)	-
Other	(51)	(65)
Revenue Expenditure funded from Capital under Statute Capital Grants and Contributions	(2,042)	(3,113)
	(3,987)	(11,296)
Total	(9,208)	(16,953)
Credited to Services		
Housing & Council Tax Benefits	(18,258)	(18,310)
Ministry of Housing, Communities & Local Government	(113)	(113)
Other	(60)	(148)
	(18,431)	(18,571)
Total	(27,639)	(35,524)

37 RELATED PARTY TRANSACTIONS

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. Related parties include:

(a) Central Government

The UK Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties.

(b) Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Each Councillor has agreed to be bound by a code of conduct, requiring them to disclose certain personal interests on a register, which is available for public inspection at the Town Hall, Lytham St Annes. These declarations are also accessible on the Council website.

There is one transactions to disclose in relation to 2018/19 relating to a payment of £330 to Councillor Raymond Thomas for the provision of photographic services to the Council. This relationship is listed by Councillor Thomas as a 'Disclosable Pecuniary Interest' in the declaration of Members Interests. This declaration, along with those of all Members, is accessible on the Council website.

The Council makes a number of Member appointments to outside bodies each year. In relation to the 2018/19 financial year these are detailed in the Council report of 16th April 2018 which is available on the Councils website.

The Council made a financial contribution to a number of partner organisations during 2018/19, most notably:

- Fylde Citizens Advice Bureau;
- Age UK Lancashire;
- Face to Face; and
- Lancashire Domestic Violence Fund.

(c) Senior Council Officers

Members of the Council's Management Team may exert influence control over the Council's financial and operating policies. In the furtherance of transparency each member of the Management Team has submitted information regarding outside bodies with which they have an association. No such associations exist.

(d) Partnership working

During 2018/19 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operations were as follows:

Lancashire County Council	<ul style="list-style-type: none">• Flood Prevention
Blackpool Council	<ul style="list-style-type: none">• Payroll services• Human Resources• Health & Safety• Recruitment and Selection• Organisational Development• Occupational Health• Legal support for Blackpool Council Planning Committee• Revenues & Benefits Services• Deputy Monitoring Officer• Coastal Programme Board• Economic Development Partnership• Grounds Maintenance - Blackpool Coastal Housing• CCTV System Maintenance• Bathing Water Quality management• Property surveying/maintenance• Fylde Coast Duty to Co-operate Forum• Homelessness Trailblazer Project• Fylde Sand Dunes Project
Wyre Council	<ul style="list-style-type: none">• Coastal Programme Board• Care and Repair Service• Economic Development Partnership• CCTV System Maintenance• Bathing Water Quality management• Health and Wellbeing Partnership• Homelessness Trailblazer Project
Preston City Council	<ul style="list-style-type: none">• Financial and Treasury Management Support• Corporate Fraud Service• Shared Head of Internal Audit

(e) Other Public Bodies

Precepts were raised for Lancashire County Council, Lancashire Police and Crime Commissioner, Lancashire Combined Fire Authority, and local Town and Parish Councils within the Fylde area. Details of these are contained within the Collection Fund statements.

(f) Associated Companies and Joint Venture Partners

Fylde Council has no associated companies or joint venture partners.

(g) Lowther Trust

A Trust board was formed in 2009/10 consisting of 7 Trustees, one being an elected member of Fylde Council. The remaining Trustees were appointed from interested members of the public following an open application process. Prior to this the Council was the sole Trustee and provided all management and administration resources. From April 2012 a new arrangement between the Council and the Trust saw the transfer of responsibility for all day-to-day management to the Trust with the Council meeting an agreed level of deficit funding over the subsequent five-year period.

(h) Other Partnerships

The Council has an arrangement with the charity Refurb, working as a Bulky Waste collector, to deliver the chargeable bulky waste collection service.

38 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

The CFR is analysed in the second part of this note.

Capital Financing Requirement	2017/18	2018/19
	£'000	£'000
Opening Capital Financing Requirement	5,403	5,727
Capital Investment		
Property, Plant and Equipment	5,271	11,488
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	2,042	3,599
Sources of Finance		
Capital Receipts	(186)	(195)
Government Grants and Other Contributions	(5,482)	(12,915)
Sums set aside from Revenue	-	-
Direct Revenue Contributions	(649)	(910)
MRP/Loans Fund Principal	(672)	(666)
Closing Capital Financing Requirement	5,727	6,128
Explanation of Movements in Year		
Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	324	401
Increase/(Decrease) in Capital Financing Requirement	324	401

39 LEASES

Authority as Lessor

Operating Leases

The Council acts as lessor in respect of land and property owned by it and leased to tenants. The value of the income from rents associated with these agreements, and included within the Council's Income and Expenditure account, is as follows:

	2017/18	2018/19
	£'000	£'000
Land and Property Leases	309	407

The capital value held within the balance sheet at 31st March 2019 in respect of land and property generating leasehold income is £3.194m (2017/18 £3.155m). The accumulated depreciation charge applicable to these assets reflected in the 2018/19 financial statements is nil.

The future lease payments receivable under non-cancellable leases in future years are:

	31 st March 2018	31 st March 2019
	£'000	£'000
Not Later than one year	107	294
Later than one year but not later than 5 years	427	777
Later than 5 years	6,084	6,282
	6,618	7,353

40 IMPAIRMENT LOSSES

An impairment review during the course of the year identified reductions in the value of the following Council's Non-Current Assets. A summary of these impairments is shown below:

	31 st March 2018	31 st March 2019
	£'000	£'000
Town Hall	433	-
Snowdon Road Depot	-	149
	433	149

41 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Lancashire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to Post-employment Benefits

The cost of retirement benefits are recognised in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required 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. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme	2017/18	2018/19
	£'000	£'000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services:		
Service Cost, comprising:		
- Current Service Cost	1,715	1,705
- Past Service Cost	-	941
Other Operating Expenditure		
- Administration expenses	25	27
Financing and Investment Income and Expenditure		
- Net interest expense	662	603
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,402	3,276
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Return on plan assets (excluding the amount included in the net interest expense)	(673)	(5,593)
- Actuarial (gains) and losses arising on changes in financial assumptions	(3,183)	4,444
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,856)	(1,149)
<u>Movement in Reserves Statement</u>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(1,018)	(1,898)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	1,384	1,378

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

	2017/18 Restated*	2018/19
	£'000	£'000
Present Value of the defined benefit obligation	(87,683)	(94,850)
Fair Value of plan assets	64,456	69,601
Net liability arising from defined benefit obligation	(23,227)	(25,249)

The decisions of the Court of Appeal in the Sergeant/McCloud cases have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the Local Government Pension Scheme (LGPS) and its employers.

For the LGPS the potential past service liabilities would increase by £0.941m

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

	2017/18 Restated*	2018/19
	£'000	£'000
Opening fair value of scheme assets	60,654	64,456
Interest income	1,541	1,649
Re-measurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	673	5,593
Administration expenses	(25)	(27)
Contribution from employer	1,384	1,378
Contributions from employees into the scheme	331	350
Benefits paid	(2,649)	(2,525)
Lump sum pre-payment	2,547	(1,273)
Closing fair value of scheme assets	64,456	69,601

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2017/18 Restated*	2018/19
	£'000	£'000
Opening Balance at 1 st April	89,266	87,683
Current service cost	1,715	1,705
Past service cost	-	941
Interest cost	2,203	2,252
Contributions from scheme participants	331	350
Re-measurement gain/(loss):		
- Actuarial Experience (gains) and losses	-	-
- Actuarial (gains) and losses arising on changes in financial assumptions	(3,183)	4,444
- Actuarial (gains) and losses arising on changes in demographic assumptions	-	-
Past service costs	-	-
Benefits paid	(2,649)	(2,525)
Closing Balance at 31st March	87,683	94,850

Scheme History

	2014/15	2015/16	2016/17	2017/18 Restated*	2018/19
	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(78,952)	(76,219)	(89,266)	(87,683)	(94,850)
Fair Value of plan assets	51,717	52,914	60,654	64,456	69,601
Surplus/(Deficit) in the Scheme	(27,235)	(23,305)	(28,612)	(23,227)	(25,249)

During 2017/18 the Council made a £2.547m lump sum pre-payment of employer pension contributions in respect of 2018/19 and 2019/20, as detailed in the Narrative Report. The net liability on the pension fund as shown above has therefore been reduced by £1.273m to £25.249m to reflect that element of the pre-payment relating to 2018/19, and this is the figure shown on the balance sheet.

*In the previous year, a prepayment of £2.5m was made by Fylde into the pension scheme, which in note 41 was included in the Present Value of the defined benefit obligation. The prepayment is an asset, so the 2017/18 comparatives have been restated to show the prepayment within Fair Value of plan assets. The Surplus/(Deficit) in the Scheme is unaffected by this restatement.

Local Government Pension Scheme assets comprised:

Fair value of scheme assets	2017/18	2018/19
	Restated*	
	£'000	£'000
Cash:		
• Cash and Cash Equivalents	(1,558)	0
• Cash Accounts	2,721	355
• Net current assets	(1,432)	48
Sub-total cash	(269)	403
Equity instruments:		
By industry type		
• Consumer	-	-
• Manufacturing	-	-
• Energy and utilities	-	-
• Financial institutions	-	-
• Health and Care	-	-
• Information Technology	-	-
• Miscellaneous/Unclassified Total	-	-
Sub-total equity	-	-
Bonds:		
• Corporate	1,133	817
• Government	1,538	2,447
• Overseas	62	0
Sub-total bonds	2,733	3,264
Property:		
• Retail	1,772	1,676
• Commercial	4,288	4,812
• Residential	-	-
Sub-total property	6,060	6,488
Private Equity:		
• UK	-	-
• Overseas	4,679	5,349
Sub-total private equity	4,679	5,349
Other Investment Funds:		
• Infrastructure	8,168	9,839
• Credit Funds	11,876	4,941
• Pooled Fixed Income	1,590	7,571
• Emerging Markets ETF	-	-
• Indirect Property Funds	979	1,066
• UK Pooled Equity Funds	-	-
• Overseas Pooled Equity Funds	28,640	30,680
Sub-total other investment funds	51,253	54,097
Total Assets	64,456	69,601

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities has been assessed by Mercers Ltd, an independent firm of actuaries, estimates for the pension fund being based on the last valuation of the Scheme as at 31st March 2016.

The significant assumptions used by the actuary have been:

	31 st March 2018	31 st March 2019
	£'000	£'000
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.7 years	22.8 years
- Women	25.4 years	25.5 years
Longevity at 65 for future pensioners (aged 65 in 20 years' time) :		
- Men	25.0 years	25.1 years
- Women	28.0 years	28.2 years
Rate of CPI inflation	2.1	2.2
Rate of increase in salaries	3.6**	3.7**
Rate of increase in pensions	2.2	2.3
Rate for discounting scheme liabilities	2.6	2.4

** An adjustment has been made for short term pay restraint in line with the most recent actuarial valuation.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Approximate increase (decrease) in Employee Liabilities
	£'000
Changes in assumptions at 31st March 2019	
0.1%p.a. increase in discount rate	(1,517)
0.1%p.a. increase in inflation	1,542
0.1%p.a. increase in pay growth	202
1 year increase in life expectancy	1,892

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. The maximum deficit recovery period for the Fund has been set at 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Actuary anticipates that the Authority will pay £1.499m contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2018/19 (16 years, 2017/18).

Contingent Liabilities:

- **Insurance Claims** – As at 31st March 2019, the Council has outstanding insurance claims against it with a reserve amount of £281,958 (17/18, £206,612). However, the Council's liability is limited to the excess on the insurance policy, with the maximum amount payable by the Council on these claims being £10,563 (17/18, £8,190) for revenue items. No adjustments have been made within the Accounts for these revenue items as, at the balance sheet date, it was not known if the claims were or will be successful.
- **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 support the provision of services and infrastructure such as highways, recreational facilities, education, health and affordable housing, which is necessary as part of the development or to mitigate its impact. 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 the monies may have to be returned to the developer and in some cases interest may also be payable. The Council has a number of S106 agreements. The balance of monies held as long-term creditors in respect of those agreements (i.e. those that have more than 12 months to run) is £3.141m, as detailed in Note 25 to this Statement of Accounts. These accounts have been prepared on the basis that no monies are returnable at the balance sheet date as it is the Council's intention to spend the money as required under the agreements rather than repaying it to developers.
- **Accountable Body Status** - The Authority has been appointed Accountable Body status for a number of schemes and projects that are either wholly or partly funded by central government and related agencies. Accountable Bodies have to operate within prescribed regulations giving potential rights for grant to be clawed back if specific output targets are not met by the partner organisations. The total value of the uncompleted projects for which the Council was acting as accountable body as at 31st March 2019 is below £300k. These accounts have been prepared on the basis that none of the grants involved will either be clawed back or withheld as it is the Council's intention to spend the money as required to deliver the projects.
- **Planning Appeals** – There continues to be scope for tension between the need to increase housing supply, as identified by central government, and the aspirations of some local communities. Planning applications for significant housing development which are refused by the Council can generate appeals. The number of potential appeals and the cost of defending them, which may also include the award of costs against the Council on occasion, cannot accurately be assessed in advance. Any costs incurred beyond the budgeted level will be dealt with via updates to the Council's Medium Term Financial Strategy. It is anticipated that any necessary additional financial resources in respect of planning appeals would be identified from within existing approved budgets and consequently there would be no impact on the Council's overall budget requirement.
- **Business Rates - Legal Challenges** – The Council is currently defending the following legal challenges, the outcomes of which could potentially result in the repayment of previously paid business rates:
 - (1) During 2018/19 the Council received a letter before action detailing a claim for the reimbursement of Business Rates paid to the Council over prior years due to alleged inconsistencies in the rating list. The Council sought expert legal opinion and has refuted the claim. It remains possible that the claimants will pursue the matter through the courts at some later date.
 - (2) During 2018/19 the Council received a summons setting out a claim for the reimbursement of Business Rates paid to the Council over prior years due to alleged errors in the rating list. The Council sought expert legal opinion and is resisting the claim. The legal proceedings are continuing and expected to conclude during 2019/20.
- **Lowther Gardens Trust** - The Council is one of a number of trustees of Lowther Gardens, Lytham. During 2018/19 the Council agreed to underwrite the legal costs of the Trust in a legal dispute relating to the ending of the tenancy of the cafe at Lowther Pavilion to a maximum sum of £175,000.

Whilst efforts are continuing to seek a mutually acceptable solution it is anticipated that a court case will follow during 2019/20 and consequently costs may be incurred by the Council.

- **Business Rates (National Non-Domestic Rates-NNDR) Appeals** - The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts. The total value of the Provision for Appeals has been increased to £4.865m from £3.656m in 2017/18 with Fylde Council's share of this being £1.946m (2017/18 £1.463m). It is anticipated that this level of provision is sufficient to meet the full cost of outstanding appeals.
- **St Annes Neighbourhood Plan** - A statutory challenge was received against the making of the St Annes Neighbourhood Plan. The Council successfully resisted the challenge in the High Court on a preliminary point concerning the timing of the challenge but an appeal against that judgement has been lodged. The case was heard on 11th April 2019, but the decision of the Court of Appeal has not yet been issued. If the appeal is successful the Council will incur further legal costs and may also incur the costs of a second local referendum on the St Annes Neighbourhood Plan.
- **Lytham Institute** - the Council holds within its property portfolio a building that has in recent years been occupied partly by Lancashire County Council (LCC) under a 'User Rights' agreement for the provision of a library service. Following a review of the Lancashire-wide provision of library services by LCC the building no longer serves as a public library. However to date LCC have not rescinded their user rights and the future use for the building is uncertain at the balance sheet date. It has been suggested that a charitable trust may in fact have been established when the building was assigned to a predecessor body of Fylde Council in 1917. If that position were to be confirmed at some point in the future the property may need to be removed from the Council's property portfolio.

Contingent Assets:

- **Housing Stock Transfer - Right to Buy (RTB) Sharing Arrangements** - Following the transfer of housing stock from the Council, New Fylde Housing (now Progress Housing Group) has agreed to share RTB receipts, calculated according to the formula as set out in the transfer agreement of 2nd October 2000. This arrangement will terminate at the end of the financial year 2029/30, on 31st March 2030. The amount the Council receives in any given year is dependent on prevailing market conditions. During 2018/19 the Council received capital receipts in respect of RTB sales in the sum of £27k (2017/18, £186k). Receipts of this nature in future years are expected to be at an average of £25k per annum but will vary from year-to-year.

43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(i) Key Risks

The Council complies with the CIPFAS Code of Practice on the 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 Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises the 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 other 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 an 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.

The 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 Fitch, Moody's and Standard & Poors 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 the 5 March 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 Long Term BBB+
- UK or EU Member Banks domiciled in a country with a minimum sovereign rating of A-
- Limits on investments in certain sectors (e.g. Money Market Funds, Building Societies, foreign countries).

Amounts Arising from Expected Credit Losses

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

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	Long Term 31/03/19	Short Term 31/03/19	Long Term 31/03/18	Short Term 31/03/18
	£'000	£'000	£'000	£'000
A+	-	2,004	-	
Unrated Local Authorities		10,021		12,026
Total Investments	-	12,025	-	12,026

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.

	As at 31 st March 2019	Historical experience of default	Adjustment for market conditions at 31/03/19	Estimated maximum exposure to default	Estimated maximum exposure At 31/03/18
	£'000	%	%	£'000	£'000
	a	b	c	a * c	
Debtors	453	19.81%	19.81%	90	84

The Council does not generally allow credit for its trade debtors. Of the £0.453m (£0.632m 2017/18) outstanding for debtors, £0.317m (£0.304m 2017/18) is overdue. The overdue but not impaired amount (impaired amount £0.104m 2018/19) can be analysed by age as follows:

	2017/18	2018/19
	£'000	£'000
Less than three months	167	133
Three months to one year	26	51
More than one year	111	29
	304	213

(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 Loan 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
Less than one year	5,995	4,315
Between one and two years	1,020	52
Between two and five years	622	1,115
Between five and ten years	568	427
More than ten years	776	1,547
	8,981	7,456

Amounts payable relating to statutory debts, e.g. 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	2018/19
	£'000	£'000
Less than one year	15,025	20,161
Between one and two years	2	2
Between two and three years	2	-
More than three years	-	-
	15,029	20,163

(iv) Market risk

(a) Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are not carried at “Fair Value” on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement. However, changes in interest receivable on investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

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

	2017/18	2018/19
	£'000	£'000
Increase in interest receivable on investments	208	227
Impact on Comprehensive Income and Expenditure Account	208	227
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	(11)	(10)

The Council's short-term borrowing is at fixed rates.

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

(b) Price risk – The Council, excluding the pension fund, does not generally invest in instruments with this type of risk, e.g. equity shares or marketable bonds.

(c) Foreign exchange risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

44 LANCASHIRE BUSINESS RATES POOL

Fylde Council has been part of the Lancashire Business Rates Pool since 1 April 2017. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Housing, Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy; and
- Each district within the pool retains 90% of their levy.

With regard to this Council, the total retained levy is £640,137 (£664,723 in 2017/18), hence under pooling we have benefited from extra income of £576,123 (£598,251 in 2017/18). Lancashire County Council has received the remaining 10% of retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £2,000 is payable by each pool member to Ribble Valley Borough Council in their role as lead. In the Lancashire Business Rates Pool each Council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

Lancashire Business Rates Pool Members 2018/19	Authority Type	Tariffs and Top-Ups in Respect of 2018/19	Retained Levy on Growth 2018/19	10% Retained Levy Payable to/received by Lancashire County Council	Net Retained Levy 2018/19
		£	£	£	£
Burnley Borough Council	Tariff	5,813,386	(779,370)	77,937	(701,433)
Chorley Borough Council	Tariff	6,255,602	(798,029)	79,803	(718,226)
Fylde Borough Council	Tariff	7,792,807	(640,137)	64,014	(576,123)
Hyndburn Borough Council	Tariff	3,817,977	(554,502)	55,450	(499,052)
Pendle Borough Council	Tariff	3,259,593	(355,927)	35,593	(320,334)
Ribble Valley Borough Council	Tariff	4,147,262	(725,653)	72,565	(653,088)
Rossendale Borough Council	Tariff	2,610,199	(603,452)	60,345	(543,107)
South Ribble Borough Council	Tariff	9,933,983	(1,190,680)	119,068	(1,071,612)
West Lancashire Borough Council	Tariff	8,367,158	(889,169)	88,917	(800,252)
Wyre Borough Council	Tariff	6,577,163	(608,534)	60,853	(547,681)
Lancashire County Council	Top-Up	(152,078,891)	-	(714,545)	(714,545)
Central Government	-	93,503,761	-	-	-
Total			- (7,145,453)	- (7,145,453)	

The Net Retained Levy for the Council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the Council's own share of growth achieved in the year.

COLLECTION FUND

2017/18			Notes	2018/19		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000	£'000	£'000	£'000	
			INCOME:-			
(50,050)	-	(50,050)	Council Tax Receivable	(53,626)	-	(53,626)
-	(23,812)	(23,812)	Business Rates Receivable	-	(26,771)	(26,771)
-	-	-	Transitional Protection Payments receivable	-	-	-
(50,050)	(23,812)	(73,862)		(53,626)	(26,771)	(80,397)
			EXPENDITURE:-			
			Apportionment of Previous Years Surplus/(Deficit)			
-	1,414	1,414	Central Government	-	400	400
214	255	469	Lancashire County Council	(186)	72	(114)
30	-	30	Police and Crime Commissioner for Lancashire	(25)	-	(25)
12	28	40	Lancashire Combined Fire Authority	(10)	8	(2)
40	1,131	1,171	Fylde Council	(35)	320	285
			Precepts, Demands and Shares			
-	12,191	12,191	Central Government	-	12,491	12,491
6,643	9,753	16,396	Fylde Council	6,956	9,993	16,949
35,777	2,194	37,971	Lancashire County Council	38,525	2,248	40,773
4,845	-	4,845	Police and Crime Commissioner for Lancashire	5,279	-	5,279
1,918	244	2,162	Lancashire Combined Fire Authority	2,007	250	2,257
			Charges to Collection Fund			
518	417	935	Write offs of uncollectable amounts	577	258	835
504	312	816	Increase/(Decrease) in Bad Debt Provision	155	(132)	23
-	(1,266)	(1,266)	Increase/(Decrease) in Appeals Provision	-	1,209	1,209
-	113	113	Cost of Collection	-	113	113
-	-	-	Transitional Protection Payments payable	-	419	419
			Disregarded Amounts			
-	-	-	Shale Gas	-	25	25
-	-	-	Renewable Energy	-	57	57
50,501	26,786	77,287		53,243	27,731	80,974
451	2,974	3,425	(Surplus)/Deficit arising during the Year	(383)	960	577
(302)	(3,505)	(3,807)	(Surplus)/Deficit brought forward at 1st April	149	(531)	(382)
149	(531)	(382)	(Surplus)/Deficit carried forward a 31st March	(234)	429	195

NOTES TO THE COLLECTION FUND

1) ALLOCATION OF COLLECTION FUND BALANCES

2017/18		2018/19		
		Council Tax	Business Rates	Total
£'000		£'000	£'000	£'000
	Allocation of Collection Fund Balances			
(192)	Fylde Council	(30)	172	142
(266)	Central Government	-	214	214
60	Lancashire County Council	(169)	39	(130)
15	Police and Crime Commissioner for Lancashire	(26)	-	(26)
1	Lancashire Combined Fire Authority	(9)	4	(5)
(382)		(234)	429	195

2) COUNCIL TAX BASE

The Council Tax base for 2018/19 was calculated as follows:-

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
Additional Band (Disabled)	15	5/9	8
Band A	4,000	6/9	2,667
Band B	4,553	7/9	3,541
Band C	7,179	8/9	6,381
Band D	6,047	9/9	6,047
Band E	4,339	11/9	5,303
Band F	2,348	13/9	3,392
Band G	1,429	15/9	2,382
Band H	113	18/9	226
Other Adjustments	176	-	176
Total Relevant Amount			30,123
Multiplied by: Estimated Collection Rate			98.25%
			29,596
Add: Other Adjustments			155
Council Tax Base			29,751

A Band D Council Tax was set at £1,697.49, split £1,294.92 for Lancashire County Council, £157.66 for Fylde Council, £177.45 for the Police and Crime Commissioner for Lancashire and £67.46 for Lancashire Combined Fire Authority. Council Tax-payers in St Annes and Lytham also paid a Special Expenses charge at Band D of £73.97 whilst Parish and Town Councils agreed additional Council Tax charges of between £18.08 and £92.49 at Band D level.

3) TOWN AND PARISH PRECEPTS

	2017/18	2018/19
	£	£
Bryning-with-Warton	96,711	99,481
Elswick	29,695	31,170
Freckleton	102,795	103,590
Greenhalgh-with-Thistleton	4,869	5,185
Kirkham	189,531	207,273
Little Eccleston-with-Larbreck	10,219	10,794
Medlar-with-Wesham	60,426	61,865
Newton-with-Clifton	52,525	55,163
Ribby-with-Wrea	51,201	54,073
Singleton	18,652	19,443
Staining	61,373	61,373
St.Annes	195,358	207,965
Treales, Roseacre and Wharles	10,807	11,060
Weeton-with-Preese	16,244	16,504
Westby-with-Plumpton	9,454	12,800
	<u>909,860</u>	<u>957,739</u>

4) NON-DOMESTIC RATE (NDR)

	2017/18	2018/19
NDR Rateable Value as at 31 st March	£66,739,533	£66,924,141
NDR Multiplier	0.479	0.493
NDR Multiplier (Small Business)	0.466	0.480



Annual Governance Statement

2018/19

Executive Summary

On the basis of the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the matters contained in the statement below to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Fylde Borough Council

Councillor S Fazackerley
Leader of the Council

Allan Oldfield
Chief Executive

Governance Issues

As a result of the assessment of the effectiveness of governance within the Council, the Corporate Governance Group has identified that a sound system of governance exists within the Authority.

During 2019/20, the Corporate Governance Group recommends that governance work should focus on the following:

Area Requiring Action	Senior Responsible Officer	Completion Date
Implement revised staff induction programme	Alex Scrivens	30 th September 2019
Raise awareness of probity policies through team briefs (on-going throughout the year)	Tracy Manning in consultation with the Corporate Governance Group	31 st March 2020
Strengthen communication regarding core competencies through electronic message board, intranet and internet	Alex Scrivens	30 th June 2019
Re-launch the Project Management Framework and consider an appropriate framework for compliance monitoring	Alex Scrivens	30 th November 2019
Delivery of Project Management training		28 th February 2020
Update Risk Management Strategy	Gary Marcus	30 th June 2019
Continue to embed Project, Partnership, Operational risks through the use of GRACE		31 st March 2020
Delivery of risk management training		31 st December 2019
Review the Council's Ethical Standards Arrangements against best practice recommendations made by the Committee on Standards in Public Life	Tracy Manning	30 th September 2019

Scope of responsibility

Fylde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

In 2007, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published best practice guidance, 'Delivering Corporate Governance in Local Government Framework' to assist authorities in reviewing their governance arrangements. This Council subsequently approved and adopted a code of corporate governance, which was consistent with these principles. This guidance was subsequently updated in 2016 to define seven new core principles which should underpin the governance arrangements for all public bodies.

The seven core principles are:

 <p>Principle A: Integrity and values</p> <ul style="list-style-type: none"> • Staying true to our strong ethical values and standards of conduct • Respecting the rule of law • Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities • Ensuring fraud, corruption and abuse of position are dealt with effectively • Ensuring a safe environment to raise concerns and learning from our mistakes 	 <p>Principle D: Making a difference</p> <ul style="list-style-type: none"> • Having a clear vision and strategy setting out our intended outcome for citizens and service users
 <p>Principle B: Openness and engagement</p> <ul style="list-style-type: none"> • Keeping relevant information open to the public and continuing their involvement • Consultation feedback from the public is used to support service and budget decision • Providing clear rationale for decision making - being explicit about risk, impact and benefits • Constructively challenging what we do and the decisions made 	 <p>Principle E: Capability</p> <ul style="list-style-type: none"> • Clear roles and responsibilities for council leadership • Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles • Evaluating councillor and officers' performance • Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning
 <p>Principle C: Working together</p> <ul style="list-style-type: none"> • Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money • Being clear about expectations - working effectively together within the resources available • Developing constructive relationships with stakeholders • Having strong priority planning and performance management processes in place • Taking an active and planned approach to consult with the public • Regularly consult with employees and their representatives 	 <p>Principle F: Managing risk and performance</p> <ul style="list-style-type: none"> • Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units • Having well developed assurance arrangements in place - including any commercial activities • Having an effective Audit & Standards Committee • Effective counter fraud commitments in place
	 <p>Principle G: Transparency & accountability</p> <ul style="list-style-type: none"> • Having rigorous and transparent decision making processes in place • Maintaining an effective scrutiny process • Publishing up to date and good quality information on our activities and decisions • Maintaining an effective internal and external audit function

Each local authority is required to conduct a review at least once a year on the effectiveness of the system of internal control and include a statement on such a review within its published Statement of Accounts. This annual governance statement is the culmination of this work and provides commentary on the 2018/19 financial year.

The purpose of the governance framework

This statement is an acknowledgment on the part of the Council that is incumbent on all the stakeholders who play a part regarding the organisation of the Council to ensure that there is a sound governance framework underpinning the work of the organisation.

The governance framework comprises systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It enables the Authority 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 governance framework has been in place at the Fylde Borough Council for the year ended 31 March 2019 and up to the date of approval of the annual report and statement of accounts.

The governance environment

Principles

In 2017, the Council adopted a code of corporate governance ("the Code") and recognises that effective governance is achieved through the core principles enshrined in it as outlined above. This framework establishes that the authority should ensure to keep under review the effectiveness of their governance arrangements and whether standards are being attained.

The Council's corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the Authority in its pursuit of its vision and objectives. The following describes the key elements:

Constitution

The Council's constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution also identifies the principal obligations and functions of the Council.

The constitution and its appendices clearly explain how the different elements of the Council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols.

The constitution builds on model constitutions and guidance maintained by the Department for Communities and Local Government.

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. Minor adjustments have been made throughout the course of the year and during the year work commenced on the three-yearly review of the Constitution. Some changes have already been considered and approved by the Council such as attendance for remote access at meetings by elected members, and further changes will be brought forward to the council for consideration during 2019/20.

Political structure

The Council operates a committee system, following a referendum held in May 2014, which resulted in a vote in favour of the Council moving from an executive form of governance to a committee system.

The Council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it.

As a result of the change in governance system, the Council now operates a committee system with decision-making delegated to the Council's committees. There is a mechanism in place for decisions to be referred to the Council. The Council's committees comprise Finance and Democracy, Tourism and Leisure, Environment Health and Housing, Operational Management, Planning, Licensing, Public Protection and a combined Audit and Standards Committees. There is also a cross-party Member Development Steering Group which considers and recommends personal development and general training opportunities for elected members together with the well-being of elected members in the wider context. These various member groups have met several times each throughout the course of the year to discharge the business of the Council. During 2017/18 a joint committee was also established with Blackpool and Wyre Councils to discharge economic development functions, within the context of the Council's overall policy framework.

The Council is engaged in other partnerships and these arrangements are subject to review on an on-going basis, for example, the Council's partnership with the Fylde Citizens Advice Bureau.

Although no longer a constituent member of the Lancashire Combined Authority or the Shadow Combined Authority, the council remains committed to working with all the Lancashire authorities to establish alternative options for working together on strategic regional initiatives.

Meetings of the committees are open to the public, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point or raise a question during the course of Programme Committee meetings, Council together with the Planning Committee. Members of the Council who are not members of the respective committees can ask questions at committee meetings. This helps ensure robust accountability of decisions. Members of the public also have the facility to ask a question at Council meetings by pre-registering to do so. These arrangements have proved effective throughout the year with members of the public taking the opportunity to use these various means of communication.

The Council has no scrutiny committee/committees in place; its committee structure provides ample opportunity for scrutiny of its processes and policies.

All of the Council's work is aligned to its corporate priorities through its committee system. All reports identify how they align to one of the five priorities: value for money; clean and green, vibrant economy, great place to live and great place to visit.

The Council's Audit and Standards Committee deals with conduct, ethics, propriety and declarations of interest. It also oversees and determines complaints made against members under the Code of Conduct. The Council has access to a number of 'independent persons' who assist in upholding high standards. These individuals have worked closely with the Monitoring Officer throughout the year to ensure that high standards of behaviour are maintained. During the course of the year the Council also contributed to the Local Government Ethical Standards Review being conducted by the Government's Committee on Standards in Public Life. Its report, which was published in late January, together with its best practice recommendations will be put before members in the new term of office.

The Audit and Standards Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations. The Monitoring Officer has reported to the Audit and Standards Committee during the course of the year.

The monitoring and performance of the Council's assurance and governance framework is also led by the Council's Audit and Standards Committee. 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.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the Council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

2018/19 was the final term of office of the 2015 political administration with all out elections taking place in May 2019.

Officer structure

The authority implements its priorities, objectives and decisions through officers, partnerships and other bodies. Officers can also make some decisions on behalf of the authority under the Scheme of Delegation.

The Chief Executive

The Chief Executive is designated as the Head of the Authority's Paid Service. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the Authority. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

Monitoring Officer

The Council has designated its Director of Resources as Monitoring Officer. The Monitoring Officer must ensure compliance with established policies, procedures, laws and regulations. She must report to the full Council or one of the Council's Committees as appropriate if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such reports have arisen during the 2018/19 financial year. Blackpool Council's Monitoring Officer acts as Deputy Monitoring Officer for the Council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these Council's Monitoring Officers. The Head of Governance also supports ethical framework arrangements.

Chief Financial Officer

The Council has designated the Chief Financial Officer as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2015. Regular reports have been made to the Council's Finance and Democracy, and other Committees as appropriate, throughout the course of the year.

Both statutory officers referred to above have unfettered access to information, to the Chief Executive and to councillors so they can discharge their responsibilities effectively. The functions of these officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Chief Financial Officer accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer. A protocol establishes the nature and role of the Monitoring Officer.

Management Team

Two directors report to the Chief Executive and form the authority's management team together with the Chief Financial Officer and the Council's Head of Governance (the council's Solicitor), who act as specialist advisors. During 2018/19, the Management Team was broadened to include the remaining four Heads of Service. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The Constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business.

The Management Team collectively and individually are responsible for securing the economical, effective and efficient use of resources as required by the duty of best value. Powers delegated to each member of Management Team, together with other officers, are documented in the constitution.

Head of Governance

The Head of Governance also acts as the Council's Data Protection Officer and throughout the course of the year, and on the run-up to the introduction of the new data protection regulations has been responsible for providing the corporate framework for them to be implemented. This will be the subject of independent review in the forthcoming financial year.

Internal Audit

The Council maintains an independent Internal Audit Service, which operates within the principles set out within the Public Sector Internal Audit Standards (PSIAS). These standards were set by a number of internal audit standard setters who established a series of standards known as PSIAS and adopted with effect from 1 April 2013.

Corporate Governance Group

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit and Standards Committee and Management Team and to compile, maintain and monitor the Code.

Operational

The Corporate Plan establishes Fylde Council's corporate priorities and reflects the Council's principal statutory obligations. Performance against the plan is supported by a performance management system and performance information is reviewed by the various committees of the council during the course of the year.

The financial management of the Authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place a Medium Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning process. All services are reviewed annually through the service planning process to ensure that they meet the needs of customers and that performance targets for quality improvements are set and monitored. The Medium Term Financial Strategy includes targets for efficiency savings where appropriate, to be met across all service areas.

Annual budgets are set by the Council in the context of the Medium Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Regulations.

A robust process of financial monitoring is in place. Budgets are regularly reviewed, the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported on a regular basis to the Management Team, to the Council's Committees, and to full Council. Closer monitoring and appropriate action is taken where there is an indication of a likely variance against budget.

In 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) updated its best practice guidance on delivering good governance. As a result, during the course of the year, the council adopted of Code of Corporate Governance which outlined a number of behaviours and actions which underpinned the supporting principles. This document should be read in parallel with that evidential baseline.

The Council had adopted and implemented a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and regularly reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks.

A corporate Risk Management Group (RMG) has been established with an effective monitoring and reporting mechanism. A member of Management Team is the nominated chair of the RMG.

The Authority's Risk Management Policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, service managers are required to incorporate a register of risks relevant to their service area within each Directorate's service plan.

Internal Audit has provided its annual report to provide an independent and objective opinion on the effectiveness and operation of the internal control framework. The Council's Audit function was enhanced during the course of the year by the appointment of a new Shared Head of Audit with Preston City Council.

The Council has an objective and professional relationship with government agencies and statutory inspectors. During the course of the year, at the invitation of the Council, the Local Government Association undertook a review of member-officer relations and reported to the Council on its findings. This work will be brought forward in the new term of office.

Council services are delivered by trained and experienced people. Posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme. In addition the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control. The authority also has a set of core competencies which outline the expected behaviours of employees.

The Authority has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially. The council has a shared Corporate Fraud Team with Preston City Council and training has been delivered to managers during the course of the year to ensure that all remain vigilant in preventing fraud.

The Authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

Review of effectiveness

The Council supplements the mandatory external audit judgements by assessing itself against the good practice elsewhere. This, together with the Council's own performance management framework, provides the evidence needed to ensure a culture of continuous performance improvement. The Council also conducts satisfaction surveys of both residents and employees to use as a further gauge to measure success.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the Authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to produce an Annual Report and provide opinion on the effectiveness of the authority's Audit and Standards Committee and evaluate the effectiveness of risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group, which comprises the Monitoring Officer and Director of Resources, Section 151 Officer, Head of Governance and the Head of Internal

Audit, has been given the responsibility to annually review the corporate governance framework and to report to Audit and Standards Committee on the adequacy and effectiveness of the Code and the extent of compliance with it and its work is referenced above.

The review of effectiveness is informed by the work of the Directors and the respective Heads of Service within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Group also receives assurance statements on an annual basis covering each of the Council's service areas. These assurance statements show the extent of compliance within each council's service areas are concerned with key corporate procedures designed to embed good governance and internal control. In addition, the group has taken account of external assurance sources including the external auditor's Annual Audit Letter and its 'ISA 260 report to those charged with governance'...

Internal Audit has carried out an annual programme of reviews as approved by the Audit and Standards Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the Authority's Internal Audit service.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit carries out an annual review of the risk management framework in accordance with the terms of the Risk Management Policy.

We have taken into account the implications of the result of the review of the effectiveness of the governance framework and system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is set out in the priorities on page 3 of this statement.

Area	Actions for inclusion within the AGS	Source	CGG view
Employees	1. Implement revised induction programme	Local Code of Governance Review (Principle A)	Yes, confirm wording with Gary
Probity	2. Raise awareness of probity policies through team briefs / 7 minute briefings etc – Corporate Governance Group to develop topics to cover	Local Code of Governance Review (Principle A) Governance Assurance Statements	Yes, agreed
Values	3. Strengthen communication regarding core competencies through electronic message board and intranet and internet	Local Code of Governance Review (Principle A)	Yes, agreed
Project Management	4. Re-launch the Project Management Framework and consider an appropriate framework for compliance monitoring 5. Delivery of Project Management training	Governance Assurance Statements	Yes to 4 and 5 TM to discuss 6 to AS
Risk Management	6. Update Risk Management Strategy 7. Continue to embed Project, Partnership, Operational risks through the use of GRACE. 8. Delivery of risk management training	Governance Assurance Statements	Yes, agreed
Ethical Standards	9. Review the Councils arrangements against the best practice recommendations	Local Government Ethical Standards Report	Yes, agreed
Member / Officer relations	10. Implemented the recommendations from report?	LGA Review	To be taken forward in the next term of office

GLOSSARY OF ACCOUNTING TERMS

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

- **Accounting Policies**
These specify how transactions and other events should be reflected in financial statements.
- **Accruals**
The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.
- **Actuary**
An actuary is an expert on pension scheme assets and liabilities.
- **Actuarial Gains and Losses**
Changes in the actuarial deficits or surpluses over time arising from either or both of i) differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation (known as experience gains and losses), and ii) changes in the actuarial assumptions.
- **Amortisation**
An annual charge to the revenue account that spreads the cost of an asset over a period of time.
- **Appropriation**
A contribution to or from a financial reserve.
- **Balances (Or Reserves)**
These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are for technical purposes, it is not possible to utilise these to provide services.
- **Budget**
A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.
- **Capital Expenditure**
Expenditure on the acquisition and/or improvement of an existing Non-Current Asset which adds to, and not merely maintains, its value. Expenditure that does not fall within the definition must be charged to a revenue account.
- **Capital Receipts**
Proceeds from the sale of capital assets which can only be used to repay the original loan or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as 'capital receipts unapplied'.
- **CIPFA (Chartered Institute of Public Finance and Accounting)**
CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.
- **Collection Fund**
The Collection Fund is a separate statutory fund which billing authorities have to maintain. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund.
- **Community Assets**
Assets 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.

- **Consistency**
This is a concept that the accounting treatment of like items, within an accounting period and from one period to the next, is the same.
- **Contingency**
This is a condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent assets and contingent liabilities should not be recognised in the accounting statements but be disclosed by way of notes.
- **Corporate and Democratic Core**
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.
- **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 1st April 1991. The level of tax is set annually by each local authority for the properties in its area.
- **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.
- **Current Assets**
Current assets are items that can be readily converted into cash.
- **Current Liabilities**
Amounts which will become payable or could be called in within the next accounting period.
- **Current Service Cost (Pensions)**
The increase in the pension liabilities as a result of years of service earned this year.
- **Curtailment**
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected and termination of, or amendment to the terms of, a defined benefits scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
- **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.
- **Debt Redemption**
This is where a debt is repaid early.
- **Deferred Credits**
These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed.
- **Defined Benefit Scheme**
A pension or other retirement benefits scheme other than a defined contribution scheme, where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.
- **Depreciation**
This is the measure of the cost or revalued amount of the benefits of the Non-Current Asset that have been consumed during the period.
- **Direct Revenue Financing**
Resources provided from an authority's revenue budget to finance the cost of capital projects.

- **Discontinued Operations**
An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination has a material effect on the nature and focus of the authority's operations and represents a material reduction in its provision of services.
- **Emoluments**
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
- **Estimation Techniques**
The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.
- **Events after the Balance Sheet Date**
These are events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.
- **Exceptional Items**
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
- **Expected Rate of Return on Pensions Assets**
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
- **Fair Value**
Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
- **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 the most complex ones such as derivatives and embedded derivatives.
- **Finance Lease**
This is a lease that transfers substantially all of the risks and rewards of ownership of a Non-Current Asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
- **Financial Reporting Standards (FRSs)**
FRSs are statements which deal with accounting issues of fundamental importance and general application. They are applicable to all published accounts and compliance is mandatory. The Code of Practice on Local Authority Accounting in UK applies FRSs to Councils accounts as appropriate.
- **Financial Year**
The Council's financial year runs from the 1st April to 31st March.
- **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 authority, specific Government and other grants and receipts from the Collection Fund.
- **Going Concern**
The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

- **Government Grants**
Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
- **Heritage Assets**
Heritage assets are defined as assets which have historical, artistic or cultural qualities and that are held and maintained principally for their contribution to knowledge and culture.
- **Historic Cost**
The cost of an asset at the time it was bought.
- **Housing Revenue Account (HRA)**
The HRA is an account which includes the expenditure and income arising from the direct provision of housing by the Council.
- **Impairment**
This is a reduction in the value of a Non-Current Asset below its carrying amount on the balance sheet.
- **Infrastructure Assets**
Non-Current Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
- **Intangible Assets**
These are non-financial Non-Current Assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. Examples are purchased software licences.
- **Inventories**
The amount of unused or unconsumed stocks bought but not used at the end of the accounting period, held in expectation of future use. E.g. goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long term contract balances and finished goods.
- **Investments - Non Pension Fund**
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.
- **Investment Properties**
This represents an interest in land and/or buildings in respect of which construction work and development have been completed, and which is held for its investment potential, with any rental income being negotiated at arm's length.
- **Leasing**
Leasing is a method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.
- **Liquid Resources**
Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.
- **Local Public Service Agreement (LPSA)**
Government initiative whereby demanding performance targets are set to deliver improvements for local people through partnerships with district Councils and other organisations.
- **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.

- **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.
- **Non Domestic Rates (NDR)**
NDR 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, central government, the Police and Crime Commissioner and the billing authority.
- **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 Current Replacement Cost**
This is the cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
- **Net Debt**
The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.
- **Net Realisable Value**
The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
- **Non-cash Adjustments**
Changes in debtors' and creditors' balances over the year
- **Non-Current Assets**
Assets that yield benefits to the Council and the services it provides for a period of more than one year.
- **Non-distributable Costs**
These are costs that cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.
- **Non-Operational Assets**
Non-Current Assets held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
- **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. A third party purchases the asset on behalf of the Council, who then pay the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.
- **Operational Assets**
Non-Current Assets held and occupied, used or consumed by the local authority 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.
- **Past Service Cost**
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.
- **Post Balance Sheet Events**
These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

- **Precept**
This is a charge levied by one Council which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.
- **Principal**
The amount of money borrowed, not including interest charges.
- **Principal Repayment of Debt**
Repayment of a loan, not including interest charges.
- **Prior Year Adjustments**
Prior year adjustments are material adjustments, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
- **Projected Unit Method**
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:
 - the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases;
 - the accrued benefits for members in service on the valuation date; and
 - The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.
- **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**
The concept that revenue is not anticipated but is recognised only when realisation in cash is reasonably certain. Conversely, provisions should be made for all known liabilities.
- **Prudential Code for Capital Finance**
This Code was introduced from 1st April 2004. The basic principle of the Code is that local authorities will be free to invest 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)**
A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.
- **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 Amount**
The amount an asset can be sold for, less the cost of selling it.
- **Retirement Benefits**
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by the employee.
- **Revenue Expenditure**
This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.
- **Revenue Expenditure Funded from Capital Under Statute**
A new term introduced in 2008/09 accounts. Expenditure that is not capital in accordance with UK GAAP is allowed by statute to be funded from capital resources and hence such expenditure would have no impact on council tax in the year that it was incurred.
- **Revenue Support Grant (RSG)**
This is a general grant received from Central Government to contribute towards the cost of providing services. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.
- **Scheme Liabilities**
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method, reflect the benefits that the employer is committed to provide for service up to the valuation date.
- **Service Reporting Code of Practice (SeRCOP)**
A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.
- **Settlement**
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:
 - a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
 - the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
 - the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
- **Specific Grants**
Government grants for a particular service.
- **Statement of Recommended Practice – (SORP)**
This is the Code of Practice on Local Authority Accounting in the United Kingdom.
- **Tangible Non-Current Assets**
Assets which have a physical form e.g. buildings, equipment.
- **The 'Code'**
The 'Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

- **Total Cost**
The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned.
- **Total Net Worth**
The total net value of resources available to or owned by the Council.
- **Unapportionable Central Overheads**
Overheads for which no user now benefits and that are not apportioned to services.
- **Useful Life**
The period over which the local authority will derive benefits from the use of a Non-Current Asset.