

Governance Committee

Wednesday, 29th September, 2021, 6.00 pm

Wheel Room, Civic Centre, West Paddock, Leyland PR25 1DH

Supplementary Agenda

6 Audited Statement Of Accounts 2020/21

(Pages 87 - 234)

Report of the Director of Finance is attached.

Gary Hall
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillors
Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Damian Bretherton,
Margaret Smith, Alan Ogilvie, Angela Turner and Kath Unsworth

The minutes of this meeting will be available on the internet at
www.southribble.gov.uk

Forthcoming Meetings

6.00 pm Tuesday, 30 November 2021 - Wheel Room, Civic Centre, West Paddock,
Leyland PR25 1DH

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Report of	Meeting	Date
Director of Finance and Section 151 Officer	Governance Committee	Wednesday, 29 September 2021

Is this report confidential?	No
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Audited Statement Of Accounts 2020/21

Is this decision key?	No
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Purpose of the Report

- To comply with The Accounts and Audit (England) Regulations 2015, Governance Committee is required to approve the audited Statement of Accounts for each year. This report presents the Statement for 2020/21 for approval. The formal deadline for approval is 30 September 2021. The Statement is required to be accompanied by the approved Annual Governance Statement (AGS) for the year. The AGS for 2020/21 was approved by the Committee on 25 May 2021.

Recommendations to Governance Committee

- The Committee is recommended to:
 - Approve the audited Statement of Accounts for 2020/21 (Appendix A), subject to any amendments which in the opinion of the Chief Financial Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material to the financial position of the authority. The Chief Financial Officer will exercise this delegation in consultation with the Chair of Governance Committee. In the event the Chief Financial Officer is of the opinion the amendments are material to the financial position of the authority, Governance Committee will be reconvened to approve the new Statement of Accounts.
 - Consider and approve the Letter of Representation contained at Appendix B and authorise the Chief Financial Officer and Chair of the Committee to sign the letter.

Reasons for recommendations

- Approval of the financial statements is required in order to comply with The Accounts and Audit (England) Regulations 2015, while approval of the Letter of Representation is required as part of the formal conclusion of the audit for the year.

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Other options considered and rejected

4. The matters presented in this report and the recommendations made are necessary to meet formal statutory responsibilities and so there are no alternative courses of action.

Corporate priorities

5. The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

6. Governance Committee received the unaudited Draft Statement of Accounts 2020/21 at its meeting of the 27th July 2021. The usual timetable would have seen this happen at the meeting on 25th May 2021, with the audit being completed and the audited version of the Statement presented to the Committee at the July meeting, but for 2020/21 the regulations were amended to put each of these dates back by two months. Accordingly, members are now presented with the audited Statement of Accounts 2020/21 for approval at Appendix A.
7. At the time of writing this report the auditor had yet to fully complete their audit work on the Statement of Accounts for 2020/21, but expects to issue an unqualified audit opinion on those accounts. Details of the auditor's findings as a result of their audit will be presented in their Audit Findings Report elsewhere on this agenda.
8. As a result of the ongoing audit, the Statement of Accounts included at Appendix A contains the amendments identified and required by the auditor as at the date of writing this report. There is no matter outstanding which is expected to result in a material change to the Statement as presented.
9. The main changes made, compared to the Draft Statement, are:
 - a) A prepayment to the Lancashire Pension Fund of employer's pension of £2.481m, which was originally included within Short Term Debtors on the Balance Sheet, has instead now been netted off against the Pension Liability.
 - b) An amount of £189k was incorrectly classified within Note 9 and has been moved from 'Government grants and contributions' to 'Fees, charges and other service income'.
 - c) Funding of £432k for Covid-19 Additional Restrictions Grant, originally classified as having been administered by the Council as an agent of Central Government, has been reclassified as having been received by the Council as principal. It has now been included, together with the matching grant payments, in the Council's accounts. (See Note 33 of Appendix A for more detail.)
 - d) A disclosure has been added in respect of the Council's responsibility for future leisure services pensions.
 - e) Following notification from Lancashire Pension Fund that the lump sum figure for prepayment of future employer's contributions had been understated, a further £236k has been charged to expenditure for 2020/21.Of these, only item e) has an impact on the Council's overall financial position at 31 March 2021.

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10. Amendments other than those identified above are minor and largely presentational in nature. Until the audit is formally concluded, then the Statement remains subject to the possibility of further amendments. Should there be any further changes between now and when the Committee meets, whether as a result of remaining or further audit queries, other requests by or recommendations of the auditor, or for the correction of typographical errors, then these will be presented at the meeting alongside Appendix A.

Accounts and Audit Regulations 2015

11. On conclusion of the audit, The Accounts and Audit Regulations 2015 specify the following requirements.

12. The responsible financial officer must reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the Authority at the year end, and the income and expenditure for the year before that authority approves it. Then the authority, in the following order, must:

- a) consider, either by way of a committee or by the members meeting as a whole, the statement of accounts;
- b) approve the statement of accounts by a resolution of that committee or meeting;
- c) ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

13. An authority then must, after approving the statement of accounts, but (for 2020/21) not later than 30th September or, if the audit of the statements has not been completed by that date, as soon as is reasonably practicable thereafter, publish (which must include publication on the authority's website):

- a) the statement of accounts together with any certificate or opinion, entered by the local auditor;
- b) the annual governance statement; and
- c) the narrative statement.

14. Therefore, following consideration and approval by this Committee, the Chair should sign and date the Statement of Responsibilities within the Statement of Accounts, which should also be re-certified by the Chief Financial Officer.

15. Once approved the Statement of Accounts will be published on the South Ribble Borough Council web site at <https://www.southribble.gov.uk/article/1235/Statement-of-accounts> .

Letter Of Representation

16. The Letter of Representation at Appendix B is a letter issued by an auditor's client to the auditor in writing to be used as audit evidence. Audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. The date of the document must not be later than the date of audit work completion. It is used to let the client's management declare in writing that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of the management's knowledge. It is prepared in accordance with International Standards on Auditing. For audit evidence, it is reliable if the auditor has no other means of obtaining evidence.

17. The Chair and the Acting Chief Finance Officer should sign the Letter of Representation attached at Appendix B so that it can be issued to the External Auditor to support the audit process and their audit opinion.

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Climate change and air quality

18. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

19. There are no implications for equality and diversity arising from this report.

Risk

20. Risk implications apply in relation to the Accounts and Audit Regulations 2015 to prepare financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

Comments of the Statutory Finance Officer

21. In compliance with the Accounts and Audit (England) Regulations 2015, the audited Statement of Accounts (SOAs) is attached and presented to Governance Committee for approval. I can confirm that there are no adjustments that have been made that impact on the outturn position of the Authority that was reported to Governance Committee in July 2021, other than that specified at paragraph 10e). The Narrative Report is included with the Statement of Accounts and this provides information on the authority, its main objectives and strategies and the principal risks that it faces. It also provides a commentary on how the authority has used its resources to achieve its desired outcomes in line with its strategic objectives and strategies.

Comments of the Monitoring Officer

22. This report is presented to comply with the Accounts and Audit Regulations (England) 2015 and various other Regulations and Statutory Codes of Practice. There are no legal implications beyond this.

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Background documents

- Accounts and Audit (England) Regulations 2015
- The Accounts and Audit (Amendment) Regulations 2021
- Local Government Finance Act 1988, Section 114
- The Local Government and Housing Act 1989, Section 56(5)
- South Ribble Borough Council (unaudited) Statement of Accounts 2020/21 - Report to Governance Committee, 27th July 2021
- South Ribble Borough Council Budget Outturn Report 2020/21 - Report to Cabinet, 16th June 2021
- Grant Thornton Audit Findings Report - Report to Governance Committee, 29th September 2021

Appendices

- Appendix A: Statement of Accounts for South Ribble Borough Council for year ended 31 March 2021 (for approval and signing).
- Appendix B: Letter of Representation 2020/21 (for approval and signing).

Report Author:	Email:	Telephone:	Date:
Tony Furber (Principal Financial Accountant)	tony.furber@southribble.gov.uk	01772 625625	21 st September 2021

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APPENDIX A

Statement of Accounts

Year Ending 31 March 2021

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Narrative Report of the Chief Financial Officer

Introduction

I am pleased to introduce the Statement of Accounts for the 2020/21 financial year for South Ribble Borough Council. The accounts are produced annually to give electors, local taxpayers, members of the Council, employees and other interested parties clear information on the Council's finances and the financial outlook for the future.

The accounts must be completed by law and in accordance with the requirements of the Code of Practice on Local Authority Accounting. The accounts provide all of the financial information for the 2020/21 financial year and there is a narrative that provides a high level overview of the key issues that affect the accounts including information on the Council's achievements during the year and a section that looks at the outlook for the future.

The last financial year has been extraordinary and has placed new pressures on the Council's services. I am extremely proud of the staff at South Ribble Council as they have responded to these new demands. Through their hard work and dedication, they have ensured the Council has supported its residents and businesses whilst continuing to deliver its Corporate Strategy priorities.

Additional financial support from central government assisted the Council in meeting the financial impact arising from the pandemic. This included approximately £27m of funding that was paid via the Council to its local businesses. The Council set up Community Hubs to help support its residents and increased its support for the homeless. The Council has and will continue to support the Government's test and trace programme, as well as supporting residents that claim local council tax support.

The Council faces a continued challenge as a result of the pandemic, and also due to the fact that it is operating in an environment where the costs and demands on services are growing each year, whilst resources are finite. The effects of the pandemic brings uncertainty over future costs and funding for the authority, but I am confident, given the way in which our staff have met these challenges to date, that the authority will continue to meet and manage these challenges into the future on behalf of all our local residents.

I hope you find this report and the Statement of Accounts useful in understanding the Council's financial position and performance for the year.

I'd also like to express my thanks for the hard work and dedication of staff across the whole of the Council who have worked to consolidate the financial stability of the Council and ensure the production of the Statement of Accounts in what are very unusual and difficult circumstances.

Louise Mattinson ACA
Director of Finance/Section 151 Officer

South Ribble

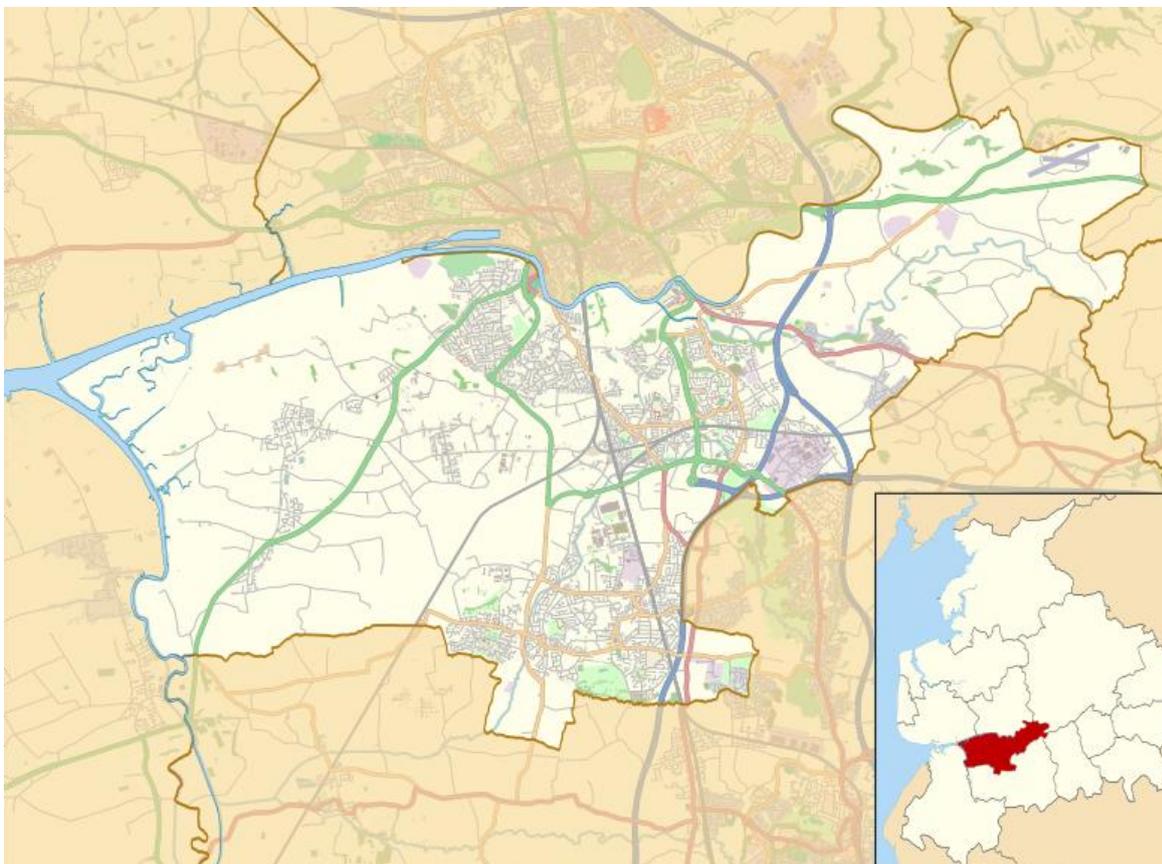
South Ribble Borough is located in Lancashire at the centre of the North West region, situated right on the M61, M6 and M65 motorways with easy access to the West Coast mainline and airports at Manchester and Liverpool with the Borough extending to about 113 km² (approximately 44 square miles). The Borough is on the edge of the West Pennine Moors with beautiful scenery and countryside and is just a short drive from the Lancashire coastline. The latest available Office for National Statistics (ONS) figures estimate that the total population of the borough was estimated as 111,086 in 2020.

The Council is based in the town of Leyland in the south of the borough with other notable population areas being Penwortham, Longton, Hutton, Walton-le-Dale, Bamber Bridge, Lostock Hall, Moss Side and a significant part of Buckshaw Village.

The district was formed on 1st April 1974 under the Local Government Act 1972, from Leyland and Walton-le-Dale urban districts, along with part of Preston Rural District. The borough shares its borders with Chorley, West Lancashire, Blackburn with Darwen, Ribble Valley, Preston and Fylde Councils.

Regeneration, Inward Investment and working with partners to deliver the City Deal agreement are recognised as being very important to the future prosperity of the borough and are key priorities for the Administration. The Council has to provide services such that it meets the needs of its citizens, serving both an urban and rural environment. Another key priority for the Council is its Green Links programme for the protection of its parks and open spaces, leisure and sports facilities, encouraging this green environment and to take on the increasing issues of Air Quality associated with the transport infrastructure.

Location and map of South Ribble borough



South Ribble Borough Council

South Ribble Borough Council is part of a two tier system in Lancashire that consists of a County Council, two unitary councils and 12 district councils. South Ribble Borough Council works collaboratively with a wide range of partners to deliver its vision of 'Working together to make South Ribble and its communities, great places to live, work, visit and play'. The Council is committed to working across organisational boundaries to improve outcomes for local people and communities and to ensure that high-quality services are readily accessible to the people of the borough. During 2020/21, the Council underwent significant changes in its Senior Management structure as part of the sharing of services with Chorley Borough Council.

The Council has 50 district councillors elected to cover all the electoral wards across the borough. District councillors represent their communities and bring their views into the Council's decision making process. Council meetings are publicised on the Council's website alongside agendas, reports and minutes. The meetings are open to members of the public to attend bringing decision-making closer to the public.

The political structure of the Council at the end of the 2020/21 year was as follows, with a Labour minority administration supported by the Liberal Democrat group on the basis of a supply and confidence agreement:

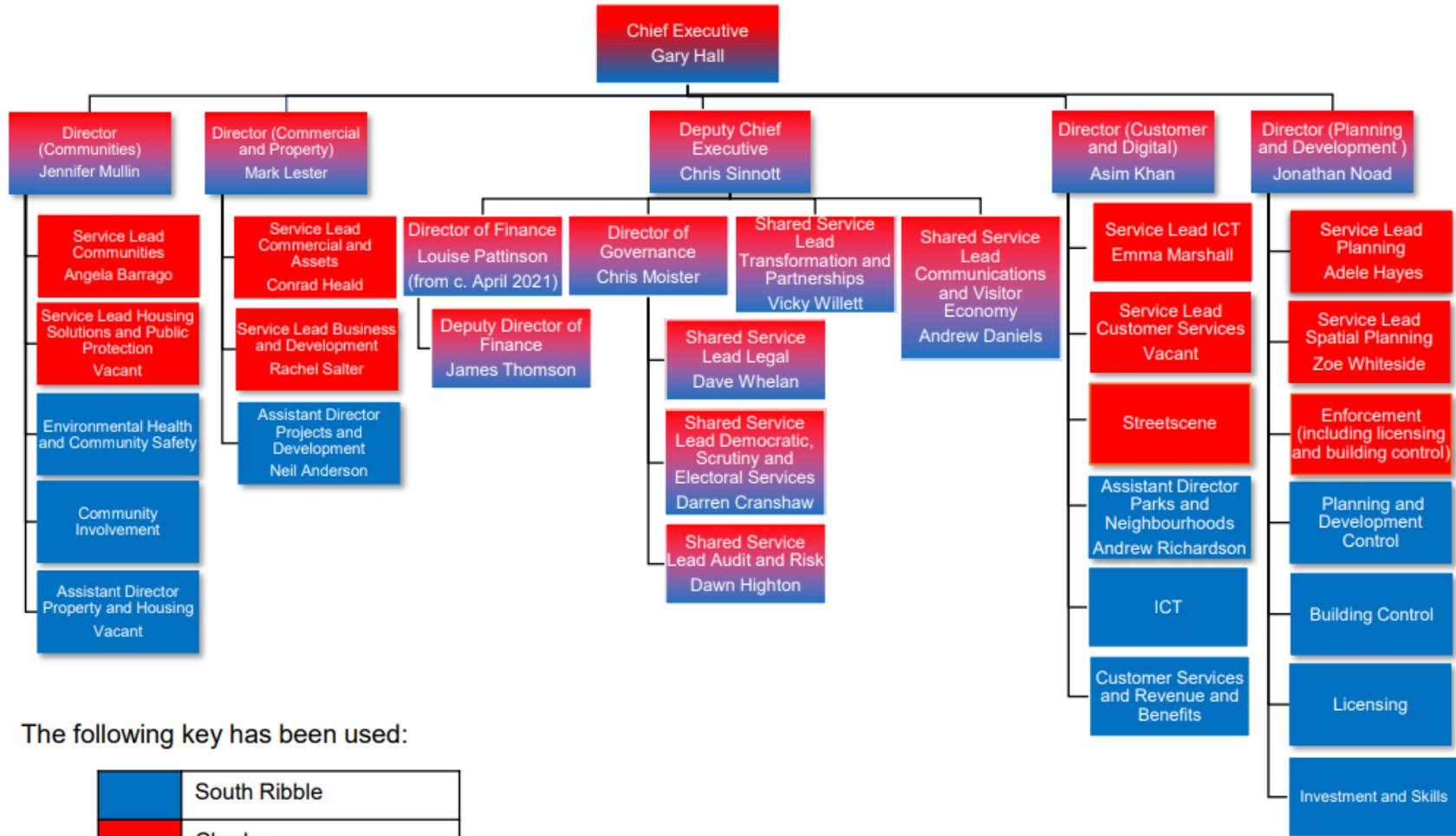
Party	No.
Conservative	21
Labour	21
Liberal Democrat	5
Independent	1
Vacant	2
TOTAL	50

Management Structure

The Senior Management Structure was reviewed during 2020/21 to enhance service sharing with Chorley Borough Council. This in turn has informed the allocation of resources within the Medium-Term Financial Strategy. The current structure is shown on the next page with a review of the newly shared Directorates being undertaken during 2021/22.

The current structure includes bringing South Ribble Council's leisure services back in-house in April 2021. The Council is in the progress of setting up a wholly owned leisure company to manage the running of its leisure services on the Council's behalf. The current leisure staff will sit in the Commercial & Property Services Directorate until they move in to the wholly owned company.

Leadership and Management Structure



The following key has been used:

	South Ribble
	Chorley
	Shared

Our staff are the most important resource we have to help us achieve our goals. The Council employs 437 staff in full time, part time and casual contracts. A breakdown of our workforce by age and gender is set out in the table below:

No. of Employees by Age and Gender.

	SRBC		Leisure		Total	
	Male	Female	Male	Female	Male	Female
Under 20	1	1	2	6	3	7
20-29	30	17	11	14	41	31
30-39	33	33	7	9	40	42
40-49	38	45	4	13	42	58
50-54	19	21	7	7	26	28
55-59	24	31	2	6	26	37
60+	19	22	5	10	24	32
Total	164	170	38	65	202	235

Corporate Plan and Performance in 2020/21

The Annual Corporate Plan Performance report for 2020/21 will be presented to Full Council at the end of September 2021. The report will provide an overview of how the Council performed against the identified deliverables for 2020/21, within the 2020/21 to 2022/23 Corporate Plan, which was reviewed and refreshed part way through the year, following an election and new administration. The refresh of the Corporate Plan was completed and approved by Council in September 2020. Reporting is based on the refreshed Corporate Plan and Objectives.

In summary, the Council has made good progress during the year, although it is important to understand that many of these Corporate Plan projects run across multiple years, therefore a significant amount of the work completed to date has been at a strategic planning and consultation level. Although this process can be time intensive, South Ribble Borough Council is committed to ensuring that the projects delivered meet the needs of South Ribble's communities. Within the Corporate Plan, some projects are delivered directly by the Council itself, while others are led by other organisations, with the Council playing a supporting or influencing role.

The Corporate Plan is delivered with the purpose to achieve the Council's vision and ambition.

This refreshed vision and priorities are outlined below.

An exemplary council

A council that:

- Delivers high performing services that represent value for money
- Understands the community and works with partners to make things better
- Is open and transparent in its activities

Thriving communities

Places where:

- Residents have positive mental health
- People get involved and have a sense of belonging
- Communities can access services and support when they need them

Good homes, green spaces, healthy places

A borough with:

- A choice of decent, affordable housing
- Commitment to protecting the local environment
- A choice of quality recreational activities

A fair local economy that works for everyone

A council that:

- Increases access to training and jobs
 - Grows and supports sustainable businesses
- Invests in improving the borough



Our vision:

A healthy and happy community, flourishing together in a safer and fairer borough that is led by a council recognised for being innovative, financially sustainable and accountable.

The areas of activity and the identified projects associated with each of these are identified below, together with examples of performance against them in 2020/21. A detailed report regarding performance was taken to Budget and Performance Scrutiny on 14 June 2021 and was approved by Executive Cabinet on 16 June 2021, the report can be found [here](#).



Achievements:

The project to transform the way the council operates has made good progress with the establishment of a shared Chief Executive and management team. Effective governance structures have been put in place including weekly Senior Management Team meetings and monthly Leadership Team meetings to ensure clear strategic direction and communication. Work to review services has also advanced with the completion of the first stage of the ICT review including structures, budgets and sharing opportunities identified and consulted on ready for implementation. The shared model for ICT services supports the development of the Joint Digital Strategy action plan with year 1 delivery due to begin in quarter one 2021-22.

The development of shared arrangements for Customer Services is ongoing in line with the project plan. Staff have had the opportunity to feed in their views and ideas through workshop and other sessions. From this, the initial key objectives and priorities for the service, alongside high-level proposals for a shared model have been developed and scoped and was reported to the Shared Services Joint Committee on 21 June 2021.

Work with partners to design and deliver better public services has been moved forward with a joint workshop between South Ribble Partnership and Chorley Partnership in March 2021 to identify opportunities for working together in line with sovereign priorities. Partners recognised the benefits of a single partnership across the two districts, which will cover over 200,000 residents and provide greater opportunities to deliver change at scale and be able to deliver greater outcomes to residents through the sharing of experience, resources, and knowledge. At the South Ribble Partnership in May 2021 partners considered new governance arrangements for a combined Chorley and South Ribble place-based partnership. The arrangements provide opportunities to focus on South Ribble issues, while also benefitting from the opportunity to work across the two boroughs where it is appropriate.

The Annual Governance Statement (AGS) action plan continues to improve the transparency and openness of the council. Progress has been reported to the Governance Committee in March 2021 outlining the activities that have been completed against the AGS action plan. Governance Committee approved a new Risk Management Strategy and agreed the principles of a Key Partnerships and Contracts Framework which will be finalised and adopted to ensure robust monitoring of key strategic partnerships. The Financial Procedure Rules were also referred to Governance Committee for their approval.

Of the four projects within this priority, three are green and on track and one has not yet started.

Projects	2020-21 Quarter 4 (Jan – Mar)
Deliver the Annual Governance Statement Action Plan	GREEN
Transform the way the council operates	GREEN
Work with partners to design and deliver better public service:	GREEN
Deliver year one of the joint digital strategy	NOT YET STARTED



Achievements

The project to deliver a mental health support programme for young people has progressed. Work has been focused on building of relationships with mental health support services available in South Ribble. A directory of mental health services for young people has been developed and published on the Council's website. The aim of the directory is to raise awareness of mental health services both locally and nationally.

The focus of the Youth Council project has been to develop the contacts with key stakeholders, which includes Lancashire County Council Youth Services, all South Ribble high schools, young people groups and organisations. Best practice research has been undertaken via membership of the British Youth Council and the Co-operative Council Innovation Network (CCIN) highlighting the best methods of engaging young people effectively. Plans are now developing for the engagement methods to be used with young people to inform the structured consultations and engagement work that will commence in September 2021. The project has been promoted on social media to generate initial awareness and interest.

The South Ribble Community Hub action plans were approved at Cabinet in March 2021 and activity has progressed across the hubs although with some limitations around consultation and engagement due to local restrictions (examined further in the action plan below). Examples of progress include the preparation work for online events for Penwortham Live and Longton Live, a community partnership with Samlesbury Civic Society to encourage and promote volunteering and further develop a community garden, and Securing the purchase of the Eagle and Child Bowling Club and securing a long term lease with the bowling club.

In addition, as part of the Community Hub project, Foodbank Network partners have continued to support residents with food, cleaning products, toiletries, pet food and baby related goods. The Communities team has supported on a practical level with collecting and delivering large donations, providing accommodation, and referring people to appropriate services for help with other issues such as benefits and housing advice. The school uniform bank has expanded for 2021 to assist families struggling to purchase uniforms, and the recycling of good quality or unworn items.

Of the three projects within this priority, two are rated green; and one is rated amber.

Projects	2020-21 Quarter 4 (Jan – Mar)
Establish South Ribble Together Hubs	AMBER
Deliver a mental health support programme for young people	GREEN
Establish a Youth Council	GREEN

Establish South Ribble Together Hubs:		AMBER
Agreeing plans for neighbourhood areas and a borough food bank network		
Issue:	<p>As part of the engagement with communities, the original consultation methods to get feedback on the neighbourhood action plans involved face to face public meetings. The lockdown that was put in place by late December, had resulted in any face to face engagements being cancelled.</p> <p>To remedy this, the plan had been to undertake engagement through other methods which involved newsletters and social media. The planned engagements were to take place in March 2021, however, following the decision to run round one of the Community Hubs Boost Fund with a closing date for applications of 31 March and decisions / notifications of successful bids in May, in consultation with the cabinet member the timeline for the publication of newsletters was delayed in order to coincide with the announcements.</p> <p>Technical issues with the social media platform and account management had further delayed the updating and rebranding of the Facebook pages for each neighbourhood area.</p>	
Actions Plan - What will be done:	<p>The project is expected to be back on track by the next quarter as the issues with Facebook have been resolved and pages are now live, with content being updated and relaunched with the new branding for each hub.</p> <p>The e-newsletter has now also been published with copies available on each neighbourhood hubs dedicated Facebook page.</p> <p>As a result, the timeline for the project has now been resolved and engagement activities can take place.</p>	



Achievements

As the national support programmes for businesses begin to reduce, a South Ribble business support programme will begin in quarter one 2021/22. Planned delivery will include a desktop research activity and a borough wide business survey to identify the local needs and objectives which will then define the overall business support programme. The programme should reduce the potential for business failures, support viable businesses, safeguard jobs, and support economic recovery following the impact of the pandemic. A reserve of £150k has been set aside in 2020/21 to support local businesses.

The Community Wealth Building project has made good progress with the appointment of the Community Wealth Building Coordinator. This will enable the programme to move at pace with a detailed programme to be prepared in quarter one of 2021/22 incorporating ongoing activity to develop a social value policy and procurement portal to help measure outcomes and quantify benefits for the community such as job creation and local spend. A reserve of £150k has been set aside in 2020/21 to support community wealth building projects.

Significant progress with establishing the Credit Union for South Ribble. Unify Credit Union have extended their common bond to include all people who live and work in South Ribble, which has increased the accessibility of the credit union's services. The credit union branch, which is to be based at Towngate has been undergoing renovations and improvements which are due to be completed for opening by the end of June 2021.

Work to deliver year 1 of the Town Deal has been boosted by the news that the Town Investment Plan bid, as part of the Government's £3.6 billion Town Fund was successful. The Leyland Town Board has the potential to now use £25 million to invest in the proposals put forward around three key project areas, which are Leyland town centre improvements, Leyland Market improvements and a business hub development for business for workspace, events and skills. Going forward, the project will deliver against the Head of Terms as set out by Ministry of Housing, Communities and Local Government (MHCLG) in the award letter. A project framework, procurement route and governance will be agreed for the delivery of the project to support Leyland Town Board and the Council.

Of the three projects within this priority, two are green and one has not yet started.

Projects	2020-21 Quarter 4 (Jan – Mar)
Implement the community wealth building action plan	GREEN
Establish a business support programme	NOT YET STARTED
Deliver year 1 of the Town Deal	GREEN



GOOD HOMES GREEN SPACES HEALTHY PLACES

Achievements:

As part of the project to support the green agenda, the 'Reduce, Reuse, Recycle' campaign, which finished in March 2021 has resulted in a significant reduction of contaminated bins, a total of 2,636, which represents overall a 75% reduction. Work has also progressed to finalise location plans for the installation of four additional electric vehicle charging points. The electric vehicle charge points will be located in the car parks at King Street in Leyland, Hope Terrace in Lockstock Hall, Bamber Bridge Leisure Centre and Kingsfold Community Centre.

The project to improve leisure facilities has made good progress. Work undertaken across the leisure centre estates includes completion of a number of improvements to the leisure centre estate. These works include a number of works that are part of compliance/health and safety works; but also addressing dilapidation works which includes the interior redecoration of all the leisure centres, (i.e. faulty ceiling tiles and changing room tiles), new Boiler, landscaping, and lined car park at Leyland Leisure Centre. A new water storage tank and all mirrors replaced in the dance studios at Bamber Bridge Leisure Centre. Looking forward at quarter one 2021/22, a decarbonisation report will be commissioned for each leisure Centre and grant applications will be submitted to support decarbonisation projects.

The project to commence building affordable homes has focussed on progressing design works at the McKenzie Arms site to allow a tender to be issued for the appointment of a contractor to deliver the scheme. The Tom Hanson House development on Station Road, which will provide nine new affordable flats has been delayed, however it will be completed in early 2021/22 and handed over to the Community Gateway Association.

The bring Worden Hall back into use project has begun following planning approval, the exciting project will see a range of refurbishment work to the site. Work that has begun includes, intrusive survey work to inform the progressing design activities; the development of Interior design and branding proposals; Folly café will be temporarily relocated to allow refurbishment works on the Hall to be undertaken. The project will see the Hall transformed into a flexible space for the community and events such as weddings.

Of the four projects within this priority, one is rated green and three are rated as amber.

Projects	2020-21 Quarter 4 (Jan – Mar)
Bring Worden Hall back into use	GREEN
Deliver a project to support the green agenda	AMBER
Deliver a leisure improvement project	AMBER
Commence building of affordable homes within the borough	AMBER

Deliver a project to support the green agenda:		AMBER
To support the council's commitment to carbon neutral		
Issue:	<p>This project has been rated amber in quarter four on the basis that:</p> <p>The annual target to plant 27,500 this year has not been achieved. This can primarily be attributed to Covid restrictions which led to the cancellation of a large public giveaway, as well as the use of voluntary labour for planting. However, the Council is on-track against the four-year target of 110,000 trees by 2022/23. Currently at the end of year two, 62,267 trees have been planted. This means the Council is in advance of the programmes two-year target of 55,000 trees planted.</p> <p>There has been slow progress in securing landowner's permission on the Penwortham to Howick section for the Green Links. This section of the Green Links programme is 4km in length and delivery is subject to securing landowners' consent.</p>	
Actions Plan - What will be done:	<p>Sites have been identified for planting in the 2021/22 season. As the Covid restrictions begin to ease the tree giveaways are to be reinstated and work will resume with community groups and schools, which will increase the number of trees planted in the upcoming seasons.</p> <p>Work has been started with the Council's legal team to proactively identify landowners, with support to undertake land registry searches. This will enable more effective engagement with landowners in order to support delivery of the Green Links objectives and deliver improvements to the local area.</p>	

Deliver a leisure improvement project:		AMBER
To deliver a programme of improvements to the Council's existing leisure facilities		
Issue:	<p>Whilst the project continues to deliver against its planned programme, the overall scope of the project has been widened in response to a request from 'The Climate Change Committee'. This change impacts the overall timeline of the project, therefore pushing its rating into Amber as part of forecast delays to the project timeline.</p> <p>The request from the committee is that that in support of the Council's commitment to the green agenda and climate change, the project undertakes the production of de-carbonisation reports for each of the Council's leisure centres.</p> <p>The production of the reports is to support the submission of grant applications to central Government which if successful will provide the Council with funding towards decarbonisation projects. The decarbonisation plans will support the climate change agenda whilst also ensuring that the project delivers the best value for money in terms of additional funding and a subsequent reduction in operation costs for the leisure centres.</p>	
Actions Plan - What will be done:	<p>The project timeline has been updated to reflect that an additional three months will be required to undertake the decarbonisation reports and grant application process.</p> <p>The timeline extension is simply to meet the grant application process which is set externally. By next quarter this project is expected to revert to green with the revised timeline having been accepted.</p>	

Commence building of affordable homes within the borough:		AMBER
To deliver a number of schemes to address the gap in the current housing market by providing quality affordable homes		
Issue:	The Tom Hanson House development on Station Road in Bamber Bridge was due to complete in February 2021. However, the site is now expected to be completed in May 2021.	
Actions Plan - What will be done:	The Tom Hanson House development on Station Road, which will provide 9 new affordable flats will be completed in May 2021 and handed over under a lease agreement to the Community Gateway Association.	

Performance of the Corporate Strategy Measures

Indicator Name	Polarity	Target	Comparison	Quarter 4 2020/21	Symbol	Trend
<div style="display: flex; justify-content: space-between; font-size: small;"> Worse than target, outside threshold Worse than target but within threshold (5%) Performance is better than target </div>						
An Exemplary Council						
Service requests received via self-service channels	Bigger is better	29% (2020/21)	38% (Q3: 2020/21)	30.59%		Worse than Q3 2020/21
More than 80% of customers will be satisfied with the service they receive from the council	Bigger is better	80%	*75% (Q3: 2020/21)	93.34		Better than Q3 2020/21
Thriving Communities						
Number of meals provided to school age children through holiday hunger offer	Smaller is better	Target to improve trend	*16,760 (Q3 2020/21)	16,945 In quarter	-	-
Number of residents benefiting from opportunities created by the community's team	Bigger is better	To be baselined 2021/22	138 (Q3: 2020/21)	878	-	-
The percentage of the population with NVQ level 3 or above will increase	Bigger is better	60.6%	60.6% (Q4 2019/20)	57.2%		Worse than Q4 2019/20
A fair local economy that works for everyone						
Overall employment rate greater than north west average	Bigger is better	74.2%	88.8% (Q4 2019/20)	83.3%		Worse than Q4 2019/20
% 16 -17year olds not in education or training (NEET)	Smaller is better	3.5%	3.2% (Q4 2019/20)	4.0%		Worse than Q4 2019/20
Median workplace earnings in the borough will be better than the average for the North West region	Bigger is better	£559.60	£543.00 (Q4 2019/20)	£560.60		Better than Q4 2019/20
Good homes green spaces healthy places						
Total number of young people's physical activity courses delivered	Bigger is better	295 (Q4 2019/20)	369 (Q3 2020/21)	62		Worse than Q4 2019/20
27,500 Trees will be planted in the borough this year (Cumulative)	Bigger is better	27,500 (Annual)	*2,205 (Q3:2020/21)	16,944		Worse than Q4 2019/20
The number of people who are prevented from becoming homeless is increased	Bigger is better	341	412 (Q4 2019/20)	1411		Worse than Q4 2019/20
The number of affordable homes delivered	Bigger is better	80	81 (Q4 2019/20)	37		Worse than Q4 2019/20

Key Organisational Performance Measures

Indicator Name	Polarity	Target	Comparison	Quarter 4 2020/21	Symbol	Trend
Number of households in temporary accommodation at the end of the quarter	Smaller is better	Target to improve trend	37 (Q3 2020/21)	44	▲	Worse than Q3 2020/21
Number of Accidents reported to Health and Safety from work related activity	Smaller is better	Target to improve trend	26 (Q3 2020/21)	8	★	Better than Q3 2020/21
No. of accidents reported to Health Safety Executive for work related activity (RIDDOR)	Smaller is better	Target to improve trend	0 (Q3 2020/21)	1	▲	Worse than Q3 2020/21
Number of near miss incidents reported to Health and Safety	Bigger is better	Target to improve trend	18 (Q3 2020/21)	3	▲	Worse than Q3 2020/21
The average number of working days from Disabled Facilities grant referral received from LCC to application approved	Smaller is better	Target to improve trend	155 (Q4 2019/20)	167	▲	Worse than Q4 2019/20
% planning applications decided within 13 weeks (major applications)	Bigger is better	75%	88.88% (Q3 2020/21)	100	★	Better than Q3 2020/21
% planning applications decided within 8 weeks (minor / other applications)	Bigger is better	85%	91.79% (Q3 2020/21)	85.09	★	Worse than Q3 2020/21
% of telephone calls answered within 90 seconds	Bigger is better	40%	94.2% (Q3:2020/21)	65.6%	★	Worse than Q3 2020/21
% of calls abandoned before being answered in a quarter	Smaller is better	15%	2.0% (Q3:2020/21)	11%	★	Worse than Q3 2020/21
Average days to process a new Housing Benefit claim	Smaller is better	19 days	15.57 days (Q3:2020/21)	14.43 days	★	Better than Q3 2020/21
Percentage of Council Tax collected (Cumulative YTD)	Bigger is better	97.58%	97.58% (Q4 2019/20)	96.84%	●	Worse than Q4 2019/20
Percentage of Business Rates (Cumulative YTD)	Bigger is better	98.50%	98.5% (Q4 2019/20)	95.02%	●	Worse than Q4 2019/20

Financial Performance

In 2020/21, the Council set a balanced annual budget of £14.677m.

The draft outturn report for 2020/21, approved by Cabinet on 16 June 2021, showed a forecast net surplus of £0.570m. The report and appendices can be found [here](#).

The outturn position is summarised in the table below:

	Original Budget £'000	Current Budget £'000	Outturn £'000	Outturn Variance £'000
Corporate	496	344	516	171
Neighbourhoods & Development	7,230	7,261	6,784	(477)
Planning & Property	701	738	539	(200)
Customer & Digital	2,394	2,420	2,399	(20)
Governance	1,757	1,697	1,647	(50)
Communications & Visitor Economy	203	278	303	26
Finance	754	717	871	154
Transformation & Partnerships	512	638	530	(108)
Pensions Deficit Contributions	25	25	1	(24)
Savings Targets	(305)	(187)	-	187
Net Cost of Services	13,766	13,931	13,590	(341)
Provision for repayment of debt	649	649	619	(31)
Interest payable / (receivable)	(170)	(170)	(66)	104
Parish Precepts	432	432	440	8
Funding Requirement	14,677	14,843	14,583	(260)
<u>Funding:</u>				
Council Tax	(8,596)	(8,596)	(8,598)	(2)
New Homes Bonus – City Deal	(601)	(601)	(601)	-
New Homes Bonus – SRBC	(59)	(59)	(59)	-
Retained Business Rates	(3,715)	(3,715)	(3,706)	8
Section 31 grants (mainly business rates)	(1,595)	(1,595)	(6,858)	(5,263)
Surplus business rates set aside for deficits in future years	-	-	5,257	5,257
Total Funding	(14,566)	(14,566)	(14,565)	0
Government Covid-19 support for income deficits			(310)	(310)
Net Contribution (To) / From Reserves	111	277	(293)	(570)

It was approved to utilise the underspend as follows:

- Transfer £100k into the Local Plans reserve to provide sufficient funding up to 2023/24
- Create a new £400k Asset Maintenance Reserve to pay for potential future maintenance costs and part fund future capital expenditure on short-life assets such as ICT and vehicles.
- Create a £250k Income Investment Reserve to cover costs of developing new income generation projects which may not be able to be capitalised.
- Transfer an additional £168k to the Covid Recovery Fund.

The outturn position will be considered as part of the update of the Council's Medium Term Financial Strategy (MTFS) to ensure that ongoing additional income, or reduced expenditure, is fully reflected in the strategy.

In recent years austerity measures have been implemented by Central Government to reduce overall public sector spending. This has resulted in changes in the way the Council is funded and has seen the withdrawal of central government grants including the revenue support grant and, in the future, the anticipated withdrawal of New Homes Bonus. This has been in part replaced by an increase in locally retained business rates as the Council, as part of the Lancashire Business Rate Pooling arrangement, benefits annually by approximately £1.6m per annum through this pooling.

There is risk and uncertainty in relation to future years funding, not only because it is directly linked to growth in the borough, but also pending the outcome of Central Government's Fair Funding review and any potential reset to the business rates retention system. The implementation of these was delayed for 2021/22 due to government's focus on BREXIT and the Covid-19 pandemic. However, uncertainty remains regarding the implementation of the business rates baseline reset, which may have a major impact on the council's future income from business rates. It is assumed in the budget that the Council will lose its benefit from membership of the Lancashire Business Rates Pool over a two year period, however this will be reviewed when further Government announcements are made.

In light of this, and the fact that Council Tax is the major source of funding for local services, it is essential that all councils monitor their collection rates and raise as much income as possible. Any under recovery of income can have a significant impact on the ability of a Council to fund its service delivery. South Ribble continues to perform well in this area, despite the effect of Covid-19 on businesses and residents, with collection rates of 96.84% for council tax and 95.20% for business rates in 2020/21. These collection rates were understandably lower in 2020/21 than 2019/20 and will be monitored closely as part of the Council's performance management framework during 2021/22.

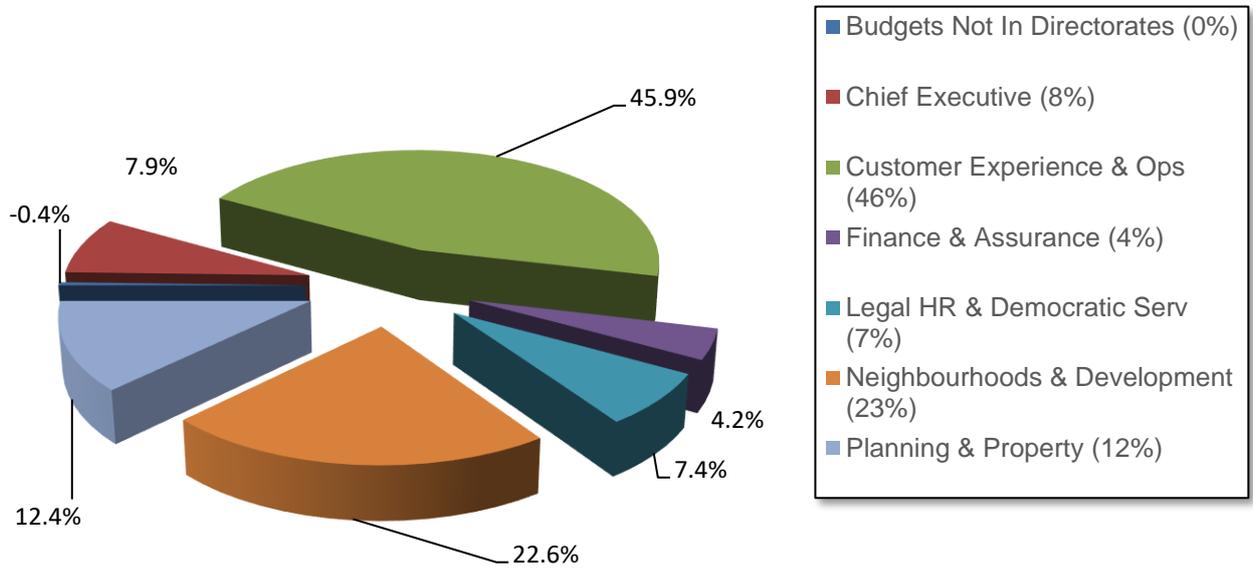
Total reserves for the Council were £27.149m by the end of 2020/21 of which £4.141m is held in a general reserve. The remaining reserves are earmarked for specific programmes of work or costs that are known to the Council. Monitoring of reserves will continue to ensure they remain appropriate and reflect the level of risk that exists around unplanned/unforeseen expenditure or loss of income. A detailed breakdown of the individual reserves held is shown in Note 11 of the Statement of Accounts. It should be noted that although reserves have increased by £6.336m since 2019/20, £5.244m was due to the receipt of business rates relief support that will be applied in 2021/22. In addition, the Council has set aside £1.329m of Covid-19 specific reserves to enable the Council to respond to the pandemic in 2021/22 onwards.

The following table shows the reconciliation between the outturn position shown above and the movement for the year shown in the Expenditure and Funding Analysis (EFA), which forms Note 1 to the Statement of Accounts:

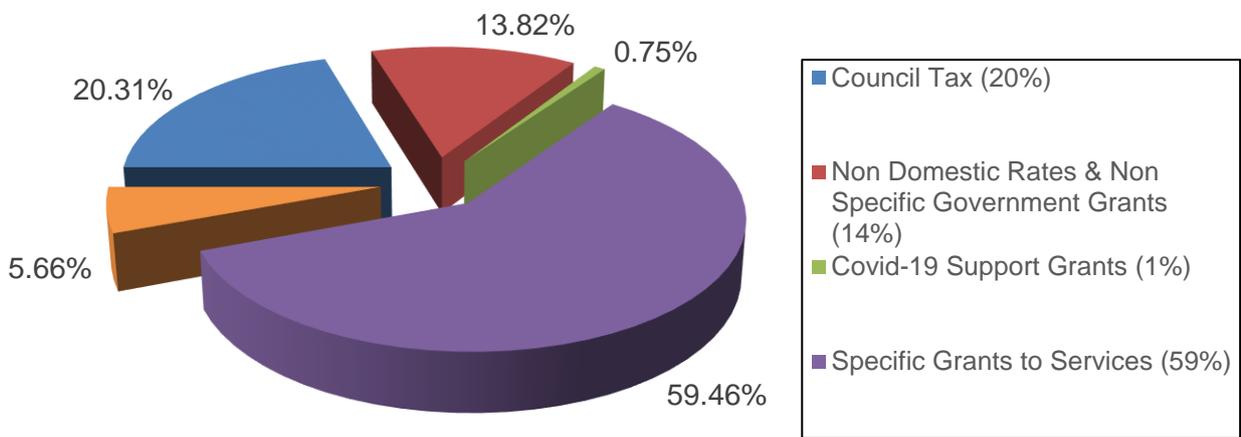
Contribution to Reserves 2020/21	£'000
Amount as per Outturn Report	(293)
Additional Lump Sum Pension Contribution Payable	236
<i>Amounts in Outturn, not in EFA</i>	
Contributions to Reserves	(2,103)
<i>Amounts in EFA, not in Outturn</i>	
Capital expenditure funded from revenue	2,047
Additional s31 Grants in respect of Business Rate Reliefs	(5,486)
Capital contributions payable to City Deal	(501)
Amounts as per EFA	(6,100)

The following charts show where the Council's money came from and how it was spent on services:

Where the money was spent



Where the money came from



Capital Programme

In February 2020 the Council approved a 4-year capital strategy of £57.930m. This programme delivers a number of key projects to the benefit of the residents of South Ribble:

Health, Leisure and Wellbeing Programme (£31.442mm) includes upgrades to key green infrastructure sites, updating existing leisure assets and facilities, a new leisure facility and a sports pitch hub with artificial grass pitches.

Master planning and regeneration of key strategic sites (£20.472m) offers more affordable housing, support to vulnerable people through disabled facilities grant and upgrading the condition of the Council's buildings

Improved and updated ICT systems and technology (£5.476m) including mobile technology, replacement of Council service vehicles and an update to the Civic Centre to create a more commercially focussed facility.

The capital programme budget for 2020/21 was £10.094m. With approved slippage from 2019/20 and other subsequent changes, the final budget was £9.614m.

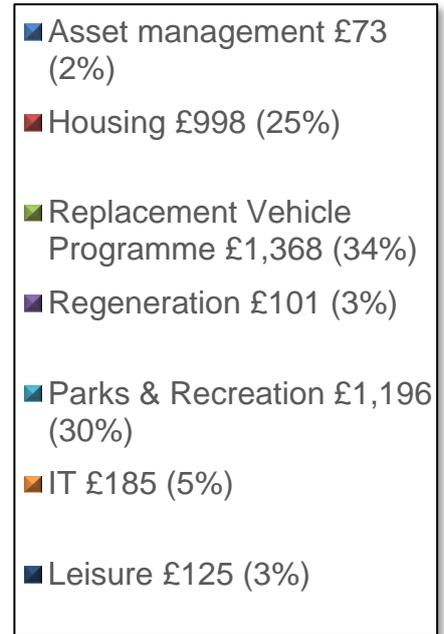
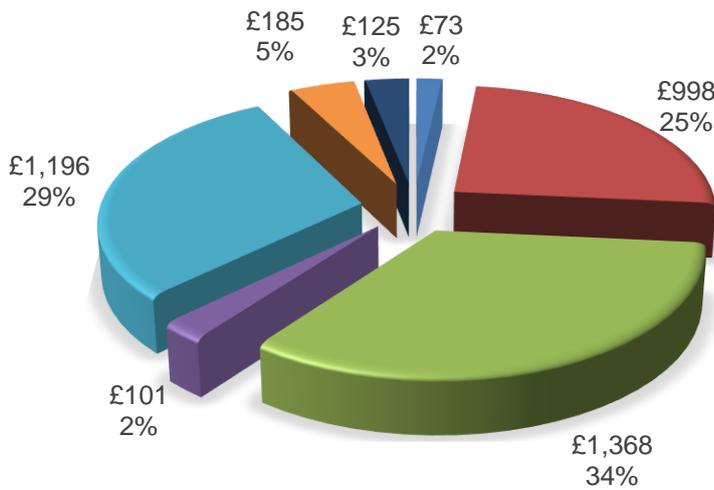
The draft outturn position of the 2020/21 capital programme is set out in the following table and outlined further in appendix C of the outturn report approved Cabinet on 16 June 2021. The report and appendices can be found [here](#).

Capital Programme Outturn 2020/21

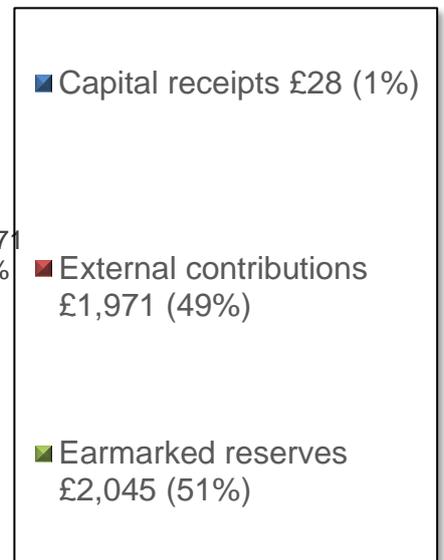
Description	2020/21 Budget £000	Revised Budget (A) £000	Outturn (B) £000	Variance (B) – (A) £000	Re-phased into 2021-22 £000	Over / (Under) Spend £000
Good homes, green spaces and healthy places						
Green Links	460	252	118	(134)	(131)	(3)
Worden Park	913	444	244	(200)	(97)	(103)
Other Parks & Open Space	1,200	839	802	(37)	(37)	0
Sport and Leisure	1,298	254	156	(98)	(98)	0
Affordable Housing	663	758	482	(276)	(276)	0
Disabled Facilities Grants	1,003	750	510	(240)	(240)	0
Empty Homes Grants	39	0	0	0	0	0
Private Sector Home Improvement Grants	75	6	6	0	0	0
A fair economy that works for everyone						
Land Acquisition – Croston Road	77	30	30	0	0	0
Leyland Train Station Ticket Office	60	15	0	(15)	(15)	0
Acquisitions Qunn St	0	1,123	0	(1,123)	(1,123)	0
Master Planning and Regeneration	50	50	0	(50)	(50)	0
New Longton Regeneration	75	0	0	0	0	0
Parkin Meters Replacement	0	45	0	(45)	(45)	0
Thriving communities						
Hoole Village Hall Grant	200	50	50	0	0	0
St Mary's Penwortham – Churchyard Wall Repair	140	40	21	(19)	(19)	0
An exemplary council						
IT Programme – Digital Strategy	405	269	185	(83)	0	(83)
Vehicles and plant replacement	2,477	1,530	1,368	(162)	(162)	0
Corporate buildings/Asset Management Planning	480	158	73	(85)	(85)	0
TOTAL	9,614	6,613	4,045	(2,568)	(2,379)	(189)

The Council spent £4.045m against the revised budget of £6.613m, which equates to 61% and gives an overall variance of £2.568m. Of this, £2.379m has been carried forward into 2021/22 to enable projects to be completed. The remaining £0.189m is a net underspend. A summary position of capital expenditure is set out below.

Capital Expenditure £'000



Capital Financing £'000



The significant areas of spend on projects (over £20k) in 2020/21 are outlined below:

Project	2020/21 Outturn £m
Good homes, green spaces and healthy places	
Green Link – Shruggs Wood	58
Leyland Loop	60
Worden Park - Overflow Car Park	117
Worden Hall Refurbishment	122
Hurst Grange Coach House Phase 2	189
Open Spaces – Balcarres Green	26
Playground – Worden Park	50
Playground – Leadale Green	35
Playground – Seven Stars	175
Playground – Hurst Grange	226
Playground – Bellis Way	37
Tarn Wood, Penwortham	31
A Tree for every Resident	26
King George V Playing Fields, Higher Walton	31
Sports Pitch Hub	113
Affordable Housing – McKenzie Arms	58
Affordable Housing – Pearson House	424
Disabled Facilities Grants	510
A fair economy that works for everyone	
Acquisition – Croston Rd	30
Thriving Communities	
Hoole Village Hall Grant	50
St Mary's, Penwortham - Churchyard wall repairs	21
An Exemplary Council	
Upgrade of Systems	118
Refresh of Tablets and Phones	61
Civic Centres Solar Panels	31
Polling Booths	22
Vehicle Replacement Programme	1,368

The Corporate Risk Register

Strategic Risk Register Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels. Compiling the Strategic Risk Register requires a collective effort involving Senior Leadership Team (SLT) to identify the key strategic risk issues facing the Council.

The Strategic Risk Register is stored and managed within the Council's risk management system GRACE. SLT are responsible for identifying, owning monitoring and mitigating strategic risk including ensuring that any actions against each risk are completed.

The GRACE system also contains separate risk registers for individual projects and service level risk registers owned and controlled by individual services managers and project managers. All strategic risks are now contained and embedded within the GRACE system have been reviewed to inform this latest position. Directors and service leads continue to own individual risks with actions being owned by the most relevant Senior Officer within the organisation. All risks are stored within the GRACE system and are scored on a 4x4 risk matrix as outlined below:

Major	4	4 Low	8 Medium	12 High	16 High
Serious	3	3 Low	6 Medium	9 Medium	12 High
Minor	2	2 Low	4 Low	6 Medium	8 Medium
Insignificant	1	1 Low	2 Low	3 Low	4 Low
		1	2	3	4
		Rarely – there is a slight possibility that the event will occur	Unlikely - there is a possibility that the event will occur or there is a history of occasional occurrence within the authority	Likely – There is a strong possibility that the event will occur or there is history or regular occurrence within the Authority	Highly likely -there is little doubt that the event will occur

The latest Corporate Risk Register was reported to Governance Committee on 19 January 2021, the full report can be found [here](#). A summary of the risks (ordered highest to lowest risk) for 2021 can be found below.

Risk	Description	Owner	Inherent risk	Residual risk
R01 Service delivery	The ability of the council to continue its service delivery being either halted or significantly scaled back as a result of major incidents or emergencies such as cyber-attacks, pandemics.	Chief Exec/Deputy Chief Exec	16 (high)	9 (medium)
R02 Corporate Governance failure	Failure to implement and maintain the corporate governance framework action plan leading to continued fundamental weaknesses in internal controls	Director Governance	9 (medium)	6 (medium)
R03 Financial sustainability	Reduction in current funding streams including government grant and key public sector and third-party partners	Director Finance/ Deputy Director Finance	12 (high)	9 (medium)
R04 Management of capital funding and capital programme	Poor management and monitoring of capital funding to deliver large scale improvements to the corporate plan - ensuring that is on track and up to date and projects are delivered within agreed timescales and budget	Director Finance/ Senior Responsible Officers	12 (high)	9 (medium)
R05 External legislation and policy change	Failure to account for and/or respond to external legislation and policy change for example those brought about by BREXIT, Universal Credit, GDPR, local government transformation, Green agenda.	Director Governance	12 (high)	8 (medium)

Risk	Description	Owner	Inherent risk	Residual risk
R06 Staff capacity and skills	Lack of staff capacity and/or skills to enable the Council to deliver large-scale capital projects to support the Corporate Strategy	Deputy Chief Exec	9 (medium)	4 (low)
R07 ICT security and data protection	Failure to comply with GDPR regulations and data legislation leading to action taken against the council, including reputation and legal action resulting in fines.	Director Customer and Digital	12 (high)	8 (medium)
R08 Strategic partnerships	Failure to achieve desired outcomes through strategic relationships incl. City Deal	Chief Exec/Deputy Chief Exec	16 (high)	12 (high)
R09 Agile services (consideration post COVID-19)	Failure to adapt business models and services to reflect changes in the way people interact and do business with the council (including consideration of communities' post COVID-19, impact of local economy and council services).	Deputy Chief Executive	12 (high)	8 (medium)
R10 Council's reputation	Damage to the Council's reputation and potential reduction in resident satisfaction	Director Governance	9 (medium)	4 (low)
R11 Shared service arrangements	Failure of existing shared service arrangements/ failure to expand shared services arrangements	Chief Exec/Deputy Chief Exec	9 (medium)	2 (low)
R12 Staff satisfaction and morale	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	Shared Service Lead-Transformation and Partnerships	9 (medium)	6 (medium)
R13 Political relationships	Failure to maintain political stability and Officer-Member relationships	Director Governance	9 (medium)	6 (medium)
R14 Council performance	Failure to sustain performance of Corporate Strategy projects and general organisational performance	Shared Service Lead-Transformation and Partnerships	9 (medium)	4 (low)
R15 Data breach or action leading to complaints or ICO investigation	Shared system arrangements to facilitate South Ribble Together Hub (Covid) with Citizens Advice leading to poor service or data breach leading to financial penalty and reputational harm	Director – Neighbourhoods and Developments	12 (high)	4 (low)
R16 Brexit	Potential detrimental impact of Brexit upon service delivery	Deputy Chief Executive	9 (medium)	8 (medium)

One of the highest rated risks to the Council for 2021 is R01 'the ability of the Council to continue its service delivery being either halted or scaled back as a result of major incidents or emergencies such as cyber-attacks, pandemics'. This risk is rated highly due to the likelihood and impact of disruption to business continuity due to the ongoing COVID-19 pandemic. However, the controls we have in place to mitigate this risk as a Council are strong and therefore the residual and target scores reduce significantly to medium.

The maintenance and success of key strategic partnerships are key to the Council meeting its key corporate priorities and aims. Risk R08 relates to the success of these partnerships and has been rated highly for 2021 given the Council's reliance on them and specific issues relating to the City Deal. There remain strong partnerships in place with governance arrangements to manage relationships through mechanisms such as the South Ribble Partnership.

As would be expected, COVID- 19 has had a significant impact on the consideration and scoring of some of the highest rated risks for 2021. Its impact (and potential unknown future impact) can be seen influencing several of the highest risks facing the Council. This includes R03 'reduction in current funding streams including government grant and key public sector and third-party partners. This risk has been rated highly due to the unknown impact of COVID-19 on future funding/income streams and potential impact on Council income generation. It can also be seen against risk R09 'agile services' due to the likelihood of changing customer needs and environments during and post the pandemic. Strong actions are in place against this risk including effective business planning for 2021/22 and undertaking a survey to understand the changing needs of residents and therefore the target risk is low.

Two of the highest rated risks facing the Council are financial. These risks involve the management of capital funding and the capital programme (R04) and financial sustainability (R03). With regards to financial sustainability, this risk has been rated highly due to probability of reduction in current funding streams including Central Government grants, key public sector and third party partners following as a result of the COVID – 19 pandemic in an environment where cuts were already ongoing. Risk R04 involves the management of capital funding to deliver large scale improvements within the Corporate Plan. The Corporate Plan is a significant document which determines the direction of the Council and key projects to be delivered over the next three years and therefore the impact of any poor management of capital funding to deliver the plan would be high. Although both rated highly – strong, well established controls and monitoring are in place to manage both risks and therefore the residual and target risks are lower, at medium.

Risk R05 and R07 relate to external policy and legislation and the potential failure of the Council in complying with/ responding effectively to them. Risk R05 specifically relates to policy change such as Brexit and GDPR and the risk should the council fail to comply with existing regulations (in the case of GDPR) or any new regulations arising (Brexit). There is also a separate Brexit risk at R16 which is rated at a medium level due to the need for awareness of potential changes in council policies and procedure following Brexit.

Risk R07 is more data based and related to policy/ legislation surrounding GDPR and data protection and the Council's compliance with it. Work is continuing around GDPR compliance however comprehensive actions are in place following the Council's GDPR audit and therefore the target level of risk is low at 4, reflecting the level of risk the Council is willing to accept following the completion of all actions and controls.

Eight risks (53%) are rated at a medium level for 2021. These risks are around internal governance, political relationships, shared services, staff satisfaction and the Council's reputation. The medium rating of these risks reflects the work that has been undertaken over the last 18 months as part of improvements to the Council's governance processes and internal structures, as well as the successful completion of phase one of shared services and agreement to progress to phase two. Staff have continued to be supported, through the difficult circumstances of the COVID – 19 pandemic and the last staff satisfaction survey (pre-COVID) showed satisfaction was 78%.

The significance of these risks and their potential impact on the Council remains however, and therefore they are rated at a medium level for 2021 along with existing controls already in place and any further actions to be undertaken to mitigate these risks.

Risk R02 'corporate governance failure' is rated as a medium this year. The risk is around failure to implement and maintain the corporate governance framework action plan leading to continued fundamental weaknesses in internal controls. The risk has been classed as medium due to significant learning following previous governance failures and the strong actions and controls that have therefore been put in place and are being delivered through the Annual Governance Statement action plan. Several actions to be delivered will contribute towards effective corporate governance, meaning the target risk is low and rated 4 (green).

Risk R15 is related to the establishment of South Ribble Together Hub and the development of a triage and referral service being delivered with support from Citizens advice. The risk directly relates to potential for data breaches and implications of enforcement by the Information Commissioner. Several mitigating actions and controls are in place that have moved the risk from high to low. Progress will be continually monitored and regular management meetings of the service is overseen through the Community Development Team Manager.

Coronavirus Pandemic

In March 2020, the whole of the UK was affected by the pandemic and central government issued various instructions and guidance to combat this. Like all Councils, South Ribble took action to protect itself, its staff and the community.

The impact of the restrictions were felt throughout 2020/21. The financial implications have been reported quarterly to members as a separate section in the revenue and capital budget monitoring papers. To date the funding from Government has met the increased costs and loss of income that the Council has experienced during the pandemic. However, future announcements of specific funding have not been made and therefore the medium-term impact on the Council's financial position will need to be monitored closely.

The following paragraphs provide a high-level overview of the effects of the situation on this statement of accounts.

Provision of Services

As a result of the business continuity plans in place across the Council, front line service provision was largely unaffected by the lockdown instruction. Leisure facilities and some community facilities were temporarily closed, and arrangements implemented for re-opening when allowed. From April 2021, leisure services have been brought in-house with the ambition during 2021/22 for the Council to transfer the management of these services into a wholly owned leisure company.

All other services were maintained as a result of business continuity arrangements and, where possible, staff redeployed to high priority areas. Although the reception areas in the Council's buildings were closed, public services were maintained by digital service provision and use of other communication means. The Council has fully implemented government funded schemes including provision of business rates relief, providing council tax hardship support and providing grants to support business, thereby protecting the economic stability of its area.

Workforce

In line with government instruction, the Council has issued a 'work from home wherever possible' instruction to its staff from throughout 2020/21. All staff are still strongly encouraged to work from home where it is practical to do so and are only permitted to attend offices where unavoidable. This directive has maintained service provision at a satisfactory level and has greatly reduced the risk that Council staff become infected. As staff were protected, the Council was able to deploy its staff, where suitably trained, to other areas.

Supply Chains

The Council is aware of its responsibility for the economic wellbeing of its area and has taken all practical steps to protect supply chains. A policy was already in place for prompt payment of supplier invoices and all staff have been requested to process undisputed invoices as quickly as possible. Where possible, arrangements have been made with suppliers offering financial support and assistance provided through the administration of the government business grant support for businesses.

Reserves, Financial Performance and Financial Position

Total reserves for the Council were £27.149m by the end of 2020/21 of which £4.141m is held in a general reserve. The remaining reserves are earmarked for specific programmes of work or costs that are known to the Council. Monitoring of reserves will continue to ensure they remain appropriate and reflect the level of risk that exists around unplanned/unforeseen expenditure or loss of income. It should be noted that although reserves have increased by £6.336m since 2019/20, £5.244m was due to the receipt of business rates relief support that will be applied in 2021/22. In addition, the Council has set aside £1.329m of Covid-19 specific reserves to enable the Council to respond to the pandemic in 2021/22 onwards.

In respect of Commercial property values, the valuation report outlined that the impact of Covid-19 is difficult to quantify at this stage and that the true impact of Covid-19 will not be known until liquidity returns to the market later in 2021, as expected. There were no significant downward valuations in the Council's investment property portfolio.

The Council will also review its planned efficiencies and savings included in its MTFS to ensure these can be delivered within the anticipated timeframe. These will be assessed as part of the refresh of the 2022/23 to 2024/25 Corporate Strategy and the subsequent preparation of the MTFS.

Cash Flow Management

The Council closely manages its cash flows ensuring management costs are kept to a minimum while gaining the maximum return on surplus balances. The loss of income from rentals and fees and charges has been temporarily offset by the cash payments received from government in Covid-19 related grants. There have been no cash flow issues during 2020/21 and cash balances will be managed in accordance with the approved treasury strategy.

Plans for Recovery

The Covid-19 crisis will continue to have a significant operational and financial impact on the Council, its partners and the communities it serves. It is now important that the Council has a clear plan for how it will recover its services and return to 'business as usual' as quickly as possible. A key focus will be on getting core services back up and running efficiently. However, there are some aspects of the response effort that will need to remain in place for an extended period of time, such as the Community Hub and enhanced support for local businesses.

Our plans will need to assess and align the resources required to get the Council back on track, while taking account of new responsibilities and priorities as a result of the impact of Covid-19 on residents and communities. In response to this, the Corporate Plan will be reviewed so that activities and programs are aligned to supporting communities and businesses through the period of recovery, as well as ensuring activities are appropriate to be delivered in an environment of social restrictions and distancing. Already the Council has set aside reserves to help manage this process including:

- £150k - to promote community wealth building
- £150k - to provide support for local businesses
- £50k - to provide support for the mental health of young people
- £654k - a Covid Recovery Fund

Outlook for the Future

All local authorities are facing challenges as a result of changes to the funding from Government through the Fair Funding Review which was due in the Autumn of 2019. This was postponed to at least 2022/23 due to BREXIT and then as a result of the Covid-9 pandemic. In February 2021, the Council updated its MTFS to reflect the Council's new corporate priorities, and baselined changes in funding and expenditure. Gaps between the budget required and likely funding available were approved by Full Council, based on prudent economic growth and Council Tax increases to achieve a balanced three year Medium Term Financial Strategy. There are significant savings identified due to the assumed drop in business rates income. The Council is developing a Transformation Plan to close the budget gap through the delivery of savings and/or generation of additional income. The MTFS is kept under constant review in order to take account of changes in demand and/or funding that may impact on the financial position going forward. This is especially important as the Council assists in the national recovery from the pandemic.

Efficiencies identified and reported in previous years will continue to be developed and options for the delivery of more efficiency savings and investment returns are being created. The Council is also developing robust arrangements to ensure that plans for efficiencies are realistic and deliverable over agreed timescales. Updates are provided to Cabinet at regular intervals and the Council is developing the delivery of the Transformation Strategy.

The new Corporate Plan has been developed to set strategic projects to be delivered and a planned use of reserves for investment priorities has been agreed that will see them reduce to £11.092m by March 2024.

The Council is in a potentially high growth area for housing and business. As such it needs to manage this growth to ensure that the Council services and the wider infrastructure are reshaped accordingly. To deliver this the Council has embarked on an ambitious capital programme utilising its own

reserves, external funds and borrowing, where the appropriate business case exists to repay debt, to facilitate this transformational programme for its residents. This focus will be both on front line service delivery and back office support such that the Council has the resilience for growth from within existing resources. The Council also plans to deliver an ambitious housing programme to facilitate housing options for all tenures and ages within the wider borough. Growth delivered without infrastructure can have negative environmental impacts such as Air Quality. Therefore at the same time the Council is investing in its Green Links programme to promote the wider Health Leisure and Wellbeing priorities associated with its Parks and Open Spaces and sports facilities as well as working with the County Council on highway infrastructure to offset these wider impacts.

As part of a longer term strategy, a detailed asset review is being undertaken to identify those assets that are protected open spaces, retained for commercial purposes and those that can be released for housing or wider economic regeneration. Economic growth results in future employment and the Council will be analysing its core demographic data to ensure that opportunities are maximised to its residents.

Overall the Council has a robust financial position over its Medium Term period, however, as already stated the progress of these could be affected by the financial impact of the COVID 19 pandemic. The effects of this will be reviewed as appropriate.

Treasury Management

The treasury operations of the Council are conducted in accordance with its annual Treasury Strategy. This strategy document identifies the investment and borrowing policies of the Council over a three-year period, specifying, amongst other things, the criteria for investment counterparties, the maximum duration and amount of investments, and the need for borrowings.

The key facts for 2020/21 were:

- Investments were short-term, the maximum period permitted by the Council's Treasury Strategy being one year.
- The average cash balance invested was £50.089m at an average rate of 0.36% and generated £0.177m of interest during the year.
- No new Prudential Borrowing was entered into to finance capital expenditure, either from external loans or from internal cash balances.

Pension Fund Liability

The pension fund deficit has increased during the year by £10.164m, from £29.842m to £46.006m. This reflects the value of pension liabilities which the Council is required to pay in the future when they fall due, offset by the value of assets invested in the pension fund. The Council's pension fund is revalued every three years to set future contributions into the fund; the last valuation was undertaken in 2019 which reported a funding level of just over 100%, the result of the Lancashire County Pension Fund being one of the most successful Local Authority funds in the country. The Council has a deficit recovery plan in place with the Administering Authority which aims to maintain a 100% funding level by making additional Deficit Recovery Contributions over a 16 year period.

This deficit figure is an estimate, based on the actuary's assessment of the present value of the liabilities to be met by the fund over a long period, less its current assets and anticipated future receipts. Note 37 presents detailed information about the Defined Benefit Pension Scheme.

Main Accounting Changes

The new or amended international financial reporting standards or international accounting standards introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 include:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle. The amendments affect:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation
 - IAS 12 Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
 - IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Amendments to References to the Conceptual Framework in IFRS Standards

Going Concern

South Ribble Borough Council's MTFs outlines the strategies it will pursue to meet current and future funding shortfalls. A balanced budget for 2021/22 has been approved and there is no reason to believe that the budget gap identified in the Council's budget in future years will not be entirely mitigated through the Transformation Programme. As such, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Further Information

If you would like to receive any further information about these accounts, please do not hesitate to contact South Ribble Borough Council on 01772 625625, by email at info@southribble.gov.uk or by post at the Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH.

Introduction to the Statement of Accounts

The Accounts and Audit Regulations 2015 require the council to produce a Statement of Accounts for each financial year.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code), which is based on International Financial Reporting Standards.

The Statement of Accounts contain a number of sections and statements and these are explained below:

STATEMENTS TO THE ACCOUNTS

- Page 36 **The Independent Auditor’s Report** – This gives the auditor’s opinion of the financial statements and of the council’s arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- Page 41 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the council and the Responsible Financial Officer in relation to the Statement of Accounts.
- Page 114 **The Annual Governance Statement** – The council is required to conduct an annual review of the effectiveness of its system of corporate governance and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS). The AGS explains our governance arrangements, the review of the governance framework against the Local Code of Governance and future plans to improve and strengthen the governance environment.

CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

- Page 42 **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
- Page 43 **Movement in Reserves Statement** – Levels of reserves, and movements therein, are indicators of the financial strength of the organisation. This statement distinguishes usable from unusable reserves. The distinction is explained in the Balance Sheet comment below.

The Movement in Reserves Statement shows the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority’s services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting, however, a series of statutory adjustments are then made, resulting in a line entitled “Increase/Decrease in year”.

- Page 44 **The Balance Sheet** – this shows the value of the assets and liabilities recognised by the authority. The total of these, the Net Assets, is matched by the authority’s reserves, as shown in the lower part of the Balance Sheet.

Reserves are categorised into “Usable”, i.e. available to fund expenditure or reduce local taxation, and “Unusable”. The latter includes the Revaluation Reserve (holding

unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and statutory basis prescribed for taxation purposes.

Page 45 **Cash Flow Statement** – this shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

Page 46 **Notes to the Main Financial Statements** – these add to and interpret the individual statements.

SUPPLEMENTARY FINANCIAL STATEMENTS

Page 110 **Collection Fund** – this is an agents statement that reflects the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the council itself.

Page 111 **Notes to the Collection Fund** – these add to and interpret the Collection Fund statement.

The Independent Auditor's Report

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Statement of Responsibilities

This statement defines the responsibilities of the council and the Responsible Financial Officer in respect of the council's financial affairs.

The council's Responsibilities

The council shall:

- Make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance/S151.
- 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 Director of Finance/S151 Officer. is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

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

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Complied with the local authority Code;
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Further Information

Further information about the accounts is available from the Shared Financial Services Team, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH

Certification

I certify that the Statement of Accounts gives a true and fair view of the financial position of South Ribble Borough Council as at 31 March 2021 and its Income and Expenditure for the year ended 31 March 2021.

Louise Mattinson
Chief Finance Officer/Section 151 Officer

Date: xx September 2021

CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement.

2019/20				Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	
949	(59)	890	Chief Executive		3,691	(4,397)	(706)
11,658	(3,127)	8,531	Neighbourhoods & Development		9,340	(3,272)	6,068
5,994	(4,435)	1,559	Planning & Property		5,112	(3,810)	1,302
3,067	(252)	2,815	Finance & Assurance		1,752	(140)	1,612
2,356	(677)	1,679	Legal, HR & Democratic Services		3,076	(1,308)	1,768
20,346	(18,004)	2,342	Customer Experience & Operations		18,955	(16,264)	2,691
637	0	637	Budgets Not in Directorates		(174)	0	(174)
45,007	(26,554)	18,453	Cost of Services		41,752	(29,191)	12,561
389	(13)	376	Other operating expenditure	12	440	(27)	413
4,113	(3,519)	594	Financing and investment income and expenditure	13	2,900	(3,137)	(237)
15,154	(34,592)	(19,438)	Taxation and non-specific grant income	14	10,871	(25,150)	(14,279)
64,663	(64,678)	(15)	(Surplus) / deficit on provision of services		55,963	(57,505)	(1,542)
		0	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets				(521)
		(5,309)	Re-measurement of the net defined benefit liability	37d			8,346
		(5,309)	Other Comprehensive (Income) and Expenditure				7,825
		(5,324)	Total Comprehensive (Income) and Expenditure				6,283

Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the council, analysed between those that are “usable” (available to fund expenditure or reduce local taxation), and other reserves.

The line “(Surplus)/deficit on provision of services” shows the true economic cost of providing the authority’s services, as detailed in the Comprehensive Income and Expenditure Statement. For the purposes of council tax setting however, a series of statutory adjustments are then made. These adjustments are shown in total below, and are also detailed in Note 10.

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2019	(19,519)	(827)	(9,111)	(29,457)	(3,015)	(32,472)
<u>Movements in 2019/20</u>						
Total Comprehensive Income & Expenditure	(15)	0	0	(15)	(5,309)	(5,324)
Adjustments between accounting basis & funding basis (note 10)	(1,279)	827	(1,158)	(1,610)	1,610	0
(Increase) / Decrease in year	(1,294)	827	(1,158)	(1,625)	(3,699)	(5,324)
Balance at 31 March 2020	(20,813)	0	(10,269)	(31,082)	(6,714)	(37,796)
<u>Movements in 2020/21</u>						
Total Comprehensive Income & Expenditure	(1,542)	0	0	(1,542)	7,825	6,283
Adjustments between accounting basis & funding basis (note 10)	(4,558)	0	1,986	(2,572)	2,572	0
(Increase) / Decrease in year	(6,100)	0	1,986	(4,114)	10,397	6,283
Balance at 31 March 2021	(26,913)	0	(8,283)	(35,196)	3,683	(31,513)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. It shows the net assets of the authority which are matched by the reserves held. Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement (MiRS).

31 March 2020 £'000		Notes	31 March 2021 £'000
28,265	Property, Plant & Equipment	15	33,084
10,056	Investment Property	16	10,144
140	Intangible Assets	17	163
43	Long Term Debtors	18	39
38,504	Long Term Assets		43,430
38,071	Short Term Investments	18	29,017
92	Inventories	19	111
3,190	Short Term Debtors	20	10,462
12,048	Cash and Cash Equivalents	21	15,148
53,401	Current Assets		54,738
(10,000)	Short Term Borrowing	18	0
(11,307)	Short Term Creditors	22	(25,291)
(2,686)	Provisions	23	(2,081)
(23,993)	Current Liabilities		(27,372)
(167)	Long Term Creditors	18	(152)
0	Other Long Term Liabilities	18	0
(29,842)	Net Pension Liability	37	(37,289)
(107)	Grant Receipts in Advance - Capital	33	(1,842)
(30,116)	Long Term Liabilities		(39,283)
37,796	Net Assets		31,513
(31,082)	Usable Reserves	24 & MiRS	(35,196)
(6,714)	Unusable Reserves	25	3,683
(37,796)	Total Reserves		(31,513)

The unaudited accounts were authorised for issue on 29 July 2021 and the audited accounts were authorised for issue on xx September 2021.

Louise Mattinson
Director of Finance/Section 151 Officer
Date: 29 July 2021

Cash Flow Statement

This shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

2019/20 £'000		Note	2020/21 £'000
15	Net surplus or (deficit) on the provision of services (CIES page 14)		1,542
8,262	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26a	14,449
(1,778)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26b	(134)
6,499	Net cash flows from Operating Activities	26	15,857
(7,202)	Investing Activities	27	5,384
9,625	Financing Activities	28	(18,141)
8,922	Net (increase) or decrease in cash and cash equivalents		3,100
3,126	Cash and cash equivalents at the beginning of the reporting period		12,048
12,048	Cash and cash equivalents at the end of the reporting period	21	15,148

Notes to the Main Financial Statements

NOTE: values throughout these accounts are presented rounded to whole numbers (usually thousands or millions of pounds). Totals in supporting tables and notes may appear not to exactly match to the Core Financial Statements or other tables, due to rounding differences.

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis Note, which is a note to the core financial statements, 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 directorates.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES). More information on the adjustments between expenditure charged to the General Fund and the CIES is provided in Notes 8 and 10.

2019-20				2020-21		
Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis (note 8 and 10) £'000	Net Expenditure in the CIES £'000		Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis (note 8 and 10) £'000	Net Expenditure in the CIES £'000
880	10	890	Chief Executive	(776)	70	(706)
6,430	2,101	8,531	Neighbourhoods & Development	6,490	(422)	6,068
392	1,167	1,559	Planning & Property	145	1,157	1,302
1,630	1,185	2,815	Finance & Assurance	1,477	135	1,612
1,632	47	1,679	Legal, HR & Democratic Services	1,586	182	1,768
2,054	288	2,342	Customer Experience & Operations	2,313	378	2,691
519	118	637	Budgets Not in Directorates	(230)	56	(174)
13,537	4,916	18,453	Net cost of Service	11,005	1,556	12,561
(14,831)	(3,637)	(18,468)	Other Income and Expenditure	(17,105)	3,002	(14,103)
(1,294)	1,279	(15)	(Surplus) / Deficit in year	(6,100)	4,558	(1,542)
(19,519)			Opening General Fund Balance at 1 April	(20,813)		
(1,294)			Add (Surplus) / Less Deficit on General Fund Balance in Year	(6,100)		
(20,813)			Closing General Fund Balance at 31 March	(26,913)		

2. Accounting Policies

General Principles

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure (Revenue Recognition)

The Income and Costs of the council are accounted for in the period to which they relate, regardless of when the cash is paid or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Revenue from Council Tax and Business Rates is measured at the full amount receivable (net of impairment losses) as they are non-contractual, non-exchange transactions. Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash and Cash Equivalents are shown net of bank overdrafts that are repayable on demand.

- Cash consists of cash in hand and deposits repayable without penalty on notice of not more than 24 hours.
- Cash Equivalents consist of highly liquid investments which mature in less than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

The Authority is not required to raise council tax to meet these charges. Instead it has to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to 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 contribution in the General Fund Balance (the Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council Tax and Non-Domestic Rates

Billing authorities such as South Ribble Borough Council 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 National Non-Domestic Rates

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.

Contingent Assets and Liabilities

These are assets and liabilities arising from past events the existence of which will only be confirmed by future events not wholly within the council's control. They are disclosed in the notes to the main financial statements. See Note 38 to the accounts.

Exceptional Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the main financial statements, depending on their significance.

Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

These are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date, or a decision to accept voluntary redundancy. The costs are recognised when the council commits itself to terminate the employment of an officer or group of officers, or makes an offer to encourage voluntary redundancy. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post-Employment Benefits

Employees who are members of the Local Government Pension Scheme which provides defined benefits to those members. Full details of transactions are given in Note 37 to the accounts. The following notes explain the methodology.

The liabilities of the fund 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 earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate for the year (based on the indicative rate of return on high quality corporate bonds).

The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in net pension 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 will be 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 i.e. net interest expense for the council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. 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 at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- 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 paid to the pension fund:

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove 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 are 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 thus arising 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.

Events after the Reporting Period

Where an event occurs after the Balance Sheet date and it provides evidence of conditions that existed at the Balance Sheet date, the amounts recognised in the Statement of Accounts is adjusted.

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted. The “non-adjusting event”, and an estimate of the financial effect, is however disclosed in the notes to the main financial statements.

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

Financial Instruments

Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Comprehensive Income and Expenditure Statement (CIES) is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the Balance Sheet is the outstanding principal payable plus interest accrued at 31 March 2021.

Gains or losses on premature redemption are charged to the Comprehensive Income and Expenditure Statement unless they are the result of a restructure that involves the modification or exchange of existing instruments, in which case they are added to the amortised cost and charged over the life of the modified or exchanged loan. Where charged to the Comprehensive Income and Expenditure Statement, regulations require discounts to be amortised over the shorter of the life of the original loan or ten years. Greater discretion applies to premia, they can be amortised over the life of the original or replacement loan, or a shorter period. A transfer is done from the General Fund Balance to the Financial Instruments Adjustment Account to give effect to these regulations.

Financial Assets

Financial assets measured at amortised cost are initially measured at fair value and carried at amortised cost. The annual credit to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the Balance Sheet is the outstanding principal receivable plus interest accrued at 31 March 2021.

The authority recognises expected credit losses on all of its financial assets measured at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Where a financial asset measured at amortised cost is identified as being subject to an expected credit loss, this shall be recognised as an impairment and the loss charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Going Concern

The accounts have been prepared on the assumption that the council will continue in existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Government Grants and Other Contributions

Government grants and other contributions for both revenue and capital purposes are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with. If compliance has not been achieved, cash received is held on the Balance Sheet as a long term creditor.

The postings in the Comprehensive Income and Expenditure Statement relating to capital grants and contributions are reversed out of the General Fund balance in the Movement in Reserves Statement. If the monies have not been used they are credited to the Grants Unapplied Reserve. If they have been applied to fund capital expenditure they are credited to the Capital Adjustment Account.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The levy income will be used to fund a number of infrastructure projects to support the development of the area. CIL received is limited by regulations. It is therefore recognised at the commencement date of the development in the Comprehensive Income and Expenditure Statement in accordance with the above core accounting policy for grants and contributions. CIL charges will be largely to fund capital expenditure with a small proportion used to fund revenue.

Intangible assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences), is capitalised at cost if it is expected that future economic benefits or service potential will flow to the council for more than one financial year. Internally generated assets are capitalised where it is demonstrated that these will generate future economic benefits or service potential for the council.

The cost is amortised over the economic life to reflect the pattern of consumption. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

The postings in the Comprehensive Income and Expenditure Statement are reversed from the General Fund balance in the Movement in Reserves Statement and charged to the Capital Adjustment Account.

Inventories and Long term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) 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.

Investment Properties

Investment properties are those held solely to earn rentals or for capital appreciation. They are measured initially at cost and subsequently at fair value. Valuations are provided by Royal Institution of Chartered Surveyors (RICS)-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. They are not depreciated but are re-valued annually. 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. Gains and losses on revaluation and disposal are not permitted by statute to impact on the council tax. A reversal is therefore done between the General Fund Balance and the Capital Adjustment Account (or, in the case of sale proceeds exceeding £10,000, to the Capital Receipts Reserve).

Operating income and expenditure from investment properties are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Leasing

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases

are classified as operating leases. If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

Assets 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

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset is matched by a liability, being the obligation to the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are split between a finance charge, charged to the Comprehensive Income and Expenditure Statement, and the principal element, applied to write down the lease liability. Assets held under a finance lease will be subject to depreciation and revaluation in the same way as any other asset.

Operating leases

Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the asset.

The Authority as lessor

Finance leases

Where the Authority grants a finance lease over an asset, it is written out of the Balance Sheet and charged to the "gain or loss on disposals" line in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. The Authority's net investment in the lease is credited to the same line, matched by a Long Term Debtor in the Balance Sheet. Lease rental receipts are split between finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement), and the principal element applied to write down the Long Term Debtor.

Operating leases

Where the Authority grant an operating lease over an asset it remains on the Balance Sheet, and the income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. See Note 36 to the accounts.

Non-Current Assets Held for Sale

Accounting treatment is detailed in the Property Plant and Equipment, Disposal and Non-Current Assets Held for Sale policy.

Overheads

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

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 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 practice or if the change provides more reliable or relevant information about the effect of transactions on the council's financial position or financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. Material errors will also require a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

Property Plant and Equipment (PPE)

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the council for a period of more than one year.

Measurement

Assets are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the council. Should they be incurred, the Authority would capitalise borrowing costs incurred whilst major assets are under construction.

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

- Infrastructure, Community Assets, Assets under Construction, and equipment, are held at depreciated historical cost.
- All other assets are measured at current value, determined as the amount that would be paid for the asset in its existing use.

In respect of specialised assets, if there is an absence of market based evidence of value, depreciated replacement cost is used as an estimate of current value.

Valuations are provided by Royal Institution of Chartered Surveyors (RICS)-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Assets held in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are credited to the Revaluation Reserve unless they reverse previous losses charged to the Comprehensive Income and Expenditure Statement, in which case the gain shall be credited to that account. A fall in value will be charged firstly against any balance held in the Revaluation Reserve. If this is insufficient or non-existent, the charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Non-current assets held for sale are not depreciated. Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the closing value of assets. Components are separately depreciated if

- The total value of the host asset (excluding land) exceeds £0.500m and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

	<u>years</u>
Property (excluding components separately identified)	5-60
Property components - mechanical	25
Portable office facilities	10-15
Vehicles	3-10
IT equipment	3-5
Other equipment	5-15

Revaluation gains are also depreciated by transfer of the difference between the current valuation depreciation charge and the historic cost depreciation charge, from the Revaluation Reserve to the Capital Adjustment Account.

Impairment

All assets are reviewed annually for impairment. Impairment losses are charged against revaluations held in the Revaluation Reserve. If these are inadequate the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. If an impairment loss is subsequently reversed, the reversal, up to the amount of the original loss adjusted for depreciation, is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposal 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 continuing use, it is reclassified as an Asset Held for Sale and shown within current assets. The asset is re-valued immediately and carried at the lower of this amount and current value less costs to sell. If assets subsequently fail to 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) and their recoverable amount at the date of the decision not to sell.

On disposal the carrying amount of an asset 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 exceeding £10,000 from disposal are credited to the same line; lesser receipts are included as service income in cost of services. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Charges and Council Tax

The postings in the Comprehensive Income and Expenditure Statement in respect of depreciation, impairment, disposal and revaluation are reversed in the Movement in Reserves Statement to avoid impacting on council tax. Capital Receipts exceeding £10,000 are reversed to the Capital Receipts Reserve. Other reversals are to the Capital Adjustment Account.

Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain. Provisions are charged to the appropriate revenue account, Expenditure, when incurred, is charged direct to the provision.

Reserves

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement, and the reserve is appropriated back into the General Fund Balance through the Movement in Reserves Statement.

Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but 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.

If the Authority has determined to use capital resources to meet the cost (as opposed to funding from revenue) a transfer is done in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account, so that there is no impact on the council tax.

Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable.

Fair Value Measurement

The council measures some of its non-financial assets such as investment properties 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.

Valuations of non-financial assets are provided by Royal Institution of Chartered Surveyors (RICS)-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

3. Accounting standards that have been issued but have not yet been adopted

The 2020/21 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2020/21 and 2021/22 financial statements in respect of accounting changes that are introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3,
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), and
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

The implementation of IFRS16 Leases has been further postponed, such that it will be introduced in the 2022/23 Code, affecting the financial statements for 2021/22 and 2022/23.

The council does not anticipate that the above amendments will have a material impact on the information provided in the financial statements.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 2, the Authority has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Funding

There continues a high degree of uncertainty about future levels of funding for local government. In addition to more general uncertainties, the measures taken to address the impacts of the Covid-19 pandemic have produced an unusual pattern of funding for 2020/21 itself, with continuing implications for future years, most specifically in respect of managing the large deficit that has arisen on business rates income and the grant income received to compensate for this. Some of the variations in funding patterns encountered in 2020/21 have continued into 2021/22, albeit on a much reduced scale. However, the principal impact of the pandemic on local government funding has been the further postponement of the funding review, originally due for 2019/20 and subsequently delayed by a year to 2020/21, by another year to 2021/22. The expectation had been that, by now, local authorities would have the certainty that came with the announcement of a new three-year settlement, but this has not been the case and the 2021/22 settlement was again for a single year only. The potentially significant shifts in funding that may come with the completion of the review remain extremely difficult to forecast. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and/or reduce levels of service expenditure.

Investment Properties

Investment properties have been assessed using the identifiable criteria under the international accounting standards of being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration. Where properties have been categorised as investment properties the council is satisfied that they are held solely for capital appreciation or income generation.

Leases

The council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Group Accounts

The council's group boundaries have been assessed using the criteria outlined in The Code. The council has assessed relationships and found none which require the preparation of group accounts.

Fair Values

When measuring the fair value of a non-financial asset, the council uses judgement to ascertain 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. It also uses judgements regarding inputs to valuation techniques, particularly whether they are applicable and relevant to the assets or liabilities, either directly or indirectly, being valued.

Business Rates Appeals

With business rates, ratepayers who consider the rateable values of their properties to be too high can lodge an appeal with the Valuation Office to have it reviewed. Any resulting reduction in bills can be backdated, perhaps over several years. This creates an uncertainty, because it means that the

amount of income for the year from business rates, which has been included by the council in this Statement of Accounts, may later be reduced. Given that the gross income (before reliefs) in each financial year is over £40m and that the provision is required to cover several years, even a relatively low percentage allowance produces a material amount, so the council must acknowledge this in its Statement.

Given that the uncertainties involved, ie the numbers of future appeals, their value and how far they will be backdated are all unknown, the question arises as to whether this should be treated as a provision or as a contingent liability. It is considered that it should be recognised as a provision, rather than as a contingent liability, because it meets the definition of a provision under IAS 37, in that there is:

- (1) a present obligation arising from a past event;
- (2) payment is probable;
- (3) the amount can be estimated reliably.

In respect of (1), the 'present obligation' can (under IAS 37) be either legal or constructive. For appeals already lodged the present obligation would be legal. However, for appeals not yet lodged, the present obligation is constructive, on the basis that the past practice of the council, in processing liability adjustments and associated refunds, creates a valid expectation on the part of the business rates payer that refunds will be granted in the future, as a result of equivalent liability adjustments. The past event is the raising of the business rates charge.

In respect of (2), there is a probability of payment, although there is a chance that refunds may not be payable, if individual businesses no longer exist. However, the number of such credits written off is very low. Any credits that are written off require liability adjustment (effectively re-raising the debt for refunds that are not payable). As such they are included in the data that feeds into the provision calculation.

In respect of (3), because of the nature of the revised appeals process introduced from April 2017 onwards, there are particular issues in estimating the potential value of appeals against valuations effective from that time onwards. The pattern of liability movements resulting from successful appeals across the years from 2010/11 to 2016/17 have been reviewed, together with information on the numbers and potential values of cases at the 'Check' and 'Challenge' stages of the process for 2017 list appeals. These, together with comments by the Valuation Office that the approach adopted for the 2017 revaluation was the same as for earlier valuations and a review of the approaches adopted by other authorities, supports the view that the level of provision made by the council at the end of 2020/21 is of an appropriate level.

The need for local authorities to consider making a business rates appeals provision developed as a result of the change to 'Business Rates Retention' within the local government finance system from 2013/14 onwards. Prior to this, the impact of appeals was absorbed within the amounts paid by the council into the then national business rates pool. The relevant CIPFA guidance clarified the view on whether authorities should include an element for refunds on appeals not yet lodged. It quoted IAS 37, paragraph 39 which deals with situations involving large populations where the obligation is estimated by weighting all possible outcomes by their associated probabilities. It is considered that the appeals provision methodology adopted by the council is entirely consistent with this 'expected value' methodology.

5. Assumptions about the future and other major sources of estimation uncertainty

The Statement of Accounts contains figures estimated on the basis of historical experience, current trends and other relevant factors. The following table notes items for which there is a significant risk of material future adjustment:

Item	Uncertainty	Effect if actual results differ
Pensions liability and assets	<p>The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions.</p> <p>The scheme holds a varied portfolio of assets, details of which are shown at Note 37h. The valuations shown in this Statement are those assessed as at 31 March 2021 and again these are provided by a firm of consulting actuaries.</p>	<p>Sensitivity to the factors contributing to this estimate is shown in Note 37i. Small changes have major impacts on the pension deficit. At 31 March 2021, a 1% increase in the council's pensions obligations would increase the net liability by £1.392m, while a 1% increase in the scheme's assets would reduce the net liability by £0.995m.</p> <p>The council anticipates that it will spend £1.144m on current pension contributions in 2021/22 (see Note 37j). A 1% upward variation on this would produce an increased cost of £11k.</p>
Pensions Assets	<p>The scheme holds a varied portfolio of assets, details of which are shown at Note 37h. The valuations shown in this Statement are those assessed as at 31 March 2021 and again these are provided by a firm of consulting actuaries.</p>	<p>A 1% variation in asset values would increase or decrease the estimated net pensions liability by £995k.</p>
Debtors	<p>The most significant debtor issue for the council is its responsibility for collecting £93.345m in business rates and council tax. It is however mainly an agent for government and major preceptors. The major recovery risk resulting from shortfalls in collection falls to these bodies. Various notes present debtor information. Note 18a and 18c shows net total of £2.083m for debtors which are classed as financial instruments. The gross total is £3.403m against which a bad debt provision of £1.320m has been made.</p> <p>This total debtors figure includes Housing benefit debtors of £0.974m (i.e. recovery of overpayments). Changes in the administration of benefits are pending which may affect recovery in future years. The provision made for these debts has therefore been maintained at over 90% to reflect this.</p> <p>In assessing the appropriate level of provision against general debts, then as well as the usual factors such as the age of the debt, consideration has been given to the circumstances of the Covid-19 pandemic and their implications for debt recovery. With this done, the level of coverage on general debts has been set at just under 62%.</p>	<p>Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement.</p> <p>A 1% increase in the impairment of doubtful debts would result in an additional charge of £0.034m to the CI&ES.</p>

Item	Uncertainty	Effect if actual results differ
Asset valuations	<p>Note 15e shows that fixed assets valued at £27.557m (£27.450m of Operational Land and Buildings and £0.107m of Community Assets) are carried at either current value (£10.281m) or depreciated replacement cost value (£17.276m).</p> <p>Note 16 shows that investment properties valued at £10.144m are carried at current value.</p> <p>The valuations have been carried out by qualified valuers in accordance with Royal Institution of Chartered Surveyors Guidance.</p>	<p>The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.</p> <p>The valuations in respect of Investment Properties are those most subject to market variations. A fall in the value of these would result in a charge to the CI&ES. Every 10% fall in the total value of the council's investment properties would result in a £1.014m charge to the CI&ES.</p> <p>Likewise, a 10% in the value of other assets valued at current cost would produce a variation of £1.208m. How much, if any, of this would be chargeable to the CIES would depend on the individual assets affected and on whether or not there were associated balances in the Revaluation Reserve.</p>
Provisions	<p>A provision of £2.081m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2021. The estimate in respect of appeals against the rating lists prior to that for 2017 has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. In respect of the 2017 list, there have, as yet, been only a very limited number of appeals at a national level and so the appropriate level of provision is more difficult to gauge. The council's provision has been set at 4% of the net rates payable for each year, after making allowance for reductions in rateable values at the 'Check' and 'Challenge' stages of the 2017 List appeals process. Benchmarking information indicates that this is a little higher than the average for councils of this size and type. See Note 23.</p>	<p>If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority's services. Similarly, an increase in the provision to cover such appeals would be a charge to the Collection Fund which would also reduce the local share of business rates income available to fund the Authority's services. A 1% increase in the provision would result in an additional charge to the Collection Fund of £0.052m, of which this Authority's share of the cost would be 40% or £0.021m.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or</p>	<p>The council uses the market approach to value of some of its investment properties and financial assets. The unobservable inputs used in</p>

Item	Uncertainty	Effect if actual results differ
	<p>liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the council's Senior Valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in Notes 2, 16 and 18.</p>	<p>the fair value measurement include management assumptions regarding rent yield and growth, vacancy levels (for investment properties). Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement for the investment properties and financial assets.</p>

6. Material items of income and expense

All material items have been disclosed in the statement or in the notes to the main financial statements. For the purposes of this note the council considers material items to be those greater than £0.723m (2019/20 £0.675m). This equates to 1.75% (2019/20 1.5%) of the council's gross service expenditure for the financial year and matches the level of the threshold stated by the council's auditor in the Audit Findings Report. The figure shown for 2019/20 is the final, reduced, level of materiality applied by the auditor for that year. The original amount was £0.821m.

7. Events after the reporting period

The unaudited Statement of Accounts was authorised for issue by the Director of Finance on 29 July 2021. Subsequent events are not reflected in the financial statements or in the notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 1st April 2021, the Council took over direct responsibility for the ongoing provision of leisure services, which had previously been delivered by South Ribble Community Leisure Limited, with the staff involved transferring to the Council's employment under the TUPE regulations. Along with this, the Council took on responsibility for the pensions deficit of £831k associated with these employees. This has no impact on the Council's financial statements for 2020/21, but increases the level of the overall pension deficit, and the levels of contributions that will need to be made to fund this, from 2021/22 onwards. Provision for this has been made in the costings for the future provision of the service.

There are no other non-adjusting events after the Balance Sheet date.

8. Note to the Expenditure and Funding Analysis

The Expenditure and Funding Analysis, which forms Note 1 to the Accounts, can be found on page 42.

2020/21	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Statutory Adjustments (Note C)	Total Statutory Adjustments	Non-Statutory Adjustments (Note D)	Total Adjustments
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	0	54	16	70	0	70
Neighbourhoods & Development	(547)	274	74	(199)	(223)	(422)
Planning & Property	343	95	31	469	688	1,157
Finance & Assurance	4	253	(3)	254	(119)	135
Legal, HR & Democratic Services	23	115	44	182	0	182
Customer Experience & Operations	192	107	16	315	63	378
Budgets Not in Directorates	0	56	0	56	0	56
Net Cost of Service	15	954	178	1,147	409	1,556
Other income and expenditure from the Expenditure and Funding Analysis	(2,936)	628	5,719	3,411	(409)	3,002
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,921)	1,582	5,897	4,558	0	4,558

2019/20 Comparative Figures	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Statutory Adjustments (Note C)	Total Statutory Adjustments	Non-Statutory Adjustments (Note D)	Total Adjustments
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	0	10	0	10	0	10
Neighbourhoods & Development	2,261	93	0	2,354	(253)	2,101
Planning & Property	350	30	0	380	787	1,167
Finance & Assurance	4	1,247	0	1,251	(66)	1,185
Legal, HR & Democratic Services	23	24	0	47	0	47
Customer Experience & Operations	169	55	0	224	64	288
Budgets Not in Directorates	0	118	0	118	0	118
Net Cost of Service	2,807	1,577	0	4,384	532	4,916
Other income and expenditure from the Expenditure and Funding Analysis	(3,050)	760	(815)	(3,105)	(532)	(3,637)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(243)	2,337	(815)	1,279	0	1,279

Note A Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service 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
- Finance 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 (GAAP).
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during 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 within the year.

Note B Net Change for Pension Adjustments

The net change for the removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows:

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

Note C Other Statutory Adjustments

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are:

- 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.
- For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

Note D Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement. These are:

- For financing and investment income and expenditure, adjustments in respect of the income and expenditure on investment properties and in respect of charges for the provision for non-collection of outstanding debts.

9. Expenditure and Income Analysed By Nature

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

Expenditure/Income	2019/20 £'000	2020/21 £'000
Expenditure		
Employee benefits expenses	12,469	12,890
Other service expenses	29,783	29,483
Depreciation, amortisation and impairment	3,857	(357)
Interest payments	3,014	2,998
Precepts and levies	15,539	10,949
Loss on the disposal of assets	0	0
Total Expenditure	64,662	55,963
Income		
Fees, charges and other service income	(11,639)	(8,860)
Interest and investment income	(2,564)	(2,313)
Income from Council Tax and Non-Domestic Rates	(28,526)	(17,094)
Government grants and contributions	(21,935)	(29,211)
Gain on disposal of assets	(13)	(27)
Total Income	(64,677)	(57,505)
Surplus or Deficit on the Provision of Services	(15)	(1,542)

10. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to arrive at the resources that are specified by the statutory provisions as being available to the council 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 the council are required to be paid and out of which all liabilities of the council 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 and includes Earmarked Reserves (see Note 11).

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.

2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<u>Adjustments to the Revenue Resources</u>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e)	(1,582)	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	0	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25f)	(5,718)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25g)	(179)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 25b)	2,214	0	0
Total Adjustments to Revenue Resources	(5,265)	0	0
<u>Adjustments between Revenue and Capital Resources</u>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS page 43)	27	(27)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 25b)	619	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	2,047	0	0
Total Adjustments between Revenue and Capital Resources	2,693	(27)	0
<u>Adjustments to Capital Resources</u>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 43)	0	27	0
Application of capital grants to finance capital expenditure (MiRS page 43)	(1,986)	0	1,986
Total Capital Resources	(1,986)	27	1,986
Total Adjustments	(4,558)	0	1,986

2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<u>Adjustments to the Revenue Resources</u>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e)	(2,337)	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	(1)	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25f)	815	0	0
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25g)	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 25b)	(2,140)	0	0
Total Adjustments to Revenue Resources	(3,663)	0	0
<u>Adjustments between Revenue and Capital Resources</u>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS page 54)	13	(13)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 25b)	762	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	451	0	0
Total Adjustments between Revenue and Capital Resources	1,226	(13)	0
<u>Adjustments to Capital Resources</u>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 54)	0	840	0
Application of capital grants to finance capital expenditure (MiRS page 54)	1,158	0	(1,158)
Total Capital Resources	1,158	840	(1,158)
Total Adjustments	(1,279)	827	(1,158)

11. Transfers to / from earmarked reserves

The movements in earmarked reserves during the year were as follows. The movements in the general reserve are also included, producing the overall total for general fund reserves that appears in the Movement in Reserves Statement on page 43.

	Balance 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance 31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance 31 March 2021 £'000
My Neighbourhoods	(54)	(13)		(67)	(43)	1	(109)
Borough Council Elections	(114)	(222)	176	(160)	0	0	(160)
Housing Needs Survey	(83)	(17)		(100)	(20)	40	(80)
Local Development Framework	(255)			(255)	(100)	88	(267)
Performance Reward Grant	(46)		19	(27)	0	16	(11)
Organisation Restructure Costs	(27)	(173)		(200)	0	0	(200)
Borough Investment Account	(4,594)		17	(4,577)	0	172	(4,405)
Business Rates Retention	(2,751)	(631)	73	(3,309)	0	165	(3,144)
City Deal Reserve	(1,711)	(340)	200	(1,851)	0	0	(1,851)
Capital Funding Reserve	(3,073)	(734)	293	(3,514)	(45)	1,708	(1,851)
Repairs and Maintenance Fund	(500)			(500)	0	0	(500)
Transformation Fund	(500)		85	(415)	0	185	(230)
Apprenticeship Reserve	(267)		267	0	0	0	0
Climate Change	0	(250)		(250)	0	0	(250)
Credit Union	0	(150)		(150)	0	1	(149)
CIL Administration Fund	0	(248)		(248)	0	248	0
Section 106 Reserve	0			0	(242)	0	(242)
Asset Management	0			0	(400)	0	(400)
Business Grants Reserve	0			0	(150)	0	(150)
Community Wealth Building	0			0	(150)	0	(150)
Mental Health for Young People	0			0	(50)	0	(50)
Covid Recovery Fund	0			0	(675)	0	(675)
Covid Commitments	0			0	(654)	0	(654)
Income Equalisation	0			0	(150)	0	(150)
Leisure Reserve	0			0	(546)	0	(546)
Income Investment Reserve	0			0	(250)	0	(250)
Collection Fund Deficit Distribution Fund	0			0	(5,244)	0	(5,244)
Other Earmarked Reserves	(864)	(436)	349	(951)	(561)	222	(1,290)
Total Earmarked Reserves	(14,839)	(3,214)	1,479	(16,574)	(9,280)	2,846	(23,008)
General Reserve	(4,680)	(328)	769	(4,239)	(31)	129	(4,141)
Total General Fund Reserves	(19,519)	(3,542)	2,248	(20,813)	(9,311)	2,975	(27,149)

Below is a description of the purpose of each of the earmarked reserves identified above:

Earmarked Reserve	Reason / Use
Community Hubs	An accumulation of unspent core funding allocated to be spent in accordance with the local priorities determined by each of the Community Hub forums.
Elections Provision	An annual transfer from revenue is made to cover the four yearly Borough Elections. The next election is due to take place in May 2023.
Housing Needs Survey	Annual contribution made to fund the costs of carrying out detailed Housing Needs Surveys.
Local Development Framework	To fund one-off costs in relation to the production of planning policy documents in relation to the Local Development Framework.
Performance Reward Grant	External revenue funding held by the council on behalf of South Ribble Partnership set aside for spending on South Ribble Partnership projects in future years.
Organisation Restructure Costs	To be used to assist in funding the one-off costs of any service reviews designed to improve the efficiency of the council.
Borough Investment Account	To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the council to bridge potential funding gaps.
Business Rates Retention	To mitigate the potential risk to the council's medium-term financial strategy by providing funds to smooth out the inherent fluctuations that occur in the Business Rates Retention System.
City Deal	To be used to fund additional costs in relation to the delivery of City Deal projects and outcomes.
Capital Funding Reserve	This is to fund capital expenditure in line with the council's Corporate Plan priorities, as set out in the approved Capital Strategy and Medium-Term Financial Strategy.
Repairs and Maintenance Fund	The revenue budget includes an annual provision for the costs of repairs and maintenance of the council's property assets. The purpose of the reserve is to meet the costs of any major repairs and maintenance works which cannot be met from this base budget.
Transformation Fund	The purpose of the reserve was to provide funding for projects which will generate a payback into the council's revenue budget through sustainable income generation and/or recurring cost savings. The fund has been allocated to the IT Digital Strategy capital costs in the capital programme.
Apprenticeship Reserve	This relates to funding set aside to fund Apprenticeship costs. The reserve is no longer required because the staffing costs for apprenticeship posts have been built into the base budget. Therefore the reserve has been transferred back to the general reserve.
Climate Change	To facilitate spending on initiatives that will reduce the council or the borough's impact on climate change.
Credit Union	To support the creation of a Credit Union within the borough.
CIL Administration Fund	This reserve was created in 2019-20 using the proportion of Community Infrastructure Levy (CIL) which the council is entitled to retain in respect of administration costs. The reserve was released in 2020-21 to reflect the funding of historic costs in administering CIL.
Asset Management	To fund potential future maintenance costs and part-fund future capital expenditure on short-life assets such as ICT and vehicles.
Business Grants Reserve	To deliver an extended programme of support for businesses beyond government grants to ensure that the council is doing as much as possible to help businesses get back on their feet.

Earmarked Reserve	Reason / Use
Community Wealth Building	To implement a plan to retain wealth and grow the local economy through a progressive procurement framework and social value policies.
Mental Health for Young People	To support positive mental health for young people through officer resource to deliver a programme of early intervention activity.
Covid Recovery Fund	To support the borough's recovery from covid-19
Covid Commitments	To cover existing Covid-19 commitments which will only be incurred in 21/22.
Income Equalisation	To cover any potential temporary reliefs and losses on investment income over the recovery period from Covid-19.
Leisure Reserve	To fund one-off costs associated with bringing the leisure service in-house and then transferring it to a newly created trading company, and to offset expected deficits in the first year of operation.
Income Investment Reserve	To fund the costs of developing new income generation projects which may not be able to be capitalised.
Collection Fund Deficit Distribution Fund	In 2020-21, because of the Government support measures in respect of the Covid 19 pandemic, the balance of income relating the Business Rates, between actual rates income and government grants, shifted significantly towards grants. The result was a surplus of £5.107m in grant income, offset by a corresponding deficit on the Collection Fund. But whereas the surplus falls immediately into 2020-21, the impact of the Council's share of the deficit will not be felt until 2021-22 and later years. The surplus has therefore been set aside to meet this. There are also smaller deficits, in respect of both Council Tax and Business Rates, which have arisen from the more general effects of the pandemic. Further grants, totalling £136k, have been received to cover a part of these. (See also under Note 14.)
Other	This reserve comprises three elements: approved carry forwards of underspends that have not yet been allocated, surplus income relating to Sports Development service, and miscellaneous ring-fenced grant income specific to certain service areas.

12. Other operating expenditure

2019/20 £'000		2020/21 £'000
389	Parish Council precepts	440
(13)	(Gains) and losses on the disposal of non-current assets	(27)
376	Total	413

13. Financing and investment income and expenditure

2019/20 £'000		2020/21 £'000
96	Interest payable and similar charges	120
760	Net interest on the net defined benefit liability (note 37d)	626
(406)	Interest receivable and similar income	(186)
641	Income and Expenditure in relation to investment properties and changes in their fair value (note 16)	(84)
2	Allowance for impairment of outstanding debts	56
(499)	Losses or (surplus) on trading accounts (note 29)	(769)
594	Total	(237)

14. Taxation and non-specific grant income and expenditure

2019/20 £'000		2020/21 £'000
(8,335)	Council tax income	(8,394)
(5,037)	Non-domestic rates income and expenditure	1,808
(3,302)	Non-ring fenced government grants	(7,518)
0	Covid-19 support grants	(310)
(2,764)	Capital grants and developer contributions	(1,600)
0	Amounts transferred between Capital Grants Unapplied and Capital Grants Received In Advance	1,735
(19,438)	Total	(14,279)

Impact of Covid-19 pandemic on income from business rates and non-ringfenced government grants

During 2020/21 the council received a range of additional government grants, falling into three main categories:

- Grants to compensate the council for payments made of support grants to local businesses, under schemes established by the government.
- Grants to directly support the council and its activities, both to compensate for reduced income and to support additional expenditure.
- Additional amounts of Section 31 grant to compensate for the loss of business rates income resulting from supplementary statutory business rates reliefs, specifically expanded retail discount and nursery discount.

In respect of the first, in making these payments, the council was effectively acting as an agent, distributing the grants on behalf of the government and was fully reimbursed for the cost. The grants and the associate expenditure are therefore accounted for separately and are excluded from the council's accounts (see also Note 33).

In respect of the second, the Covid-19 support of £310k shown in the table is a grant received in compensation for overall losses of sales, fees and charges. This amount cannot readily be attributed to individual service lines and so appears here. Further grants, totalling £3.106m, are included within the Net Cost of Services (see Note 33), where they directly support related expenditure.

In respect of the third, the amount of additional grant received was £5.107m. The reverse side of this is the reduction shown in business rates income which, after deducting the tariff payable to the government, produced a net cost to the council of £1.808m (for more detail see Collection Fund Note 3 on page 112), although it should be noted that part of the reduction is attributable to the reversion from a 56% share of income in 2020/21 to 40% in 2020/21 (see below). The Collection Fund deficit resulting from reduced rating income will be distributed in 2021/22 and future years. The council's share of the deficit is £5.478m.

A further grant of £113k in respect of more general loss of business rates income is also due to the council. This gives a total of £5.220m, which has been transferred, together with £24k in respect of Council Tax losses, to a newly established Earmarked Reserve (see Note 11). This will be released in future years to match against the distribution of the deficit. In summary, given that there will always be some fluctuations in income, the overall financial impact on the council is broadly neutral.

Non-domestic Rates Income and Expenditure - The Lancashire Business Rates Pool

In 2016/17, 2017/18 and 2018/19 this council was part of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are 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 included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

In 2019/20 the council, along with 14 other authorities in Lancashire, submitted a successful bid to become a 75% Business Rate Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. As a result, an application for a 50% Lancashire Pool for 2020/21, consisting of 10 district councils and the county council, was submitted and was successful. This has operated on the same basis as in 2016/17, 2017/18 and 2018/19.

A comparison of the business rates income allocations in 2019/20 and 2020/21 are shown in the table below:

	2019/20	2020/21
District Authorities	56%	40%
Lancashire County Council	17.5%	9%
Lancashire Combined Fire Authority	1.5%	1%
	75%	50%
Central Government	25%	50%
Total	100%	100%
Unitary Authorities	73.5%	49%

The value for Unitary Authorities in 2020/21 is for comparison purposes only. There were no Unitary Authorities in the 2020/21 Lancashire Business Rates Pool.

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 £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

The retained levy in the Lancashire Business Rates Pool has been distributed as follows:

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

Lancashire Business Rates Pool Members 2020/21	Authority Type	Tariffs and Top-Ups in Respect of 2020/21 £	Retained Levy on Growth 2020/21 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2020/21 £
Burnley Borough Council	Tariff	6,043,499	-1,402,433	140,243	-1,262,190
Chorley Borough Council	Tariff	6,503,220	-931,716	93,172	-838,544
Fylde Borough Council	Tariff	8,101,273	-483,263	48,326	-434,937
Hyndburn Borough Council	Tariff	3,969,106	-600,284	60,028	-540,256
Pendle Borough Council	Tariff	3,388,618	-272,822	27,282	-245,540
Ribble Valley Borough Council	Tariff	4,311,424	-575,916	57,592	-518,324
Rosendale Borough Council	Tariff	2,713,519	-102,546	10,255	-92,291
South Ribble Borough Council	Tariff	10,327,203	-1,281,013	128,101	-1,152,912
West Lancashire Borough Council	Tariff	8,698,358	-653,963	65,396	-588,567
Wyre Borough Council	Tariff	6,837,509	-893,050	89,305	-803,745
Lancashire County Council	Top-Up	-158,098,681		-719,700	-719,700
Central Government	-	97,204,952		0	0
Total		0	-7,197,006	0	-7,197,006

The Net Retained Levy for this 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.

15. Property, plant and equipment

15a Movements in Property Plant and Equipment

2020/21	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
Cost or valuation						
At 1 April 2020	28,711	13,291	3,262	131	702	46,097
Additions	225	1,787	180	26	1,229	3,447
Revaluations recognised in the Revaluation Reserve (RR)	(2,347)	0	0	0	0	(2,347)
Revaluations recognised in CIES	1,794	0	0	0	0	1,794
De-recognition - disposals	0	(678)	0	0	0	(678)
Assets reclassified	0	396	0	0	(396)	0
Other Movements	0	0	0	0	0	0
At 31 March 2021	28,383	14,796	3,442	157	1,535	48,313
Depreciation and Impairment						
At 1 April 2020	(4,727)	(11,794)	(1,310)	0	0	(17,831)
Depreciation charge	(945)	(734)	(260)	0	0	(1,939)
Depreciation written out of Revaluation Reserve	2,868	0	0	0	0	2,868
Depreciation written out of CIES	995	0	0	0	0	995
Impairment losses recognised in Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in CIES	0	0	0	0	0	0
De-recognition - disposals	0	678	0	0	0	678
Assets reclassified	0	0	0	0	0	0
Other Movements	0	0	0	0	0	0
At 31 March 2021	(1,809)	(11,850)	(1,570)	0	0	(15,229)
Net Book Value						
At 31 March 2021	26,574	2,946	1,872	157	1,535	33,084
At 31 March 2020	23,984	1,497	1,952	131	702	28,266

2019/20	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
Cost or valuation						
At 1 April 2019	28,209	12,625	2,896	106	457	44,293
Additions	269	899	199	24	692	2,083
Revaluations recognised in the Revaluation Reserve (RR)	0	0	0	0	0	0
Revaluations recognised in CIES	(2)	0	0	0	0	(2)
De-recognition - disposals	(22)	(254)	0	0	0	(276)
Assets reclassified	257	22	168	0	(447)	0
Other Movements	0	(1)	(1)	1	0	(1)
At 31 March 2020	28,711	13,291	3,262	131	702	46,097
Depreciation and Impairment						
At 1 April 2019	(3,663)	(11,107)	(1,062)	0	0	(15,832)
Depreciation charge	(1,096)	(942)	(247)	0	0	(2,285)
Depreciation written out of Revaluation Reserve	0	0	0	0	0	0
Depreciation written out of CIES	9	0	0	0	0	9
Impairment losses recognised in Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in CIES	0	0	0	0	0	0
De-recognition - disposals	22	254	0	0	0	276
Assets reclassified	0	0	0	0	0	0
Other Movements	1	1	(1)	0	0	1
At 31 March 2019	(4,727)	(11,794)	(1,310)	0	0	(17,831)
Net Book Value						
At 31 March 2020	23,984	1,497	1,952	131	702	28,266
At 31 March 2019	24,546	1,518	1,834	106	457	28,461

15b Depreciation

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

<u>Type of Asset</u>	<u>Years</u>
Other Land & Buildings	5-60
Vehicles, Plant, Furniture & Equipment	3-15
Infrastructure	5-60

15c Capital Commitments

At 31 March 2021 there were 8 significant contractual commitments, totalling £1.783m, relating to capital expenditure, as listed in the table below.

Value (£'000)	Description
386	Refurbishment of Hurst Grange Coach House
164	Conversion of a property into affordable housing units at Tom Hanson House, Station Road Bamber Bridge
90	Creation of a football pitch at St Gerrard's, Lostock Hall
803	Purchase 4 refuse collection vehicles
154	Purchase 1 refuse collection vehicle
57	Purchase 2 tipper vehicles
62	Purchase 1 gang mower
67	Purchase 2 transporter vehicles

15d Effects of Changes in Estimates

There were no material changes in accounting estimates for Property, Plant and Equipment in 2020/21.

15e Property, Plant and Equipment Valuations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. During 2020/21 the valuations were carried out on behalf of the council by Sanderson Weatherall LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis of valuation is set out in Note 2 Accounting Policies.

	Other land & Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	933	14,797	3,442	50	1,536	20,758
Valued at current value as at:						
31 March 2021	17,507	0	0	0	0	17,507
31 March 2020	214	0	0	0	0	214
31 March 2019	2,040	0	0	12	0	2,052
31 March 2018	4,538	0	0	65	0	4,604
31 March 2017	3,151	0	0	30	0	3,181
Total cost or valuation	28,383	14,797	3,442	157	1,536	48,315

16. Investment properties

Details of rental income and operational expenditure are given in Note 29 and have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal.

At 31 March 2021, the council had no contractual obligations to purchase, construct or develop investment property.

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

	2019/20 £'000	2020/21 £'000
Fair Value 1 April	10,679	10,055
Additions – Subsequent expenditure	17	4
Disposals	0	(113)
Net gains / (losses) from fair value adjustments	(641)	198
Transfers (to) / from Property Plant and Equipment	0	0
TOTAL	10,055	10,144

Fair Value Hierarchy – Investment Properties

All the council's investment properties have been value assessed as Level 2 (other significant observable inputs) on the fair value hierarchy for valuation purposes. See the Fair Value Measurement section of Note 2 Accounting Policies for an explanation of the 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 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs - Level 2

The fair value for the level 2 investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the council's area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

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

Valuation Process for Investment Properties

The fair value of the council's investment property is measured annually at each reporting date. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). During 2020/21 the valuations of investment properties were carried out on behalf of the council by Sanderson Weatherall LLP. The basis of valuation is set out in Note 2 Accounting Policies.

17. Intangible assets

The council accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The following periods have been used in amortising the Authority's significant intangible assets.

Asset Description	Amortisation Period
IT work programme	5 years
Customer Contact Centre and Relationship Management System	5 years
Revenues and Benefits System	5 years
Human Resources System	5 years
Licensing Management System	5 years
Planning & Building Control System	5 years
Committee Management System	5 years
Financial Management Information System	5 years
Performance Management System	5 years

Amortisation is on a straight line basis. In 2020/21 amortisation of £0.102m was charged to the following lines in the Comprehensive Income and Expenditure Statement.

	2019/20 £'000	2020/21 £'000
Customer Experience & Ops	59	77
Finance & Assurance	4	4
Legal HR & Democratic Serv	18	21
Total	81	102

The movements on Intangible Asset balances during the year are as follows:-

	2019/20 £'000	2020/21 £'000
Cost at start of year	1,418	1,490
Additions in year	72	124
Reclassifications in year	0	0
Gross cost at end of year	1,490	1,614
Accumulated amortisation at start of year	(1,268)	(1,349)
Amortised in year	(81)	(102)
Accumulated amortisation	(1,349)	(1,451)
Net carrying amount at the start of the year	150	141
Net carrying amount at the year end	141	163

At 31 March 2021, there were no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the council.

18. Financial instruments

18a Categories of Financial Instrument

The following categories of Financial Instruments are carried in the Balance Sheet:

Long Term 31 March 2020 £'000	Current 31 March 2020 £'000		Long Term 31 March 2021 £'000	Current 31 March 2021 £'000
		Financial Assets		
		<i>Carried at Amortised Cost</i>		
0	12,048	Cash & cash equivalents (note 21) net of bank overdraft	0	15,148
0	38,071	Short Term Investments	0	29,017
42	486	Debtors	39	2,083
42	50,605	Total Financial Assets	39	46,248
		Financial Liabilities		
		<i>Carried at Amortised Cost</i>		
0	(10,000)	Short Term Borrowing	0	0
0	0	Long Term Creditors - Finance lease liabilities	0	0
0	(283)	Creditors - Finance lease (due within 12 months)	0	0
(167)	(2,057)	Creditors	(152)	(3,443)
(167)	(12,340)	Total Creditors	(152)	(3,443)
		<i>Memo: Items that are not Financial Instruments</i>		
0	2,477	Debtors	0	10,860
0	(8,967)	Creditors	0	(21,848)

There has been no reclassification of assets and no pledges of collateral have been made in the periods reported in these statements.

In March 2020, with the onset of the Covid 19 pandemic and the implementation of measures to support local businesses, and the need for this to be done promptly, the possibility arose that the council would make substantial payments of grants shortly before receipt of the associated financial support from Central Government. The council's investments, which had been made in accordance with the approved Investment Policy, were mostly committed for longer periods and so the funds were not immediately available without incurring financial penalties. Given that the costs of short term borrowing were less than those potential penalties, short term loans of £10m were taken out to support immediate cash flow requirements. This borrowing was repaid in April 2021 and no further borrowing was entered into in 2020/21.

All of the financial instruments included in the table above are carried at amortised cost and there are no implications in respect of the impact on fair values of the Covid 19 pandemic.

18b Income, Expense, Gains and Losses

The amounts charged in the Comprehensive Income and Expenditure Statement to the Financing and Investment Income and Expenditure line (and shown in Note 13) are as follows:-

	2019/20			2020/21		
	Surplus or Deficit on Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Total £'000	Surplus or Deficit on Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Total £'000
Interest revenue on Financial Assets measured at amortised cost	0	(406)	(406)	0	(186)	0
Interest expense	0	96	96	0	120	0
Net (gain) / cost for the year			(310)		(66)	0

18c The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2 of the fair value hierarchy), using the following assumptions:

- For non-PWLB loans payable (such as the council's Leisure Finance Lease), PWLB new borrowing rates have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

All financial assets and liabilities held by the council are carried in the Balance Sheet at amortised cost.

Financial Liabilities

	31 March 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short Term Borrowing	(10,000)	(10,000)	0	0
Finance Lease (short and long-term)	(283)	(279)	0	0
Short Term Creditors	(2,057)	(2,057)	(3,443)	(3,443)
Long Term Creditors	(167)	(167)	(152)	(152)
Total Liabilities	(12,507)	(12,503)	(3,595)	(3,595)

The Leisure Finance Lease fair value represented the value of the liability if the council were to prematurely repay the debt and so would incur a premium. Given the nature of the calculation of the fair value for this type of asset, it was not affected by potential market fluctuations as a result of the Covid 19 pandemic. By the end of 2020/21, the liability was fully discharged.

Long-term creditors comprises numerous commuted sums relating to grounds maintenance. Any difference between carrying amount and fair value of each of these small sums would be immaterial, and therefore they are carried at cost as a fair approximation of their value.

Financial Assets

	31 March 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents	12,048	12,048	15,148	15,148
Investments - Loans	38,071	38,071	29,017	29,017
Short Term Debtors	486	486	2,083	2,083
Long Term Debtors	42	42	39	39
Total Assets	50,647	50,647	46,287	46,287

Long-term debtors comprise a number of small debts such as some small loans. Any difference between carrying amount and fair value of each of these small sums would be immaterial, and therefore they are carried at cost as an approximation of their fair value.

18d Nature and extent of risks arising from financial instruments

Key risks

The authority's activities potentially expose it to a variety of financial risks:

- Credit risk – that other parties might fail to pay amounts due to the council.
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due.
- Market risk – the possibility of financial loss arising from movements in interest rates.

Overall procedures for managing risk

In managing investment risk the council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment guidance issued through the Act. A key requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following:

Prudential indicators specifying:

1. Maximum and minimum exposure to fixed and variable rates;
2. Limits on the maturity structure of the debt portfolio;
3. Limits on total borrowing.

An Investment Strategy specifying:

1. The use that should be made of credit ratings and other indicators to determine the financial standing of counterparties;
2. The use of sovereign ratings to limit investments to specific countries;
3. The maximum amounts that might be deposited with any institution;
4. The lengths of time for which deposits can be made.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

Credit Risk Management Practices

The authority's credit risk management practices are set out in section 8.2-3 of the Annual Investment Strategy, which forms part of the council's Treasury Strategy for the year. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy:

- requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services, and
- it also considers maximum amounts and time limits with a financial institution located in each category.

This council uses the creditworthiness service provided by its external treasury management advisors. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies, ie Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads (an indication of the level of risk involved in lending to a particular organisation) to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2020/21 was approved by Full Council on 26th February 2020 and is available on the council's website.

Expected Credit Loss

The council is required to disclose any material expected credit loss on its financial assets held at the end of the financial year, both in the following twelve months and over the lifetime of those assets.

The council's material financial assets consist of a combination of:

- deposits and investments, all of which have a life of less than twelve months, and
- short term debtors for trade receivables

The council's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. As noted above, the council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2021 it had deposits totalling £44.163m (£50.118m at 31 March 2020) with a number of different institutions. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. Review of the specific deposits and investments held at 31 March 2021, including consideration of the uncertainties resulting from the Covid 19 pandemic, has indicated that there is no material risk of credit loss.

Assessment of the expected credit loss on the outstanding balance of trade receivables is made using a provision matrix based on the age of the outstanding debt and previous experience of recovery rates. At 31 March 2021, the outstanding gross amount was £3.403m (£1.773m at 31 March 2020) and the maximum exposure to credit loss was assessed as £2.083m (£0.486m at 31 March 2020). The risk of loss has been fully provided for. No collateral is held as security.

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the council.

Market risk

Interest rate risk – The council has limited exposure to interest rate movements on its investments. Short term investments are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate investments do not impact on the Surplus or Deficit on the Provision of Service or Other Comprehensive Income and Expenditure.

To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all variable interest rates had been 1% higher (with all other variables held constant) the financial effect would have been as shown in the following table:

	£'000
Gain - Increase in interest receivable on variable rate investments	491
Gain - Impact on the Surplus or Deficit on the Provision of Service	491

The impact of a 1% fall in interest rates would be as above but with the movements being reversed (although, in practice, given that the average rate of interest earned in 2020/21 was limited to 0.36% and earnings to £177k, the maximum level of possible loss was limited to this amount).

Price risk

The council has no material exposure to this risk.

Foreign Exchange Risk

The council has no material exposure to this risk.

19. Inventories

	2019/20			2020/21		
	Consumable Stores £'000	Maintenance Materials £'000	Total £'000	Consumable Stores £'000	Maintenance Materials £'000	Total £'000
Balance at 1 April	66	22	88	68	24	92
Purchases	679	236	915	607	281	888
Issued in year	(652)	(234)	(886)	(611)	(279)	(890)
Written off in year	(25)	0	(25)	21	0	21
Balance at year end	68	24	92	85	26	111

20. Short term debtors

	31 March 2020 £'000	31 March 2021 £'000
Trade receivables	286	709
Prepayments	638	2,833
Other receivable amounts	4,392	12,018
Gross carrying amount at the year end	5,316	15,560
Less provision for bad debts	(2,127)	(2,617)
Net carrying amount at the year end	3,189	12,943

21. Cash and cash equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2020 £'000	31 March 2021 £'000
Cash held by the Authority	1	1
Bank current and call accounts	12,047	15,147
Total cash and cash equivalents	12,048	15,148

22. Short term creditors

	31 March 2020 £'000	31 March 2021 £'000
Trade payables	(2,014)	(2,078)
Other payables	(9,293)	(23,213)
Total	(11,307)	(25,291)

23. Provisions

The movements in provisions during the year were as follows:

	Business Rates Appeals £'000
Balance at 1 April 2019	(1,833)
Re-apportionment of opening balance on move from 50% to 75% local retention	(733)
Additional provisions made in 2019/20	(165)
Amounts used in 2019/20	46
Balance at 31 March 2020	(2,685)
Re-apportionment of opening balance on move from 75% to 50% local retention	767
Additional provisions made in 2020/21	(391)
Amounts used in 2020/21	228
Balance at 31 March 2021	(2,081)

The council has only one class of provision, this relates entirely to Business Rates Appeals. Due to the localisation of Business Rates, which became effective from the 1st April 2013, the council now bears part of the risk for future appeals against rateable valuations of business premises. Therefore, the council has set aside a provision for any potential liabilities as a result of appeals. At the end of 2020-21, the council is responsible for a 40% share of this liability along with the Ministry for Housing, Communities and Local Government (50%), Lancashire County Council (10%) and the Lancashire Fire Authority (1%). These were borne wholly by the Government under the old scheme. The council's estimate of the value of outstanding appeals up to 31 March 2021 is £5.202m (£4.796m at 31 March 2020). The council has made a provision for 40% of this figure totalling £2.081m (56% (see below) and £2.686m at 31 March 2020). Appeals are assessed and decided by the Valuation Office Agency, an executive agency of HM Revenue & Customs, rather than by the council and as such the timing of the settlement of any successful appeals is uncertain.

The respective shares shown above are different to those for 2019/20, when the council was in a Pilot Area for 75% local retention of Business Rates income. This arrangement ran for only the single year, after which it was discontinued by the government. The council's share in 2019/20 was 56%, that for Ministry for Housing, Communities and Local Government was 25%, with Lancashire County Council 17.5% and the Lancashire Fire Authority 1.5%. Had these percentages remained in place at the end of 2020/21, then the council's share of the provision would have been £2.913m.

24. Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 43).

25. Unusable reserves

	Note	31 March 2020 £'000	31 March 2021 £'000
Revaluation Reserve	25a	(6,172)	(6,476)
Capital Adjustment Account	25b	(29,283)	(34,407)
Financial Instruments Adjustment Account	25c	0	0
Deferred Capital Receipts Reserve	25d	(20)	(20)
Pensions Reserve	25e	29,842	39,770
Collection Fund Adjustment Account	25f	(1,226)	4,490
Accumulated Absences Account	25g	146	326
Total Unusable Reserves		(6,713)	3,683

25a Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the valuation of Property, Plant & Equipment and Intangible Assets. 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 holds only gains accumulated since 1 April 2007, the date it was created. Gains prior to that date are consolidated in the Capital Adjustment Account.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	(6,275)	(6,172)
Upward revaluation of assets	0	(1,320)
Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Statement	0	800
Difference between fair value and historic cost depreciation	103	216
Balance at 31 March	(6,172)	(6,476)

25b Capital Adjustment Account

This 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 additions to those assets. The account contains the following:

- Sums set aside to finance capital expenditure.
- Accumulated gains and losses on Investment Properties.
- Revaluation gains on Property, Plant and Equipment accumulating prior to 1 April 2007.
- The difference between the charges required by accounting practice for the amortisation of assets (depreciation and impairment) and the de-recognition of assets, and the capital charges required by statute.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	(29,266)	(29,283)
<i>Reversal of items relating to capital expenditure debited or credited to the CIES:</i>		
Charges for depreciation of non-current assets	2,284	1,939
Revaluation (gains)/losses on property, plant & equipment	(7)	(2,916)
Amortisation of intangible assets	81	102
Revenue expenditure funded from capital under statute	859	587
Net cost of disposal of assets	0	113
	3,217	(175)
Adjusting amounts written out of the Revaluation Reserve	(104)	(89)
Net written out amount of the cost of non-current assets consumed in the year	3,113	(264)
<i>Capital financing applied in the year:</i>		
Capital receipts used to finance new capital expenditure	(839)	(27)
Grants and contributions used in the year to fund capital expenditure	(1,719)	(1,971)
Statutory & voluntary provision for the financing of capital investment charged against the General Fund	(762)	(619)
Capital expenditure charged to the General Fund Balance	(451)	(2,047)
	(3,771)	(4,664)
Movements in the market value of Investment Properties	641	(196)
Balance at 31 March	(29,283)	(34,407)

25c Financial Instruments Adjustment Account

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of certain financial instruments. All of the remaining transactions were completed in 2019/20 and there is now no remaining balance on this account.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	(1)	0
Premiums on early debt redemption	(2)	0
Discounts on early debt redemption	3	0
Balance at 31 March	0	0

25d Deferred Capital Receipts Reserve

This account shows the sums recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	(20)	(20)
Transfer to Capital Receipts Reserve on receipt of cash	0	0
Balance at 31 March	(20)	(20)

25e Pensions Reserve

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of pensions. The costs of benefits are charged to the Comprehensive Income and Expenditure Statement when they are earned rather than when they are paid. Statutory arrangements however require that benefits be financed only when the Authority makes contributions to the pension fund. The debit balance on the Pension Reserve therefore shows that benefits earned by employees exceeds the payments made by the authority to fund them. Statutory arrangements require that adequate funding will ultimately be set aside.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	32,814	29,842
Re-measurements of the net defined benefit liability.	(5,309)	8,346
Reversal of charges posted to the Comprehensive Income and Expenditure Statement.	4,233	3,216
Employer contributions and direct payments to pensioners payable in the year.	(1,896)	(1,634)
Balance at 31 March	29,842	39,770

25f Collection Fund Adjustment Account

This account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	(413)	(1,226)
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement differs from the amount required by statute.	(813)	5,716
Balance at 31 March	(1,226)	4,490

The following table breaks down the above total into the amounts in respect of each source of Collection Fund income.

	2019/20 £'000	2020/21 £'000
Amounts in respect of Council Tax	(435)	(17)
Amounts in respect of Business Rates	(752)	4,546
Additional amount in respect of element for Renewable Energy Schemes in Business Rates	(39)	(39)
Balance at 31 March	(1,226)	4,490

25g Accumulated Absences Account

The cost of compensated absences (e.g. leave entitlement) not taken by employees during the year of account, is charged to the Comprehensive Income and Expenditure Statement. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	146	146
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	0	179
Balance at 31 March	146	325

26. Cash flow statement – operating activities

26a Adjust net surplus or deficit on the provision of services for non-cash movements

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

	2019/20 £'000	2020/21 £'000
Depreciation	2,285	1,939
Impairment and valuation changes	(7)	(2,789)
Amortisation	81	102
Increase / (decrease) in impairment for bad debts	125	490
(Increase) / decrease in debtors	(883)	(6,060)
Increase / (decrease) in creditors	2,834	19,894
(Increase) / decrease in inventories	(4)	(19)
Movement in pension liability	2,337	1,582
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	113
Contributions (to) / from Provisions	853	(605)
Movement in investment property values	641	(198)
Other non-cash items charged to the net surplus or deficit on the provision of services	0	0
Net adjustment	8,262	14,449

26b Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

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

	2019/20 £'000	2020/21 £'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(13)	(27)
Capital Grants credited to surplus or deficit on the provision of services	(1,765)	(107)
Net adjustment	(1,778)	(134)

26c Interest received and interest paid

The cash flows for operating activities include the following items:

	2019/20 £'000	2020/21 £'000
Interest received	406	186
Interest paid	(95)	(121)
Net cash flow in / (out)	311	65

27. Cash Flow Statement – investing activities

The following items have been included within investing activities in the cash flow statement:

	2019/20 £'000	2020/21 £'000
Purchase of property, plant & equipment, investment property & intangible assets	(1,980)	(3,513)
Purchase of short and long term investments	(45,026)	(32,017)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13	27
Proceeds from short and long term investments	38,026	41,071
Other receipts relating to investing activity (government grants)	1,765	(184)
Total cash flows from investing activities	(7,202)	5,384

28. Cash Flow Statement – financing activities

The following have been included within financing activities in the cash flow statement:

	2019/20 £'000	2020/21 £'000
Cash Receipts from Short and Long Term Borrowing	10,000	(10,000)
Cash paid to reduce lease liabilities.	(340)	(283)
Other Payments for financing activities - change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors).	(35)	(7,858)
Total cash flows from financing activities	9,625	(18,141)

29. Trading operations

The council manages an investment portfolio consisting of 75 industrial units (28 Investment managed, 47 economic regeneration), 53 other properties (Worden, shops, offices and residential), 24 plots of leased land, others (allotments, garages, parking plots, grazing).

2019/20 £'000		2020/21 £'000
(955)	Turnover	(824)
423	Direct costs	422
34	Capital charges	(367)
(498)	Net (surplus) or deficit	(769)

30. Members allowances

The council paid the following amounts to its members during the year:

2019/20 £'000		2020/21 £'000
363	Allowances	364
363	Total	364

31. Officers remuneration

2020/21 Remuneration							
Post Title	Note	Salary and allowances £	Expenses allowances £	Compensation for loss of office £	Benefits In Kind £	Pension Contribution £	Total Remuneration £
Chief Executive	A	56,994	413	-	-	6,324	63,731
Interim Chief Executive	B	83,258	-	35,000	-	16,973	135,231
Director of Communities	C	68,536	1,239	-	-	11,720	81,495
Director of Planning and Development	D	68,320	1,239	-	-	11,683	81,242
Director of Customer Experience and Operations	E	48,712	929	5,780	-	8,330	63,751
Director of Governance	F	75,522	-	-	-	13,090	88,612

- A) The Chief Executive left the Authority on 15th July 2021.
- B) The Interim Chief Executive was employed by Chorley Borough Council (CBC) up to 27th March 2021 and 50% of the salary and pension costs were recharged to South Ribble Borough Council (SRBC), which are shown in the table. Compensation for loss of office show in the table reflects 50% of the costs which were recharged to SRBC. From 5th April 2021 he will be employed by SRBC as Chief Executive for both councils and 50% of the costs will be recharged to CBC. Salary and allowances includes an ex-gratia payment of £40k, which is 50% funded by SRBC.
- C) The Director of Communities was re-designated from Director of Neighbourhoods and Development with effect from 1st January 2021 following the expansion of shared services between the two councils. The post-holder is formally employed by SRBC, and CBC has been charged 50% of the cost of the post from the effective date.
- D) The Director of Planning and Development was re-designated from Director of Planning and Property with effect from 1st January 2021 following the expansion of shared services between the two councils. The post-holder is formally employed by SRBC, and CBC has been charged 50% of the cost of the post from the effective date.
- E) The Director of Customer Experience and Operations left the authority on 18th January 2021. The post was re-designated as Director of Customer and Digital following the expansion of shared services between the two councils with effect from 1st January 2021. The current post-holder is employed by CBC, and 50% of the costs have been charged to SRBC from the effective date.
- F) Following the expansion of shared services, the Director of Governance was established from 1st April 2021. 50% of the costs for the post were charged to CBC. In addition to the posts detailed above, there are two posts that reported directly to the Interim Chief Executive: Deputy Chief Executive and Director of Commercial and Property. Both these posts are formally employed by CBC and 50% of the costs are charged to SRBC.

The comparative information for 2019/20 is shown below.

2019/20 Remuneration							
Post Title	Note	Salary and allowances £	Expenses allowances £	Compensation for loss of office £	Benefits In Kind £	Pension Contribution £	Total Remuneration £
Chief Executive		123,202	3,407	-	-	18,764	145,373
Interim Chief Executive	A	63,229	-	-	-	-	63,229
Deputy Chief Executive - Regeneration and Growth	B	25,750	310	36,125	-	3,230	65,415
Deputy Chief Executive - Resources and Transformation	B	25,098	310	36,125	-	3,230	64,763
Director of Neighbourhoods and Development		63,361	1,239	-	-	9,441	74,041
Director of Planning and Property		63,361	1,239	-	-	9,441	74,041
Director of Customer Experience and Operations		66,300	1,239	-	-	9,879	77,418
Shared Services Lead – Legal (and Monitoring Officer)	C	20,000	-	-	-	2,980	22,980
Legal Services Manager (and Monitoring Officer)	D	35,757	-	-	-	5,328	41,084
Assistant Director of Neighbourhoods		51,000	1,239	-	48	7,599	59,886
Assistant Director of Projects and Development		51,000	1,239	-	-	7,599	59,838
Assistant Director of Housing and Environmental Services		48,284	1,239	-	-	7,194	56,717
Assistant Director of Scrutiny and Democratic Services		48,739	1,239	-	-	7,262	57,240
Interim Head of Shared Assurance	E	92,776	-	-	-	-	92,776

- A) The *Interim Chief Executive* was appointed on 1st June 2019. The post-holder is a Chorley Borough Council employee and SRBC has paid 50% of the staffing costs, which are all shown in the 'salary and allowances' category.
- B) The two *Deputy Chief Executives* left on 30th June 2019. The roles were disestablished on 31st March 2020.
- C) The *Shared Services Lead – Legal* post was created and filled from 1st December 2019.
- D) The *Legal Services Manager and Monitoring Officer* post was disestablished on 30th November 2019.
- E) The *Interim Head of Shared Assurance* was paid via a consultancy arrangement up to 31st December 2019 and was then brought onto the payroll from 1st January 2020.

The table below shows the number of employees, other than senior officers listed above, that has a total remuneration of £50,000 or more, excluding pension contributions.

Total Remuneration Banding	Number of employees 2019-20	Number of employees 2020-21
£50,000 to £55,000	0	4
£55,001 to £60,000	0	0
£60,001 to £65,000	0	2
Total	0	6

The following table gives details of employee exit packages in 2019-20 and 2020-21.

Exit Package cost banding	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages	
	19-20	20-21	19-20	20-21	19-20	20-21	19-20	20-21
£0 to £20,000	0	0	1	2	1	2	£19,433	£10,934
£20,001 to £40,000	0	0	3	2	3	2	£100,432	£62,635
£40,001 to £60,000	0	0	0	0	0	0	£0	£0
£60,001 to £80,000	0	0	1	0	1	0	£74,099	£0
£80,001 to £100,000	0	0	0	0	0	0	£0	£0
Total	0	0	5	2	5	3	£193,964	£73,569

32. External audit costs

The Authority has incurred the following costs relating to external audit:

	2019/20 £'000	2020/21 £'000
Fees for statutory inspection and audit	68	71
Fees for the certification of grant claims and returns	10	11
Balance at 31 March	78	82

33. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2019/20 £'000	2020/21 £'000
Credited to Taxation and Non-Specific Grant Income		
National non-domestic rates	(2,267)	(6,858)
New Homes Bonus	(1,014)	(660)
Covid-19 Funding Grants	0	(310)
Community Infrastructure Levy & Other Developer Contributions	(2,404)	(197)
Developer Contributions - Amounts Transferred to Grants Received In Advance	0	1,735
Grants & Contributions - Other	(381)	(1,403)
Total	(6,066)	(7,693)
Credited to Services		
Benefits Related Grants	(17,238)	(15,553)
Covid-19 Funding Grants	0	(3,538)
Other Grants & Contributions	(2,300)	(3,293)
Developer's Contributions payable to City Deal	(2,224)	(2,616)
Total	(21,762)	(25,000)
Grand Total	(27,828)	(32,693)

In addition to the above amounts, a further £34.654m was paid to the council, by the government, and distributed to local businesses in the form of business support grants (£24.857m, including retail, hospitality and leisure support grants) and local restrictions grants (£9.797m). Given that the eligibility criteria for these grants were determined by the government and that the council has been fully reimbursed for the amounts paid out, the council has effectively acted as an intermediary and distribution point for the grants, rather than at its own discretion. In these circumstances, the council is deemed to be an agent acting on behalf of the grant funder, rather than in its own right, so the expenditure and related grant income is accounted for separately to the council's own Statement of Accounts.

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that could require the monies to be returned to the giver. The balances at year end are as follows:

	2019/20 £'000	2020/21 £'000
Various contributions	107	1,842
Total	107	1,842

The figure for 2020/21 includes a total of £1.735m of contributions transferred from Capital Grants Unapplied during the year (see Note 14).

34. Related parties

The financial statements must disclose material transactions with related parties, to draw attention to the possible extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

◆ **Central Government**

Central government has effective control over the operations of the council as it provides the statutory framework within which it operates and the majority of its funding in the form of grants. Details of government grants received are given in Note 33.

◆ **Members of the Council**

Councillors have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in meetings, including the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting and in a register, both of which are open to public inspection.

Note 30 refers to the allowances paid to members. A detailed breakdown of these figures can be found on the council's website.

The council has representation on various voluntary bodies. During 2020/21, the council paid grants totalling £0.015m (2019/20 £0.000m) to one of these organisations.

◆ **Officers**

If appropriate, Directors complete a voluntary declaration of transactions involving related parties.

◆ **Partnerships, Companies and Trusts**

Shared Services Partnership – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. Prior to 2020/21 this provided for the provision of accountancy, exchequer, treasury management, procurement and assurance services across the administrative areas of the two Councils.

The partnership has since been expanded to include a shared Management Team, including Chief Executive as well as the legal, HR, democratic services, communications and visitor economy and transformation and partnerships functions. The agreement between the two councils has been updated to reflect the new arrangements.

A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing these services.

In 2020/21 gross expenditure of £5.344m (2019/20 £1.825m) was incurred on the shared services which was fully funded by recharges to the two Councils.

An outstanding creditor as at 31st March 2021 amounts to £1.676m.

◆ **Simple Investment**

In 2005/06 the Council's leisure centre operation transferred to South Ribble Community Leisure Limited (SRCLL), which is a company with charitable objectives. The Council pay SRCLL a Leisure Services Fee (LSF) for the running of its leisure centres. The contract with SRCLL was for a period of 15 years and 10 months which commenced on 1 June 2005 and ended on 31st March 2021. The operation of the leisure centres has been temporarily brought in-house pending the set-up of a wholly owned company.

Name of Undertaking	South Ribble Community Leisure Limited
Type of Organisation	Limited liability.
Nature of Business	Provision and Development of leisure facilities in South Ribble
SRBC share holding	14.2%
Grant Paid in the Year	£0.024m
Leisure Services Fee	£0.357m
Creditor/Debtor	There were no outstanding balances at 31 March 2021

35. Capital expenditure and financing

The total capital expenditure in the year is shown below, together with the resources that have been used to finance it.

The statement incorporates details of the movements in the Capital Financing Requirement. This is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account.

	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	3,740	2,999
<i>Capital investment:</i>		
Property, Plant and Equipment	2,083	3,449
Investment property	17	4
Intangible Assets	72	124
Revenue Expenditure Funded from Capital under Statute	859	587
<i>Sources of finance:</i>		0
Capital Receipts	(840)	(27)
Government Grants and Other Contributions	(1,720)	(1,971)
<i>Sums set aside from revenue:</i>		0
Earmarked Reserves	(450)	(2,046)
Revenue Financing	0	0
Minimum Revenue provision	(516)	(373)
Voluntary Revenue Provision	(246)	(246)
Closing Capital Financing Requirement	2,999	2,500
<i>Explanation of movements in year:</i>		
Assets financed by prudential borrowing	0	0
Assets acquired under deferred purchase arrangement	21	120
Provision made for debt repayment	(762)	(619)
Increase / (Decrease) in Capital Financing Requirement	(741)	(499)

36. Leases

36a Authority as lessee

Finance leases

Works undertaken to leisure centres owned by the Authority under a deferred purchase arrangement. The expenditure incurred, net of repayments made, is shown in the table below:

	31 March 2020 £'000	31 March 2021 £'000
Works to Leisure Centres	390	0

During the term of the lease, the authority was committed to making minimum payments to discharge the outstanding liability plus finance costs that would accrue while the liability remained outstanding. The lease ended on 31st March 2021 and there are no outstanding liabilities.

The agreement committed the lessor to invest £4.819m in their refurbishment in the years 2005/06 to 2020/21. The minimum payments under the lease total £6.638m of which £0.436m remained to be paid in 2020/21. There are no further payments to be made.

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	436	0	390	0
Later than one and not later than five years	0	0	0	0
Total	436	0	390	0

Operating leases

The Authority has operating leases for office equipment and vehicles. The future minimum lease payments are as follows:

	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	1	26
Later than one and not later than five years	0	15
Total	1	41

The operating lease rentals charged in the Comprehensive Income and Expenditure Statement during the year were as follows:

	31 March 2020 £'000	31 March 2021 £'000
Minimum lease payments	1	27
Total	1	27

36b Authority as lessor

Finance Leases

The council has leased one property for 125 years. In the following table the gross investment in the lease is reconciled to the present value of the minimum lease payments:

	31 March 2020 £'000	31 March 2021 £'000
Finance lease debtor (present value of minimum lease payments)	20	19
Unearned finance income	87	87
Total	107	106

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	1	1	1	1
Later than one and not later than five years	4	4	4	4
Later than five years	102	101	102	101
Total	107	106	107	106

No contingent rents were receivable in the years of account.

Operating leases

The council lets certain offices and industrial units. The future minimum lease payments receivable are:

	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	795	788
Later than one and not later than five years	1,265	1,438
Later than five years	14,015	14,219
Total	16,075	16,445

37. Defined benefit pension scheme

37a Governance

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council who have appointed a Pension Fund Committee (comprising a mix of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises on investment strategy and risk management. The scheme is funded and pays defined benefits based on how long employees are active members, and their salary when they leave (a “final salary” scheme) for service up to 31 March 2014 and on revalued average salary (a “career average” scheme) for service from 1 April 2014 onwards.

37b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund’s Funding Strategy Statement). The latest valuation, carried out as at 31 March 2019, showed there was a surplus for all employers of £12m or against the Fund’s solvency funding target. An alternative way of expressing the position is that the Fund’s assets were sufficient to cover just over 100% of its liabilities – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2016 the shortfall was £690m, equivalent to a solvency funding level of 90%.

Employers are paying additional contributions over 16 years to meet the shortfall. For the three year valuation period beginning 1st April 2020 the council opted to pre-pay the new future service rate and deficit recovery payments for the full 3 year valuation period to 2022/23 in return for a small overall discount. The discounted sum paid in April 2020 was £3.434m for the future service rate and £0.217m for the deficit recovery sum, of which £1.144m future service rate and £0.072m deficit recovery relate to the 2020/21 financial year.

37c Risks

The primary risk is that the Fund’s assets will, in the long-term, fall short of its liabilities to pay benefits to members.

Investment risk management seeks to balance the maximisation of the opportunity for gain and minimise the risk of loss, on the fund’s investments. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk), by ensuring counterparties meet credit criteria, and that investments are within the limits set by the investment strategy.

Other risks - The fund managers have to ensure that the fund has adequate liquidity to meet its obligations as they arise. They must also be sensitive to any actions of government or changes in European legislation which might affect funding requirements.

Sensitivity to these risks is estimated in paragraph 37i.

37d Transactions relating to retirement benefits

The council recognises the cost of retirement benefits in the revenue account in the Cost of Services, when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable to the fund during the year. An adjustment is therefore made to the General Fund via the Movement in Reserves Statement. The following table shows the transactions made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2019/20 £'000	2020/21 £'000
<i>Comprehensive Income and Expenditure Statement</i>		
<i>Cost of Services:</i>		
Administration	40	49
Current service cost	2,275	2,524
Past service cost	1,158	0
Effect of curtailments	0	17
<i>Net interest on the net defined benefit liability:</i>		
Interest costs	2,918	2,866
Expected return on scheme assets	(2,158)	(2,240)
Total post-employment benefit charged to the (Surplus) / Deficit on the Provision of Service	4,233	3,216
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(61)	(7,942)
Experience gain & loss	783	(2,610)
Actuarial gains & losses from changes in demographic assumptions	(4,109)	0
Actuarial gains & losses from changes in financial assumptions	(1,922)	18,898
Total re-measurements recognised in Other Comprehensive Income	(5,309)	8,346
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(1,076)	11,562
<i>Movement in Reserves Statement</i>		
Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services	(4,233)	(3,216)
Actual amount charged against the General Fund Balance for pensions in the year	1,896	1,634

37e Pension 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 plans is as follows

	Scheme Liabilities Local Government Pension Scheme	
	2019/20 £'000	2020/21 £'000
Present value of the defined benefit obligation	(121,302)	(139,207)
Fair value of plan assets	91,264	99,483
Net liability arising from defined benefit obligation	(30,038)	(39,724)

37f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets Local Government Pension Scheme	
	2019/20 £'000	2020/21 £'000
1 April	88,837	91,264
Adjustment to brought forward balance		196
Revised 1 April Balance		91,460
Interest on plan assets	2,158	2,240
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	61	7,942
Employer contributions	1,749	1,444
Employee contributions	439	535
Benefits paid	(1,940)	(4,325)
Other	(40)	(49)
31 March	91,264	99,247

The actual return on the plan assets was £10.182m in 2020/21 (£0.733m 2019/20).

37g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities Local Government Pension Scheme	
	2019/20 £'000	2020/21 £'000
1 April	(121,700)	(121,302)
Current service cost	(2,275)	(2,524)
Past Service Cost	(1,158)	0
Interest cost	(2,918)	(2,866)
Contributions by scheme participants	(439)	(535)
Re-measurement gains and (losses)		
Changes in financial assumptions	1,922	(18,898)
Experience gains & losses	(783)	2,610
Gains & losses from changes in demographic assumptions	4,109	0
Curtailments	0	(17)
Benefits paid	1,940	4,325
31 March	(121,302)	(139,207)

37h Local Government Pension Scheme assets comprised

	Fair value of scheme assets			
	2019/20 £'000	Percentage total of asset	2020/21 £'000	Percentage total of asset
Cash				
Cash and cash equivalents	0	0.0%	0	0.0%
Cash accounts	2,555	2.8%	2,451	2.4%
Net Current Assets	(1,551)	(1.7%)	(23)	0.0%
Subtotal Cash	1,004	1.1%	2,428	2.4%
Bonds				
UK corporate	1,096	1.2%	0	0.0%
Overseas corporate	1,186	1.3%	0	0.0%
Government	0	0.0%	0	0.0%
Overseas fixed interest	0	0.0%	0	0.0%
Subtotal bonds	2,282	2.5%	0	0.0%
Property				
Retail	91	0.1%	98	0.1%
Commercial	1,186	1.3%	1,603	1.6%
Subtotal property	1,277	1.4%	1,701	1.7%
Private equity				
UK	0	0.0%	0	0.0%
Overseas	7,301	8.0%	7,963	8.0%
Subtotal private equity	7,301	8.0%	7,963	8.0%
Other				
Infrastructure	12,594	13.8%	11,902	12.0%
UK Pooled Equity Funds	0	0.0%	1,015	1.0%
Overseas Pooled Equity Funds	41,069	45.0%	45,465	45.8%
Property funds	6,480	7.1%	12,434	12.5%
Credit funds	14,420	15.8%	13,267	13.3%
Pooled income fund	4,837	5.3%	3,308	3.3%
Subtotal alternatives	79,400	87.0%	87,391	87.9%
Total	91,264	100.0%	99,483	100.0%

37i Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest valuations as at 31 March 2021.

The main assumptions used in their calculations have been as follows:-

	Local Government Pension Scheme	
	2019/20	2020/21
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.3 yrs.	22.4 yrs.
Women	25 yrs.	25.1 yrs.
Longevity at 65 for future pensioners		
Men	23.8 yrs.	23.9 yrs.
Women	26.8 yrs.	26.9 yrs.
Rate of inflation (CPI)	2.10%	2.70%
Rate of increase in salaries	3.60%	4.20%
Rate of increase in pensions	2.20%	2.80%
Rate for discounting scheme liabilities	2.40%	2.10%

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 in the assumptions occurring at the end of the reporting period, and for each assumption assumes that other factors remain unchanged.

	Impact on the defined benefit obligation in the scheme
	£'000
Longevity (increase 1 year)	4,262
Rate of inflation (increase of 0.1% p.a.)	2,230
Salary inflation (increase of 0.1% p.a.)	238
Rate for discounting scheme liabilities (increase of 0.1%)	(2,195)
Change in 2020/21 investment returns (increase of 1.0%)	(1,011)

37j Impact on the Authority's Future Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 16 years. Funding levels are monitored on an annual basis. The next triennial valuation of the Fund is due as at the 31st March 2022. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The scheme will need to take account of the national changes made 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. 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 authority anticipates paying £1.144m expected contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 16 years.

38. Contingent assets and liabilities

At 31 March 2021, the Council did not have any contingent assets or liabilities.

Collection Fund Statement

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

2019/20 Business Rates £'000	2019/20 Council Tax £'000		2020/21 Business Rates £'000	2020/21 Council Tax £'000
		Income		
0	67,382	Council Tax Receivable	0	69,472
37,123	0	Business Rates Receivable	23,873	0
37,123	67,382	Total Income	23,873	69,472
		Expenditure		
		Apportionment of Previous Year Surplus/(Deficit)		
231	0	Central Government	(24)	0
185	98	South Ribble Borough Council (note 14 page 41)	36	113
42	566	Lancashire County Council	16	661
0	78	Police & Crime Commissioner for Lancashire	0	99
5	29	Lancashire Combined Fire Authority	1	34
		Precepts, Demands and Shares		
8,525	0	Central Government	17,625	0
19,095	8,230	South Ribble Borough Council (note 14 page 41)	14,100	8,485
5,967	48,191	Lancashire County Council	3,172	50,515
0	7,209	Police & Crime Commissioner for Lancashire	0	7,628
511	2,487	Lancashire Combined Fire Authority	352	2,556
34,561	66,888	Total Expenditure	35,278	70,091
		Transfers from General Fund		
0	0	Discretionary Discounts	0	(653)
		Charges to Collection Fund		
59	122	Write offs of uncollectable amounts	0	210
560	290	Increase / (Decrease) in Bad Debt Provision	933	1,484
0	0	Increase / (Decrease) in Provision for Appeals	975	0
127	0	Cost of Collection Allowance	127	0
		Disregarded Amounts	0	0
190	0	Renewable Energy Schemes	78	0
0	0	Enterprise Zone	170	0
271	0	Transitional Protection Payments	34	0
1,207	412	Total Charges to the Collection Fund	2,317	1,041
1,355	82	Surplus / (deficit) arising during the year	(13,722)	(1,660)
		Collection Fund Balance		
338	1,709	Surplus / (deficit) brought forward at 1 April	1,693	1,791
1,355	82	Surplus / (deficit) arising during the year	(13,724)	(1,659)
1,693	1,791	Surplus / (deficit) carried forward at 31 March	(12,031)	132
		Allocated to		
968	221	Transfer to / (from) Collection Fund Adjustment Account (Note 25f page 57)	(4,546)	17
392	0	Central Government	(6,432)	0
307	1,307	Lancashire County Council	(941)	96
0	196	Police & Crime Commissioner for Lancashire	0	14
26	67	Lancashire Combined Fire Authority	(112)	5
1,693	1,791	Surplus / (deficit) carried forward at 31 March	(12,031)	132

Notes to the Collection Fund

1. Accounting for Council Tax

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous year's Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account. This adjustment is included in the Movement in Reserves Statement and also appears in Note 10.

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

Since the collection of council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor/creditor position between the billing authority and each major preceptor.

2. Council Tax details of charge

For the purpose of calculating Council Tax residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2020/21 was calculated as follows: -

Band	No. Dwellings	Total No. Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	21	19.5	5:9	10.8
A	10,056	8,271.8	6:9	5,514.5
B	13,197	11,539.9	7:9	8,975.5
C	12,346	11,080.1	8:9	9,848.9
D	8,026	7,408.2	9:9	7,408.2
E	4,046	3,817.4	11:9	4,665.7
F	1,618	1,532.2	13:9	2,213.2
G	530	499.8	15:9	833.0
H	23	21.5	18:9	43.0
Total	49,863	44,190.4		39,512.8
Less local Council Tax Support Scheme discounts				(2,998.3)
Less adjustments for losses on collection				(734.0)
Addition for anticipated changes in the base, reduced discount on second homes and other technical changes				293.2
Band D Equivalent Number of Properties				36,073.7

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in a basic Band D charge (excluding Parish Precepts) of £1,905.87 for 2020/21 (£1,836.40 for 2019/20). The other valuation bands are proportionate to this. The full list of charges is as follows:

Band	Proportion of Band D Charge	Council Tax Levied Excluding Parish Precepts	
		2019/20 £	2020/21 £
A	0.67	1,224.27	1,270.59
B	0.78	1,428.31	1,482.34
C	0.89	1,632.36	1,694.12
D	1.00	1,836.40	1,905.87
E	1.22	2,244.49	2,329.40
F	1.44	2,652.57	2,752.92
G	1.67	3,060.67	3,176.46
H	2.00	3,672.80	3,811.81

3. Accounting for business rates

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding police bodies) and the Government. The amount credited to the General Fund under statute is the Authority's estimated share of NDR for the year from the National Non-Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

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

The cash collected by the Authority from NDR payers belongs proportionately to all the major preceptors (excluding police bodies) and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Regulations require that only the deficit or surplus estimated in the annual National Non Domestic Rates (NNDR) 1 Return before the year-end be recovered from or shared with preceptors. Therefore, a surplus of £0.030m was shared between preceptors during 2020/21, being the estimate included in NNDR1 2020/21, whereas the actual amount for 2019/20 was a surplus of £1.693m.

Note 14 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2020/21 to be a net cost of £1.808m (2019/20 net income £5.307m). This can be reconciled to South Ribble Borough Council's share of Business Rates Income in the Collection Fund statement in the following table:

2019/20 £'000		2020/21 £'000
19,095	South Ribble Borough Council's share of Business Rates	(14,100)
(15,150)	Tariff Payable to the Lancashire Business Rates Pool	10,327
0	Levy Payable to the Lancashire Business Rates Pool	181
(5)	Amount Payable to County Wide Fund	0
39	Amounts retained by South Ribble Borough Council in respect of Renewable Energy Schemes	(78)
873	South Ribble Borough Council share of accumulated surplus or deficit for year (transferred to Collection Fund Adjustment Account - Note 25f)	5,514
185	South Ribble Borough Council share of previous year's estimated surplus or (deficit) as per NNDR1 under regulation	(36)
5,037	NNDR Net Income per Note 14	1,808

This council is part of the Lancashire Business Rates Pool which began on 1 April 2016. 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. For more information on the Lancashire Business Rates Pool see Note 14. For 2019/20, the Pool was based on 75% local retention of income, of which 56% was attributed to this council, 17.5% to Lancashire County Council and 1.5% to the Lancashire Fire and Rescue Authority. For 2020/21, this has reverted to 50% local retention, which had previously been the position up until 2018/19, with shares of 40%, 9% and 1% respectively, giving rise to the proportionately lower amounts shown in the table above.

The additional reliefs introduced by the government in response to the Covid-19 pandemic do not affect the amount of business rates income receivable by the council for 2020/21, because this was fixed by the NNDR1 return completed in January 2020. They have, however, had a significant effect on the council's share of the surplus/deficit at the end of the year, producing the deficit of over £5.478m (£5.514m - £0.036m) shown above. In terms of actual income to the council, this deficit is offset by additional government grants. For more detail of this, see Note 14 on page 72.

4. Business rates details of charge

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 49.9p in 2020/21 (49.1p in 2019/20) and one for larger businesses at 51.2p in 2020/21 (50.4p in 2019/20).

The Business Rates income for 2020/21, after reliefs and provisions, was £21.965m (£36.503m in 2019/20).

The rateable value for the council's area at the end of the financial year 2020/21 was £89.298m (£89.183m in 2019/20).

Annual Governance Statement 2020/21

1. INTRODUCTION

The Annual Governance Statement is a point in time assessment of the council's governance framework. It considers information assembled over the course of the previous 12 months to make an evidence-based assessment of the systems, processes, culture and values that feed into our internal control environment and our compliance with them. This document draws the evidence together and provides a valued judgement of our governance environment.

The AGS provides an overview of the council's key governance systems and explains how they are tested and the assurance that can be relied upon to show that these systems and processes operating effectively. The Statement comprises an overview of the key elements of its governance framework and what evidence has been received in order to determine the effectiveness of the arrangements. In addition, the Statement contains an update on the areas for improvement identified last year, together with proposed areas for improvement for the coming year.

2. What is Corporate Governance

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law, to the highest standards and that there is a sound system of governance (incorporating the system of internal control). Public money must be protected and properly accounted for. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and delivering an efficient and effective service.

To meet this responsibility, we have put in place arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure we do the right things, in the right way, for the right people, in a fair, open, honest and accountable way.

Our Governance Framework is based on the CIPFA/SOLACE Framework^{1 2}. It promotes and demonstrates our commitment to the principles of good governance and incorporates the council's values that emphasise how we do things at South Ribble Borough Council. It is important to note that a robust governance framework only has value if it is complied with and contains sufficient controls to ensure this.

The adopted Local Code of Corporate Governance incorporates and demonstrates how the 7 principles detailed by the CIPFA/SOLACE Framework, and set out below, are complied with.

Good governance means:-

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- ensuring openness and comprehensive stakeholder engagement
- defining outcomes in terms of sustainable economic, social and environmental benefits
- determining the interventions necessary to optimise the achievement of the intended outcomes
- developing the council's capacity, including the capability of its leadership and the individuals within it
- managing risks and performance through robust internal control and strong public financial management
- implementing good practices in transparency, reporting, and audit to deliver effective accountability

Our Local Code was reviewed and updated this year and approved by Governance Committee on 23 March 2021 and can be accessed through this hyperlink [here](#).

¹ The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework "Delivering Good Governance in Local Government".

² South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the local code is available on line at www.southribble.gov.uk or can be obtained by contacting D Whelan, Deputy Monitoring Officer - Civic Centre, West Paddock, Leyland, Lancs, PR25 1DH

3. The Council's Governance Framework

The governance framework comprises the systems, processes, culture and values by which we direct and control our activities including those by which we account to, engage with and lead the community. It enables us to monitor how we are achieving our long-term aims and to demonstrate where this has led to improved services that are delivering value for money. The council has responsibility for ensuring that there is a sound system of governance.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our priorities and aims, so it can only offer reasonable protection. It is based on an ongoing process that is designed to:

- Identify and prioritise the risks that could prevent us achieving our aims and objectives
- Assess the likelihood and impact of the risk occurring
- Manage the risks efficiently, effectively and economically.

The local code should enable members to satisfy themselves that council objectives are being met lawfully, in accordance with the corporate plan, medium term financial strategy and in a way that demonstrates value for money. The framework is the basis for the decision making structures and compliance with it enables members to have sufficient information to test any proposals and / or delivery and to make a reasonable, evidence based decision.

Changes introduced this year enhance the framework. Member led executive decision making ensures that decisions are made appropriately and there are clear processes through open cabinet, public speaking provisions and call in to challenge.

If you had read last year's Annual Governance Statement, you will note a marked difference in the conclusions this year. The action plan to address the corporate governance failings identified has been implemented as planned and councillors and members of the public will note that as a result the concerns raised for a number of years have been addressed and are no longer viewed as significant failings. The culture of the organisation has been reviewed and changes implemented in management structures and organisational development to embed good governance. The internal controls have been reviewed and amended where appropriate and training has been provided to both councillors and members of staff. Recruitment to key statutory roles has been completed, and council processes, procedures and the performance monitoring framework have been updated to ensure that the change can be measured consistently. These actions show the organisation is committed not only to improvement but evidencing that improvement.

Since the compilation of the last Annual Governance Statement, the Council has significantly strengthened its governance arrangements by:

- Officer structure – One of the causes of the issues which arose and were identified in the AGS for 2018/19 2019/20 was a lack of a stable senior management team. The Council has taken significant actions to address this. The three statutory officer roles are now permanently recruited to and a stable senior management team has been introduced. The Chief Executive (Head of Paid Service) is now shared on a permanent basis with Chorley Council. The same postholder has been in place since 2019. The Director of

Governance (Monitoring Officer) has been in post since December 2019. The s151 Officer post was covered by the Deputy Director acting up during 2020/21. The Director of Finance role has now been recruited to permanently, with the new postholder starting in April 2021. In addition, two key roles at service lead level have also been established and filled in December 2019, Communications and Visitor Economy and Transformation and Partnerships. These roles are important in developing and improving the council's culture.

- Organisational development – the council has fully reviewed its OD programme, introducing a new ELearning portal and establishing the Flair Programme to develop staff who aspire to be managers and leaders.
- Review of the constitution and financial procedure rules –the standing orders for Council meetings and the terms of reference for all committees have been reviewed and redrafted. The standing orders are now more streamlined and the constitution, as a document, has been simplified to avoid repetition and make it clearer and easier to understand. A revised process for executive decision making ensures that relevant cabinet members take decisions in a transparent and consistent manner, strengthening the democratic oversight of the organisation. The Financial Procedure Rules have been updated to reflect organisational changes and changes to authorisation levels.
- Performance management framework – Showing the benefit of a stronger organisational corporate centre, a new performance management framework has been developed and adopted, aligning it to the corporate plan and ensuring that the council is able to effectively manage its performance and delivery of its priorities.
- Management of Projects – the Senior Management Team meet as Programme Board quarterly to review the progress of corporate projects.
- Information governance – A GDPR Leadership group has been established to lead on the embedding of the council's information governance policies and processes.
- Governance Training – training on ethical decision making has been given to both members and officers which incorporated decision making processes and report writing (for officers), training has also been given on procurement.
- Risk Management – The Risk Management Strategy has been updated and the council have committed to the use of GRACE as the risk management tool. Internal Audit are leading on the training of staff on the use of the system which in addition to risk will be used to monitor the implementation of management actions taken from audits.

Values of good governance

The Council also promotes and demonstrates the values of good governance by upholding high standards of conduct and behaviour. The following strong arrangements are in place to ensure that appropriate standards of behaviour are maintained:

- Codes of Conduct (Members and Officers)
- Member Officer Protocol
- Suite of HR policies
- Suite of Counter Fraud Policies

Impact of Covid on the Council's governance arrangements

There is no doubt that the COVID pandemic impacted on the Council's governance arrangements, most clearly evidenced by the change in approach to Council committee meetings and decision making. The constitution provided an urgency procedure which was used appropriately to enable council business to continue when meetings could not be held. However, significant work was undertaken to implement remote and hybrid meeting access. This enabled members to participate in meetings even where access to the Civic Centre was not possible. Whilst public participation was more limited this was still enabled and the public could watch the meetings live via the internet.

The pandemic accelerated the roll out technology which has contributed to a more open and engaged culture, which was the cause of some of the previously identified issues. Teams and other technology has been used to improve the sharing of information and building relationships across teams – demonstrated through the implementation extended shared services and Chief Executive Listening sessions, which have enabled the Chief Executive to engage directly with staff across the organisation. The changes to staff policies have improved working conditions and introduced greater consistency across the organisation.

What was changed however was the ability to properly test the internal control and risk management environments. Staff from across the Council including those from Internal Audit, changed roles to facilitate Covid support works. This limited the council's ability to both in terms of undertaking the testing but also of the availability of teams to be tested. This should not be taken as reflecting positively or negatively on performance of the council only that it cannot be evidenced in this way one way or another.

4. How we review the effectiveness of the Governance Framework

This section identifies the structures, committees and officer roles which serve to review the appropriateness of the governance arrangements and their application.

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to ensure continuous improvement. This review is informed by the work of the Governance Committee supported by management, internal and external auditors and other review agencies.

Governance Committee - The Governance Committee provides member oversight and scrutiny of the Council's business controls. The Governance committee undertakes all of the core functions of an audit committee as identified in the relevant CIPFA guidance. An assessment has been undertaken during 2020/21 and this confirmed that the Committee are operating in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. In addition, the Committee's skills and knowledge have been assessed and training will be arranged to meet any training needs identified.

Shared Services Joint Committee - The Joint Committee monitors service performance of the shared services partnership between South Ribble Borough and Chorley Borough Councils, and is a good example of our effective governance of partnerships.

Standards Committee - the committee's is to promote high ethical standards. Standards Committee reports to full Council on an annual basis on the work that it carried out. There have been no hearings this year.

Scrutiny Committee

Unlike many other councils, South Ribble Borough Council's Scrutiny Committee has continued to meet during the pandemic and provide robust scrutiny. This has included consideration of South Ribble Partnership, the progress of the delivery of the Worden Hall project and executive portfolios. Pre-decision Scrutiny has also taken place of key corporate strategy projects and Budget and Medium Term Financial Strategy. A detailed recommendation tracking process is in place to ensure that responses are provided to the recommendations made.

The Scrutiny Committee has continued to undertake reviews and in 2020/2021 undertook an in-depth review into health inequalities following the Marmott 10 years on report, with a particular emphasis on income deprivation and access to services. Linked with this review the Committee is preparing to scrutinise housing associations within the borough.

The Scrutiny Budget and Performance Panel meets to challenge and comment on the quarterly performance and budget monitoring reports prior to consideration by Cabinet as part of our new rigorous Performance Management Framework.

The Scrutiny Chair attends the Lancashire County Council Health Scrutiny Committee and reports back to each meeting. The Council plays a leading role in the North West Strategic Scrutiny Network which shares learning and best practice amongst Members.

Member Training

The Council holds the North West Employers Member Development Charter and has a cross-party Member Development Steering Group that takes an overview of Member training and development. An innovative Member Personal Development Planning process was piloted and rolled out to all Members, which is informing our Member training plans moving forward.

During the year all Member training was provided on governance/ethical decision-making, code of conduct, equality and diversity and GDPR. Training on the use of I-pads and Microsoft Teams as part of the approach to virtual/hybrid meetings has also taken place with a number surgeries/clinics and other learning opportunities. Member briefings were also held on the residents survey, city deal, corporate strategy, new website, shared services and social media.

A Cabinet development programme was also put together and implemented in collaboration with North West Employers' Organisation.

Members have also attended a number of external training courses and conferences via the LGA and other providers on topics such as social value, equality and diversity, PREVENT, scrutiny, public health, community wealth building and climate change.

Management Team / Leadership Team

In January 2021, a shared senior management team was created with Chorley Council. In addition to the already shared Deputy Chief Executive, Director of Finance and Director of Governance, the Chief Executive is now a shared role permanently alongside four director roles .

The council's Senior Management Team is made up of the Chief Executive, Deputy Chief Executive and Directors, as well as the Shared Service Lead for Transformation and Partnerships and Shared Service Lead for Communications and Visitor Economy. The team meets weekly. They consider the strategic direction of the council, supporting effective organisational management and support for the delivery of the council's agreed priorities. In addition, the senior management team meet on a quarterly basis as a programme board to consider the progress made in delivering the council's corporate plan, address any issues and manage risk.

A shared Senior Leadership Team has also been established. This meets monthly and its membership includes all Assistant Directors and Service Leads in addition to the SMT members. This meeting focusses on overseeing internal communications, organisational development and transformation. In addition, the meeting receives reports on service performance and HR issues.

Section 151 Officer / Director of Finance

The Council has undertaken a review of the requirements of CIPFA Statement on the Role of the Chief Financial Officer into its governance framework and has evidenced its compliance with the guidance. Over the past 12 months, the Deputy S151 officer has fulfilled the role and has been a permanent member of the Shared Management Team.

During 2020/21, local authorities have been working towards compliance with the new CIPFA Financial Management Code in advance of full implementation and compliance in 2021/22. The Council has carried out an initial assessment of compliance with the standards contained within the FM Code, and although there is evidence to support this, areas for improvement have been identified and actions to address these are in the process of implementation.

Statutory Regulation / Monitoring Officer

The main regulatory change in this period related to the introduction of remote attendance at meetings and the facilitation of decision making in this environment.

Processes were put in place to maintain the transparency of decision making to include reporting to full council where urgency powers were used. The constitution was reviewed and amended to ensure its fitness for purpose to support constraints around decision making during covid. As mentioned the Standing Orders were reviewed and amended to temporarily reduce public participation in meetings due to the constraints imposed by the technical solution. However, the public, whilst not being able to speak at meetings could still view them remotely.

Training was provided to both Members and Officers on ethical decision making, the code of conduct and in relation to procurement processes.

Corporate Governance Group / Officer arrangements

In developing this Annual Governance Statement, the council's senior officers have worked collectively to understand and assess the effectiveness of the implementation of the council's governance framework. This work has been overseen by a Corporate Governance Group comprising:

- Chief Executive
- Deputy Chief Executive
- Director of Governance (Monitoring Officer)
- Director of Finance S151 Officer
- Shared Service Lead (Transformation and Partnerships)
- Shared Service Lead Audit and Risk

The Corporate Governance Group (CGG) have worked with the council's Senior Management Team who have individually produced and collectively reviewed service assurance statements which assess compliance with and understanding of the council's governance framework. This assessment has supported the production of this document.

It is also important to note the ongoing role that a council's senior officers have in ensuring that good governance is enacted in the working of the organisation.

A terms of reference for the CGG have been developed which will further enhance the governance monitoring and reporting arrangements.

Programme Board

The Corporate Strategy was refreshed to reflect the local context and streamlined with a focussed number of projects and performance measures to ensure deliverability. The Performance Management Framework was also fully reviewed and refreshed in September 2020 to outline clear processes, expectations, roles and responsibilities including data quality. A corporate programme board has been established and meets quarterly to review and monitor the performance of the Corporate Strategy projects and performance measures ahead of reporting to Cabinet. The board is made up of the Senior Management Team as those accountable for overall programme delivery and ensuring compliance with the Performance Management Framework. The board receive an update report highlighting issues, concerns and risks by exception. The board will discuss issues and identify solutions before cascading directions back to project managers and teams.

Internal Audit and the Head of Audit Opinion

Internal Audit is responsible for providing assurance on the quality and effectiveness of the system of governance and internal control. A risk based Internal Audit Plan is produced. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. This report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers.

The Internal Audit Annual Report contains a statement/ judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

It has been reported to members over the course of 2020 that the impact of COVID-19 on the Internal Audit Service has been considerable. As a consequence, the results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation's framework of control.

An opinion has been provided on the overall adequacy and effectiveness of the organisations framework of risk management and governance. The Head of Audit has confirmed that the arrangements are of an **adequate** standard. This is due to the following:

Over the past 12 months, a significant amount of work has been undertaken to introduce and strengthen the governance and risk management arrangements throughout the whole council and this is clearly evidenced within the Local Code of Governance. The work undertaken by Internal Audit to support the

compilation of the Annual Governance Statement Action Plan confirms that the framework of governance policies is now in place however there is further work to do to ensure that these are fully embedded.

Although, it has not been possible to form an opinion on the control environment of the Council, the Head of Audit has provided the following assurance:

- the work carried out during 2020-21 did not identify any control failures that have not been previously reported to the Committee;
- robust actions plans are in place for any legacy issues with actions owners assigned and implementation dates agreed;
- advisory work has been undertaken on new processes introduced as a result of COVID 19;
- despite the lack of a systematic monitoring process for the implementation of agreed management actions emanating from Internal Audit Reports, a large proportion of actions have been implemented.

GDPR Leadership Group / Information Governance

The Leadership GDPR Group is established now and have been monitoring progress towards full GDPR compliance. Various initiatives have been initiated via the GDPR Officers Group to assess ongoing compliance. This work indicates good staff awareness and secure methods of working whilst working from home. This work is ongoing. The Data Protection Officer is monitoring the Brexit situation to ensure that the Council responds in a timely manner to any developments as regards GDPR status.

Organisational Development

An Organisational Development Strategy was developed and approved in October 2020 to with key objectives to: support the needs of the workforce; to facilitate staff engagement through a variety of mechanisms; to demonstrate investment in staff and their personal development; to underpin consistent management and to develop the leadership team. A package of interventions has been designed and rolled out including the Flair talent development programme; staff listening days and virtual briefings with the Chief Executive and Senior Management Team; staff listening day working groups to address key themes and issues collaboratively; a new digital learning management system to facilitate e-learning; Senior Management Team executive coaching; and a management development programme to commence in July ensuring a baseline of management fundamentals. All staff receive a fully tailored induction when joining the shared service and the performance review process has been reinforced for all staff to ensure a clear link from organisational priorities through to individual staff objectives.

Corporate Complaints / Local Ombudsman

Whilst the number of customer complaints processed as stage one complaints have increased year on year, 111 in 2019/20 increased to 169 in 2020/21, the percentage of complaints upheld fell significantly from 31% to 15%.

The Council are aware of 7 complaints which were made to the Local Government Ombudsman in the year 2020/21. In 2 of those, the Ombudsman decided not to investigate and in the remaining 5 there were no findings against the Council.

This is suggestive of an improvement of levels of service and compliance with council processes and the Council can take some assurance from the independent testing of the Council by the Local Government Ombudsman.

External Audit

The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

We have been advised of the results of the reviews of the effectiveness of the governance framework and statement of internal control by these bodies and plan to address the weaknesses identified and will ensure continuous improvement of the system is in place through the proposed action plan in section 5.

5. Governance Environment: Areas to Strengthen

A detailed action plan to address significant governance failings identified at that time was approved by Governance Committee last year and reported to council. Progress against the actions have been reported to Governance Committee throughout last year.

There are 2 outstanding actions

- 1. Development of a consultation framework and community engagement strategy; and
- 2. Development of a Key Partnerships Framework.

These are not judged to be significant governance failings in themselves and are due to be completed in accordance with the action plan this year.

Implementation of the other identified actions has enhanced the council’s governance framework. This has been demonstrated by the outcomes of the reviews of compliance outlined in section 4 above. As a result no significant governance issues have been identified. It must be recognised however, that the Head of Internal Audit has been unable to provide an opinion on the control environment. This is not to say that the environment is inadequate, but there has simply not been the audit testing work undertaken necessary to evidence a valued opinion. Given the changes implemented in year this should not be surprising.

The review exercises which have been completed have identified the following areas which are not viewed as significant issues but require strengthening.

Themes	Improvement Required
Recruitment/Induction	<p>To ensure all new employees receive a comprehensive induction covering all core areas, the corporate induction will be updated to include welcome videos from the senior management, introduction to the borough and mandatory training covering core policies and health and safety.</p> <p>Continued focus on HR System transformation is required to ensure a robust administrative process is operational and suitable controls are in place for all aspects of Human Resources and Organisational Development</p>

Themes	Improvement Required
Governance & Management	<p>Management Development Programme has been designed to establish a baseline level of management competency as well as providing ongoing support to maintain performance. The aim is to commence delivery with cohorts of managers from September 2021 through a range of methods including e-learning, which will also form part of the induction process for future managers.</p> <p>Introduce a standardised DMT agenda with agreed standing items to ensure a consistent approach is adopted across the Council. This will incorporate items of Corporate significance identified by the Communications team within their forward plan.</p>
Fraud and Corruption	<p>Fraud awareness training to be delivered to all relevant officers using e-learning modules</p> <p>Fraud reports to be presented to Governance Committee</p> <p>Fraud risk register to be compiled and monitored on a regular basis</p>
Corporate Information Source for Officers (Connect)	<p>To improve the user experience for employees and ensure essential information is easy to access. The following improvements to Connect should be considered:</p> <ul style="list-style-type: none"> • Defined area on Connect for all core policies. • Service areas to review information they have published on Connect and to remove outdated material. • Create a manager zone within Connect to ensure all essential guidance and resources for managerial responsibilities are easily sourced.
Risk Management	<p>Ensure risk management is embedded throughout the organisation and within all Council activities.</p>
Budget Monitoring	<p>To re-establish budget monitoring reports to aid budget holders after a further analysis of the report content is undertaken. Reports will be tailored to ensure that they meet the needs of the service area.</p>
GDPR	<p>The GDPR Leadership Group should undertake a full review to ensure that the register is up to date with data responsibilities correctly defined and continue to monitor and expedite the outstanding data disposal actions to ensure they are implemented imminently.</p>
Equality	<p>The equality scheme should be revised and refreshed including revised equality objectives to ensure that it is up to date and fit for purpose.</p>

Themes		Improvement Required
Key Corporate Policies		Devise and implement a corporate process to ensure all staff revisit key policies so a good level of awareness is maintained across the organisation.
Value for Money		Adopt an organisation wide Transformation Strategy & Programme incorporating a value for money elements to deliver efficient services through service reviews and shared services.
Inventories		Directors to ensure that inventories are compiled and maintained in accordance with the Councils guidance notes for service unit fixed assets registers.
Transparency Act		Publish up to date information and include all mandatory criteria.

When considering the issues it is important to note that the some go to the embedding of the improved governance environment.

- Policy documents are there, but not easily accessible.
- Asset registers are kept but they are not centralised or published correctly.
- The personal development review process was only introduced this year and remains paper based rather than digital.

It should also be recognised that these issues have already been identified for improvement.

- The induction for staff process under review;

It is also clear that some actions reflect the changes in working environment imposed by Covid and remote working as well as the management structure changes implemented.

- GDPR compliance cannot be demonstrated, which in part must be due to the absence from the office;
- Budget monitoring has not taken place due to changes in responsibility.

All the improvements identified will be considered by the Senior Management Team. The actions agreed will have individual implementation plans and allocated to a Responsible Officer. Each plan will be placed on the GRACE system and progress will be reviewed by SMT and ultimately reported to Governance Committee.

6. Conclusion

The council is fully committed to ensuring that its governance arrangements are and continue to be as robust as possible. As part of that process the council will monitor implementation of all actions set out in our Action Plan.



.....
Leader of the Council

.....
Chief Executive

Date: 29 July 2021

On behalf of the Members and Senior Officers of South Ribble Borough Council.

GLOSSARY

Annual Audit Letter	An External Audit report presented to Council and containing the findings of the Audit Commission's work. It is a requirement of the Code of Practice for Auditors.
Assurance	An evaluated opinion based on evidence and gained from review.
CIPFA	Chartered Institute of Public Finance and Accountancy
Control Environment System of Internal Control	Comprises the organisation's policies, procedures and operations in place to : Establish and monitor the achievement of the organisation's priorities; Identify, assess and manage the risks to achieving the organisation's objectives; Facilitate policy and decision making; Ensure the economical, effective and efficient use of resources; Ensure compliance with policies, legislation and regulations; Safeguard the organisation's assets; Ensure the integrity and reliability of information, accounts and data.
Corporate Governance	Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.
Corporate Governance Group	In 2017 this involved the following officers: Chief Executive; Section 151 Officer; Monitoring Officer; Head of Shared Assurance; Corporate Governance Manager; Corporate Improvement Manager.
SOLACE	Society of Local Authority Chief Executives

Glossary of Terms

Accounting Policies

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Agency Services

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Appointed Auditors

From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. Grant Thornton UK LLP is the council's appointed Auditor.

Balances

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

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

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

Capital Financing Requirement (CFR)

CFR is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account. In determining Council Tax charges, authorities have to make a specific provision for the financing of capital expenditure. The outstanding amount for which provision has to be made is known as the Capital Financing Requirement.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Code of Practice on Local Authority Accounting in the United Kingdom (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.

Collection Fund

The council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the council in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

Community Assets

These are non-current assets that the council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the council's accounts.

Council Tax

A local tax on residential properties within the council's area, set by the charging (South Ribble Borough Council) and precepting authorities. The level is determined by the revenue expenditure requirements for each authority divided by council tax base for the year.

Council Tax Base

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

Council Tax Requirement

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

Creditors

Amounts owed by the council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Curtailement

Curtailements will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

These are sums of money due to the council that have not been received at the date of the Balance Sheet.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Defined Benefit Scheme

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

Department for Communities and Local Government (DCLG)

DCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Discounts

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

Earmarked Reserves

The council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit

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

Fair Value

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.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

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

Financial Regulations

These are the written code of procedures approved by the council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

Highways Network Asset

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. District Council's such as South Ribble Borough Council rarely hold such assets as they are not Highways Authorities.

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the council. Examples include software, licenses and patents.

International Financial Reporting Standard (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale

- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Joint Venture

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years financial forecasts for the council. It considers local and national policy influences and projects their impact on the general fund revenue budget, and capital programme. At South Ribble Borough Council this usually covers a four year timeframe.

Minimum Revenue Provision (MRP)

The council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge. MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989 and calculated in accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

Non-Domestic Rate (NDR) (also known as Business Rates)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Precept

The amount levied by various Authorities that is collected by the council on their behalf. The major precepting Authorities in South Ribble are Lancashire County Council, the Police and Crime Commissioner for Lancashire, and the Lancashire Combined Fire and Rescue Authority. Parish precepts are also collected on behalf of a number of Parish and Town Councils in the area.

Premiums

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

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

Remeasurement of the Net Defined Benefit Liability

Remeasurement of the Net Defined Benefit Liability (asset) comprises:

- b) actuarial gains and losses
- c) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- d) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Regulation(s)

Various Acts of Parliament, Statutory Instruments and Bills that require local authorities to account for transactions in a particularly way which might depart from proper accounting practice, IFRS or other Reporting Standards.

Reserves

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

Revaluation Reserve

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

Revenue Support Grant

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Royal Institution of Chartered Surveyors (RICS)

The Royal Institution of Chartered Surveyors (RICS) is a professional body that accredits professionals within the land, property and construction sectors worldwide.

Members holding RICS qualifications may use the following designations after their name: MRICS (Member), FRICS (Fellow), AssocRICS (Associate). Those with the designation MRICS or FRICS are also known as chartered surveyors.

Service Reporting Code of Practice (SeRCOP)

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the council.

Voluntary Revenue Provision

The council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required, this is the Voluntary Revenue Provision (VRP).

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southribble.gov.uk

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
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M3 3EB

**[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT
OPINION}**

Dear Ms Jones,

Re: South Ribble Borough Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of South Ribble Borough for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and building assets, valuations of investment properties and valuation of defined benefit pension net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative,

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methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xiv. We have considered the pension fund deficit with regard to South Ribble Community Leisure Limited. The information we currently have confirms our view that this should be treated as a non-adjusting event after the reporting period.
- xv. We have considered the estimated liability with regard to Business rate appeals and consider that it has been made appropriately.
- xvi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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- xvii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xviii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
- a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

- xix. We have considered the year end value of land and building assets which have not been subject to external valuation and we are satisfied that the basis of valuation remains appropriate and assets are not materially misstated. We have not identified any material changes to the properties.

Information Provided

- xx. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xxi. We have communicated to you all deficiencies in internal control of which management is aware.
- xxii. All transactions have been recorded in the accounting records and are reflected in the financial statements. This includes the recognition policy and accounting for funds received through Covid-19 support measures where we consider that the Council has acted as agent on behalf of the grant funder.
- xxiii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxiv. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements
- xxv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

APPENDIX B

- xxvi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxvii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxviii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

xxx. **Narrative Report**

xxxi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

xxxii. **Approval**

xxxiii. The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 28 September 2021

Yours sincerely

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....