

## GOVERNANCE COMMITTEE

TUESDAY, 22ND DECEMBER, 2020, 6.00 PM

HYBRID MEETING, ACCESSIBLE VIA MS TEAMS OR SHIELD ROOM

### AGENDA

**1 Apologies for absence**

**2 Declarations of Interest**

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

**3 Minutes of meeting Tuesday, 17 November 2020 of Governance Committee**

(Pages 3 - 8)

To be approved as a correct record.

**4 Audit Findings Report 2018-19**

(Pages 9 - 54)

Report of the External Auditor attached.

**5 Audited Statement of Accounts 2018/19 and Letter of Representation**

(Pages 55 - 234)

Report of the Deputy Director of Finance attached.

Gary Hall  
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Damian Bretherton, Colin Clark, Christine Melia, Margaret Smith and Angela Turner

The minutes of this meeting will be available on the internet at [www.southribble.gov.uk](http://www.southribble.gov.uk)

Forthcoming Meetings

6.00 pm Tuesday, 19 January 2021 - Wheel Room, Civic Centre, West Paddock,  
Leyland PR25 1DH

**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** Tuesday, 17 November 2020

**MEMBERS PRESENT:** Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Christine Melia, Angela Turner, Damian Bretherton, Colin Clark and Margaret Smith

**OFFICERS:** Gary Hall (Interim Chief Executive), Chris Moister (Director of Governance), James Thomson (Deputy Director of Finance), Darren Cranshaw (Shared Services Lead - Democratic, Scrutiny & Electoral Services) and Coral Astbury (Democratic and Member Services Officer)

**OTHER MEMBERS AND OFFICERS:** Councillor Paul Foster (Leader of the Council) and Councillor Phil Smith

**57 Apologies for absence**

None.

**58 Declarations of Interest**

None.

**59 Minutes of meeting Tuesday, 22 September 2020 of Governance Committee**

Members raised concern over the completion of actions detailed within the minutes and advised Committee that they would raise these issues under the relevant item on the agenda.

RESOLVED: (Unanimously)

That the minutes of the meeting, Tuesday 22 September 2020 be agreed as a correct record for signing by the Chair.

**60 Audit Findings Report 18-19**

This item was taken in conjunction with the Audit Finding Report 19-20 Update and the Statement of Accounts for 2018/2019 and 2019/2020.

Further detail on the discussion of these items can be found at Minute 62.

**61 Audit Finding Report 19-20 Update**

This item was taken in conjunction with the Audit Finding Report 18-19 and the Statement of Accounts for 2018/2019 and 2019/2020.

Further detail on the discussion of these items can be found at Minute 62.

## **62 Statement of Accounts for 2018/2019 and 2019/2020**

Members considered this item alongside the Audit Findings Report 18-19 and the Audit Finding Report 19-20 Update.

The Council's External Auditor, Grant Thornton advised Members that the 2018-19 Audit was now substantially finished, the report should be finalised and provided to the Council over the next two weeks. The 19-20 audit was still in progression with information outstanding, the auditors advised that they were working with the Council to finalise the audit. A completion date could not be given for this, but they were hoping to finish the audit for December 2020.

The External Auditor's provided that they had received information from the Council relating to their Value for Money (VFM) assessment which had been provided to their forensics team. A final report would be provided on Friday 20 November 2020 at which point a view would be taken on what VFM rating would be given.

In response to a member enquiry, it was provided that a substantial number of reports had been requested by the Council's External Auditors and there was no issue with the time frame in which these had been provided. The Deputy Director of Finance explained that the provision of information had taken longer due to the number of queries submitted, ordinarily the finance team would spend April and May assisting with audit work. Further, a proportion of the finance team were now working on budget monitoring processes and business grants in anticipation of upcoming work.

Members expressed disappointment that the External Auditor had not provided a letter detailing key deliverables and a forecast date for the Audit report as promised at the previous meeting. In response, the External Auditor explained as the audit progressed it was clear they were not making progress as anticipated and providing dates would have served no purpose, as there was no guarantee that they would be met. Members commented that they should have been informed of this and given a plan of key deliverables so they could judge where issues lay transparently.

Members sought clarification on the ramifications for not meeting the deadline of 30 November for the signing of the Statement of Accounts and requested information on where the deadline came from. In response, the External Auditor advised that the deadline was set by the Ministry of Housing, Communities and Local Government (MHCLG). Whilst there was no deadline for completing the audit there was a deadline for when the accounts needed to be published publicly. In order to avoid a breach, the Council could publish their accounts by 30 November and put a note alongside to explain why the audit was delayed. This would be a similar practice to other Local Authorities.

The Deputy Director of Finance and Section 151 Officer also provided that a special Governance Committee would be arranged for the 15 December to consider the Statement of Accounts.

## **63 Treasury Management Activity Mid-year review 2020/21**

The committee considered a report of the Deputy Director of Finance and Section which sought to provide members with an update on the Treasury Management performance in the financial year 2020/21 to the end of September 2020.

Members were advised that a low base rate meant the Council had seen £148,000 interest on a return of 0.5% due to several investments placed pre COVID. The Council has also paid out over £20 million over the past four months in business grants.

Members sought clarification on overseas investments such as Al Rayan Bank Plc and Sumitomo Mitsui Banking Corporation Europe Ltd and how the quality of these institutions was checked. In response, the Deputy Director of Finance advised that Officers advise on what should be invested in, further information on the two institutions would be provided outside of the meeting.

Members requested that risk ratings for suggested investment durations (Appendix 3) be provided within the report moving forwards.

RESOLVED: (Unanimously)

1. That the report be noted.
2. Further information would be provided to members in respect of Al Rayan Bank Plc and Sumitomo Mitsui Banking Corporation Europe Ltd.
3. Moving forwards, the risk rating would be provided in the report for all suggested investments.

#### **64 Internal Audit Plan - Update**

The committee considered a report of the Director of Governance and Monitoring Officer which sought to provide members with an updated internal audit plan. The Director of Governance explained that the plan had been prepared by Internal Audit and had covered the period up to 22 October, additional work had since been undertaken.

In response to a member enquiry, the Director of Governance advised that two posts had been advertised within the Internal Audit team. The council was anticipating a good return against the Auditor post, with interviews to be held the following week. The recruitment for the Senior Auditor post would be completed after the appointment of the Service Lead.

#### **65 Constitution Review**

The committee considered a report of the Director of Governance and Monitoring Officer which sought approval to amend the constitution. The proposed changes included the removal of repetition, changes to the council's standing orders and changes in relation to Executive Member decision making processes. The report also presented an update report template to members for approval.

The Director of Governance and Monitoring Officer explained that the report was essentially the same as that presented to the Task Group however clear changes were highlighted within the report. Members were requested to consider and address

the proposed changes to Executive Member Decision making, to move towards member led rather than officer led decision making.

In response to a member enquiry, the Director of Governance and Monitoring Officer confirmed that the terms of reference for Planning Committee would be amended to read that the membership is a, "minimum of five."

Members discussed the proposed amendment to remove the additional provision for questions to be asked at Council of Cabinet Members, Chairmen or any member appointed to any joint authority, board or outside body. Although it was accepted that questions could be asked of Cabinet outside of meetings, members were still concerned that the opportunity to put a question to Cabinet at Council needed to be permitted.

Members agreed that it was important to allow Members of the Public the right to speak at meetings, however members recognized there would need to be a time limit in order to prevent debate from being stalled.

The Director of Governance and Monitoring Officer advised members that another proposed change to the constitution would be to limit the number of non-committee members who were permitted to speak at Planning Committee. Members would only be permitted to make representations on an application if the application fell within their ward or where the application sits on ward boundaries, they would be affected by it.

In response to a member enquiry, it was explained that the Chair would also have discretion to allow additional speakers. For applications of significant importance to the borough it would be for the Chair to accept on a case by case basis. Members agreed that two options on this proposed amendment to the constitution be included within the full council report for member consideration.

RESOLVED: (Unanimously)

1. The proposed amendments within Appendix 1 were resolved as per the report.
2. Members requested the following amendments be made to Appendix 2 prior to the report being submitted to full Council for consideration:
  - a) Questions at full Council would be amended to include Cabinet Members alongside the Leader and Deputy Leader.
  - b) In relation to participation at Planning Committee, two options to allow Members not on Committee to speak would be provided to full Council to make the final decision.
3. Members requested there be no amendments to the public speaking provisions.
4. Following the requested amendments to Appendix 2 the proposed changes to the constitution are approved to be submitted to full Council for consideration.
5. That the report template be approved for adoption.

Chair

Date

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# The Audit Findings For South Ribble Borough Council

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Year ended 31 March 2019  
11 December 2020



# Contents



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## Appendices

A. Audit Adjustments

B. Fees

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Ribble Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed during June and July 2019, and August to November 2020. Our findings are summarised on pages 6 to 24.</p> <p>We identified two significant error that the Council have decided not to adjust for. This relates to under provision of pension liabilities following the McCloud rulings (£0.380m), and the overprovision for business rate appeals (£0.497m).</p> <p>We have not made any material adjustments to the financial statements. We have identified a number of minor errors. These are detailed later in this report.</p> <p>We have been made aware of issues with regard to management override of control and have identified deficiencies in control. These are detailed later in this report. We have increased our testing to compensate for these issues.</p> <p>We note that the council's management of the potential pension liability with regard to the leisure services contract has been poor. We discuss this on page 18 and 19.</p> <p>We note that the Council's poor management of the Health and Well-Being Campus plan resulted in abortive costs of c.£275,000.</p> <p>Our audit of the financial statements has been significantly delayed. We discuss the causes of this in detailed in the report but in summary the delays have resulted from:</p> <ul style="list-style-type: none"> <li>• Council governance – there have been significant governance failings at the Council. We have needed to delay our work to enable the Council's own enquiries to be completed. We have also had to input a significant level of senior resource to fully understand the nature of the governance issues</li> <li>• Council Control issues – the Council identified significant control issues including potential management override of control in March 2019. In response we reduced our materiality levels to increase the level of testing undertaken.</li> <li>• Financial statement issues - during the audit we also identified a potential pension liability relating to the Council's contract with SRCLL for leisure services. This issue was raised with the Council in September 2020. At c.£2 million this is material to the Council. Additional disclosure has been made in the financial statements with regard to this contingent liability</li> <li>• Provision of information – due to the impact of Covid – 19 the audit has been undertaken remotely. While the Council have worked co-operatively with us the finance team has struggled to provide us with the requested information in a timely manner. We discuss this later in the report</li> <li>• Audit Quality – guidance from FRC during 2020 has resulted in additional work on significant risk areas such as Property valuation and pension valuation. This has resulted in additional work for the audit team and the Council.</li> <li>• External Audit team – due to the passage of time and absence amongst the original audit team there have been a number of changes from the original team. This has added to the delays.</li> </ul>
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# Headlines

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Ribble Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

## Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements.

We have concluded that South Ribble Borough Council does not have proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We consider that the Council has appropriate management arrangements in place for ensuring its financial sustainability.

The Council has publicly acknowledged the governance failings that were in place during 2018/19 and which continued, at least in part, into 2019//20. The Annual Governance Statement considered in draft form by the Governance Committee in June 2020 sought to highlight all of the issues and to put in place a very clear and robust action plan to implement and embed a strengthened governance framework. This action plan was deliberately front-loaded to accelerate the deliver of improvements that had commenced during 2019/20.

We note the openness and transparency of the Council. We agree with its view that the Council made limited progress in improving its governance or performance management throughout 2018 and 2019. There have continued to be significant issues with regard to management, members, performance management, and the Council's control environment, including procurement. We consider that these issues have significantly impacted on the Council's ability to provide appropriate services to the people of South Ribble.

We note that from September 2019 greater progress has been made by the Council, for example, through the issue of a refreshed Corporate Plan in September 2019 and 2020. The Council needs to ensure that the actions that it has taken are embedded across services.

We therefore anticipate issuing an adverse value for money conclusion. Our findings are summarised on pages 24 to 38.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

Due to the deficiencies outlined above we plan to issue a statutory recommendation to the Council, under Section 24 of the Act. We will require a formal response to this matter.

We have not exercised any other additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based and, in particular, included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 14<sup>th</sup> March 2019.

We have substantially reduced our materiality levels in response to the significant governance failures at the Council and the potential management override of control. We discuss this in detail overleaf.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance Committee meeting on 16 December 2020, as detailed in our audit report. These outstanding items include:

- receipt of management representation letter {attached as a separate agenda item}
- review of the final set of financial statements

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for South Ribble Borough Council.

	Initial plan (£)	Revised plan (£)
Materiality for the financial statements	0.864m	0.616m
Trivial matters	0.043m	0.031m

# Summary

## Overview of the scope of our audit

As outlined overleaf, we have substantially reduced our materiality levels in response to the significant governance failures at the Council and the potential management override of control. We have provided more detail on the additional testing below:

- Council governance – there have been significant governance failings at the Council. We have needed to delay our work to enable the Council's own enquiries to be completed. We delayed our audit from July 2019 to July 2020 while Council completed a series of governance reviews. The Council's reviews and disciplinary processes were completed in July 2020. We recommenced our audit in August 2020. We have also had to input a significant level of senior resource to fully understand the nature of the governance issues
- Council Control issues – the Council identified significant control issues including potential management override of control in March 2019. We also identified significant weaknesses in the Council's journal control. In response we have:

- Reduced our materiality level. This has resulted in additional testing across all balances
- Increased our testing of journals.

Financial statement issues - during the audit we also identified a potential pension liability relating to the Council's contract with SRCLL for leisure services. This issue was raised with the Council in September 2020. We have yet to receive a response to our queries on this matter. At c.£2 million this is material to the Council.

- Pensions (McCloud) – we have undertaken additional work with regard to the Council's pension fund following the McCloud and GMP judgements
- Pensions (SRCLL) - during the audit we also identified a potential pension liability relating to the Council's contract with SRCLL for leisure services. This issue was raised with the Council in September 2020. At c.£2 million this is material to the Council. Additional disclosure has been made in the financial statements with regard to this contingent liability

- Provision of information – due to the impact of Covid – 19 the audit has been undertaken remotely. While the Council have worked co-operatively with us the finance team has struggled to provide us with the requested information in a timely manner. Examples of delays include:
  - Management enquiries – raised request 26 August 2020. Received 17 November
  - Going concern – raised request 14 September 2020. Not received as at 23 November
  - Investment confirmations – raised request July 2019 for confirmations with regard to £6m with the Bank of Scotland. These remain outstanding.
- Audit Quality – guidance from FRC during 2020 has resulted in additional work on significant risk areas such as Property valuation and pension valuation. This has resulted in additional work for the audit team and the Council. For example, combined with the reduced materiality level this increased our sample for investment properties to 53 items
- External Audit team – due to the passage of time and absence amongst the original audit team there have been a number of changes from the original team. This has added to the delays.

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

1

### The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition

### Auditor commentary

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted and this is unchanged from the assessment reported in the audit plan.

### Work performed

We have:

- evaluated the Council's accounting policy for recognition of revenues for appropriateness;
- performed substantive testing on material revenue streams; and
- Reviewed unusual significant transactions.

### Key findings

Our audit work has not identified any issues in respect of improper revenue recognition.

## Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

### Auditor commentary

We identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.

### Work performed

We have undertaken the following work in relation to this risk:

- gained an understanding of, management's controls over journals, the accounting estimates, critical judgements applied and decisions made by management and considered their reasonableness;
- obtained a full listing of journal entries, identified and tested unusual and significant journal entries recorded during the year and after the draft accounts stage for appropriateness and corroboration; and
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

### Key findings

Our audit work has not identified any issues in respect of management override of controls.

We, however, note the following issue. Journals - there are no journal limits and journals do not require authorisation by a second officer. We consider this to be a significant failure in control. We also note that the Council has identified procurement areas where management override of control may have occurred.

We consider that these are significant failures in the Council's control environment and have raised recommendations later in this report.



# Significant findings – audit risks

## Risks identified in our Audit Plan

3

### Valuation of land and buildings (Rolling valuation)

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial estimates due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

## Commentary

### Auditor commentary

We identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.

We have undertaken the following work in relation to this risk:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- considered the competence, expertise and objectivity of any management experts used;
- reviewed the basis on which the valuation is carried out and challenged the key assumptions;
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;
- Tested revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements; and
- Evaluated the assumptions made by management for those asset not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our audit work has not identified any misstatements in respect of valuation of land and buildings. However, we have raised concerns with regard to the timeliness of the Council's cyclical valuation process in the estimates section of this report.

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

4

### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

### Auditor commentary

We identified valuation of the Council's pension fund net liability, as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.

We have undertaken the following work in relation to this risk:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- evaluated the competence, expertise, objectivity and scope of work of the actuary who carried out your pension fund valuation;
- gained an understanding of the basis on which the valuation is carried out, including assessing the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made, by reviewing the report of our consulting actuary (auditor's expert) and performing additional procedures suggested within their report.


Our work has identified an understatement (£380,000) in the net defined pension liability resulting from a sector wide issue in relation to the McCloud judgment which became apparent at a national level after the submission date of the Council's draft accounts. To summarise, with regard to the McCloud case, in June 2019, the government was denied leave to appeal a ruling with regard to age discrimination in transitional arrangements in relation to defined benefit pension schemes. This ruling strengthened the firm's view that a liability should be recognised on the Statement of Financial Position. The Council has determined that it does not wish to adjust for this misstatement.

We also consider the GMP case. With regard to GMP, the findings of a national review in June 2019 suggested that pensions liabilities were further understated. The actuary has confirmed that there is no impact on the Council from this case.

The impact of these, and details of our work performed in this area are set out in greater detail on page 17. We obtained appropriate assurances from the auditor of Lancashire County Council Pension Fund (regarding the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements).





Our audit work has not identified any material issues in respect of the valuation of the Council's pension fund net liability.

# Significant findings – key judgements and estimates


Accounting area	Summary of management’s policy	Audit Comments	Assessment
Provisions for NDR appeals - £3m	<p>The Council are responsible for repaying a proportion of successful rateable value appeals. South Ribble’s calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) for the 2010 listing and previous success rates. Whilst earlier outstanding appeals have fallen, the Council has included an estimate for appeals in 2017/18 and 2018/19 of approximately 4.8 per cent. To date appeals to the value of £xm have been made.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the appropriateness of the underlying information used to determine the estimate</li> <li>reviewed the impact of any changes to valuation method</li> <li>checked the consistency of estimate against industry practice</li> <li>agreed the reasonableness of the increase in estimate</li> <li>reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>The overall total provision is £4,583,000 of which 40% relates to SRBC, £1,833,000.</p> <p>At 31 March 2019, provision was made at 5.9% of net rates payable. The Council has subsequently reassessed its provision with the support of advisors. The assessed appropriate rate of the provision is 4% of net rates. If the Council had used this rate at 31 March 2019, then the Council’s share of the provision would have been reduced by £497,000. We have classed this as an error. The Council has concluded that it does not wish to adjust for this matter.</p> <p>The provision is judgemental. Given that a number of appeals have not yet been made with regard to the 2017 listing for 2018/19 we have requested that the Council makes an enhanced disclosure with regard to this provision. It has also been covered as a significant judgement.</p>	

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**Assessment**

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
-  We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<p><b>Property, Plant &amp; Equipment</b></p>	<p>Other land and buildings (£24.18m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged Salloway Property Consultants to complete the valuation of other properties as at 31 March 19 on a five yearly cyclical basis. 10% of total assets were revalued during 2018/19.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £0.35m. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 19 through update and confirmed assurance from their valuer.</p> <p>Management's assessment of assets not revalued has identified no material change to the properties. This has been supported by a desktop review of assets by Sanderson Weatherall.</p>	<p>We have</p> <ul style="list-style-type: none"> <li>undertaken an assessment of management's experts</li> <li>reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>reviewed the impact of any changes to valuation method</li> <li>checked the consistency of estimate against near neighbours</li> <li>agreed the reasonableness of the increase/decrease in estimate</li> <li>reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>The Council uses a cyclical revaluation process. Of its £24.18m assets c. £16.8m have not been revalued since 31 March 2016. We reviewed the estimate and identified, using market indices increases, a potential understatement of leisure centre assets of £3m. We were able to gain assurance over the valuation in the financial statements on the basis of the desktop valuation undertaken by Sanderson Weatherall. We also noted that the Council has a significant backlog of maintenance of the leisure centres which would impact on the valuation.</p> <p>We consider that the Council should ensure that approximately 20% of its assets are reviewed on an annual basis.</p>	

**Assessment**

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																								
<p><b>Net pension liability – £60.312m</b></p>	<p>The Council's [total] net pension liability at 31 March 2019 is £33.2m comprising the Lancashire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £0.233m net actuarial loss during 2018/19, arising from changes in financial assumptions.</p>	<p>We have</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management's expert</li> <li>Reviewed and assessed the actuary's roll forward approach taken,</li> <li>Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary</li> </ul> <table border="1" data-bbox="787 442 1792 943"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4 - 2.5%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>2.2 – 2.3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>Employer specific</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>25.1 / 22.8</td> <td>24.8 – 26.3 / 22.5 – 23.7</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>28.2 / 25.5</td> <td>27.9 – 29.0 / 25.0 – 26.4</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4 - 2.5%	●	Pension increase rate	2.3%	2.2 – 2.3%	●	Salary growth	3.7%	Employer specific	●	Life expectancy – Males currently aged 45 / 65	25.1 / 22.8	24.8 – 26.3 / 22.5 – 23.7	●	Life expectancy – Females currently aged 45 / 65	28.2 / 25.5	27.9 – 29.0 / 25.0 – 26.4	●	<p>●</p>
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We have also reviewed:

- the completeness and accuracy of the underlying information used to determine the estimate
- Impact of any changes to valuation method
- Reasonableness of the Authority's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious


# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 2 investment properties	<p>The Council have investment properties that are valued on the balance sheet as at 31 March 2019 at £10.506m. The Council has engaged Sanderson Weatherall to complete the valuation of its investment properties. The Council's portfolio of investment property has been assessed as level 2. Level 2 investment properties, valued at a fair value have been measured using a market based approach which takes into account market conditions, recent sale prices and other relevant information for similar assets in the local area.</p> <p>There has been no change in the valuation techniques used during the year for investment property. The value of the investment properties have increased by £0.653m in 2018/19 mainly due to revaluation changes.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed the competence, capability and objectivity of management's expert.</li> <li>reviewed the appropriateness of the underlying information used to determine the estimate.</li> <li>checked the reasonableness of increase/decrease in estimates</li> <li>ensured the adequacy of disclosure of estimates in the financial statements back to the valuer's reports.</li> </ul>	●

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

# Significant findings – key judgements and estimates

Summary of management’s policy	Audit Comments	Assessment
<p data-bbox="49 328 963 399"><b>Net pension liability – Impact of McCloud Judgement and Guaranteed Minimum Pension (GMP)</b></p> <p data-bbox="49 428 963 464"><b><u>McCloud ruling re age discrimination</u></b></p> <p data-bbox="49 485 963 692">In January 2017, the Employment Tribunal ruled that transitional provisions in the New Judicial Pension Scheme (NJPS) were unlawfully age discriminatory because they were not objectively justified. The Tribunal found that a group of claimant judges had been subject to age discrimination when they were transferred to the NJPS established in April 2015 while under transitional provisions older colleagues were able to remain in the existing Judicial Pension Scheme (JPS). The JPS is a final salary scheme whereas the NJPS is a career average revalued earnings scheme.</p> <p data-bbox="49 714 963 921">Firefighters had brought a similar age discrimination case and the Employment Tribunal ruled that similar transitional provisions were a proportionate means of achieving a legitimate aim and so did not give rise to unlawful age discrimination. Firefighters appealed the ruling and in December 2018 the Court of Appeal looked at both the judges and firefighters' cases and ruled that there was age discrimination in the judges and firefighters pension schemes where there was transitional protections given to scheme members.</p> <p data-bbox="49 942 963 1063">This in turn applies to the Local Government Pension Scheme. Where the transitional provisions are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members.</p> <p data-bbox="49 1085 963 1149">The Government applied to the Supreme Court for permission to appeal and on 27 June 2019 it was announced this was denied.</p> <p data-bbox="49 1170 963 1299">The Council had not included a disclosure relating to these matters on the basis that, in their view, because the government was seeking permission to appeal the Court of Appeal decision, which would not be known until July, and therefore a present obligation did not exist.</p>	<p data-bbox="963 328 1823 428">The firm’s view is that the McCloud judgement gives rise to a past service cost and liability within the scope of IAS 19 as the ruling created a new obligation.</p> <p data-bbox="963 435 1823 606">IAS 19.61 states 'An entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices.' Our view is based on the fact there is a legal obligation. As set out in IAS 37.10, 'A legal obligation is an obligation that derives from:.....(c) other operation of law' i.e. the Court of Appeal ruling.</p> <p data-bbox="963 614 1823 792">The IAS 37 criteria was considered to determine if a liability exists i.e. is there a present obligation as a result of a past event, is it probable that an outflow of resources will be required to settle the obligation and can a reliable estimate be made. Where there is a liability, it would be accounted for under IAS 19 due to the IAS 37 scope exclusion in respect of employee benefits (IAS 37.5d).</p> <p data-bbox="963 799 1823 913">On the 12<sup>th</sup> June 2019 we wrote to all our local government clients setting out our views and recommending that bodies ask their actuaries to re-run the IAS19 reports with the actuary reflecting the best estimate for restitution and providing sensitivity analysis for key assumptions.</p> <p data-bbox="963 921 1823 1071">On the 8<sup>th</sup> July 2019, the Council received further information from its Actuary, Mercers, with regard to the impact of the McCloud judgement. This identified an understatement of pension benefit liabilities of £585,000 and an understatement of the fair value of plan assets of £205,000. the net impact is an understatement of pension fund liabilities of £380,000.</p> <p data-bbox="963 1078 1823 1220">The additional report has been subject to additional audit procedures around the assumptions and methodology used. On that basis, we are satisfied that the estimated understatement of the liability, individually and in conjunction with other identified unadjusted misstatements, is below materiality. The Council has chosen not to adjust for this error.</p> <p data-bbox="963 1228 1823 1320">We note that the Council’s disclosures were updated to reflect the outcome of the McCloud decision and the understatement has been included in our schedule of unadjusted misstatements.</p>	<p data-bbox="1823 328 2013 1320" style="text-align: center;"></p>

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# Significant findings – key judgements and estimates

## Summary of management's policy

## Audit Comments

## Assessment

### Net pension liability – Impact of McCloud Judgement and Guaranteed Minimum Pension (GMP)

#### Guaranteed Minimum Pension (GMP)

On 26 October 2017 the High Court delivered its decision in a case involving Lloyds Bank, concerning the equalisation of Guaranteed Minimum Pensions (GMPs). The High Court ruled that GMPs must be equalised between men and women and that past underpayments must be corrected.

Bodies will be impacted by the High Court decision where they have a defined benefit pension scheme and were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997. For affected bodies, the impact will be to amend the defined benefit pension obligation.

In March 2016 the Government announced an "interim solution" for members in public service schemes who reach State Pension Age (SPA) between 6 April 2016 and 5 December 2018. In January 2018 they decided to extend this solution for a further two years to April 2021.

The PwC review of actuarial firms, prepared for the National Audit Office, identified that actuaries have taken differing approaches to the change in the defined benefit pension obligations that results from Guaranteed Minimum Pension equalisation.

The 2018/19 PwC report highlights that paying the additional increases through the LGPS increases the costs of the benefits and hence the liabilities for employers, and that this liability should be included in the accounts.

The PwC report highlighted that auditors would need to consider the impact of this based on their individual materiality levels. We therefore requested that the Council approach their actuary, Hymans, with a view to obtaining updated information in relation to the scale of this understatement.

In July 2019, the Council received a report from Mercers which reported the following:

'the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities at this stage. This is consistent with previous accounting disclosures.'

#### Conclusion

The additional report has been subject to additional audit procedures around the assumptions and methodology used. On that basis, we are satisfied with the conclusion reached by the Council.



#### Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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# Significant findings - Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

Management have responded to the questions we set out on going concern in our “Informing the Risk Assessment” document as well as provided their assessment which confirms:

- There are no events of which they are aware which would indicate a material uncertainty on the Council's ability to continue as a going concern. This extends but is not limited to at least twelve months to December 2021.
- The Authority monitors cash flow on a daily basis. We have obtained a detailed cash flow forecast for a period of 12 months to December 2021. Forecasts do not indicate a material uncertainty around going concern.
- Adjusting for the LGPS liability (which is absorbed by the pension reserve under a statutory override) the Council has a strong balance.

### Auditor commentary

The going concern assumption is a fundamental principle in preparing financial statements. Under this principle, the Council is deemed to be a going concern for the foreseeable future. The statutory duties undertaken by the Authority and the method in which funding is raised and provided by central Government are set to continue. There is no intention to cease trading or seek protection from creditors.

The Council has a Medium Term Financial Strategy (MTFS) which is regularly reviewed with the medium term financial outlook updated to reflect the forecast financial position of the Council going forward.

The Council has significant levels of short term investments and reserves which should support it through the current pandemic and the impact of Brexit.

In addition based on our own review of the Authority, we are aware that the Authority has set an "approved budget" for 2019/20, 2020/21 and has a medium term financial strategy. The going concern assessment includes a cash flow forecast. The cashflow forecast (which has been subject to audit procedures such as arithmetical checks and sensitivity analyses) does not indicate any signs of significant financial difficulty that would cause concern.

The Council is able to borrow to meet short or long term cashflow needs.

As such we consider that the assessment undertaken by the Authority on going concern is a reasonable and valid one and there are no indications of material uncertainty.

### Work performed

- Detailed review of draft financial statements and forecasts;
- Audit procedures performed on forecasting documents as outlined above.

### Auditor commentary

- We did not identify a material uncertainty around going concern.
- We are satisfied that the level of disclosure around the going concern assertion is sufficient within the Council's financial statements.

### Concluding comments

### Auditor commentary

- We anticipate issuing an unqualified audit opinion.

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any other significant findings identified during the year.

## Issue

### Accounting for the Leisure Services pension liabilities

- 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 for the running of its leisure centres. The contract with SRCLL is for a period of 15 years and 10 months which commenced on 1 June 2005. We understand that the agreement ends in March 2021.
- The accounts for SRCLL that show a pension related liability of c£2m. It is unclear from the contract agreements available whether the Council or SRCLL is responsible for this liability at the cessation of the contract.
- We raised this issue with the Council. Officers are currently considering the relevant contract information.

### Auditor view

We reviewed the Employee transfer agreement and the Admission agreement

We note that the Employee transfer agreement clause 5.3 says that the Trust and Serco for transferring employees will indemnify the Council for liabilities relating to changes in age, demographic composition etc. But it specifically excludes movement in the stock market or other investment facilities. As such, the Council is potentially liable for the pension deficit relating to changes in the value of the stock market and investment facilities

We note that the Admission agreement, clause 9.1 states that the actuarial risk at the start of the agreement was £nil. By this it appears that any pension deficit at the start of the agreement would have also been £nil. Clause 9.2 and 9.3 deals with the management of a bond that should have been set aside to meet any pension liabilities. This indicates that the bond started at £nil and should have been reviewed annually to cover the risk exposure to a pension deficit. The responsibility for ensuring the review takes place appears to rest with the Administering Authority (the pension fund) and the Transferor Scheme employer (the Council). There is a requirement for the bond to be increased as needed.

From the information available to us we have concluded that:

- the Council has not been monitoring the pension liability and bond on an annual basis
- the value of the bond as at 31 March 2019 and 31 March 2020 was c£45,000
- the Trust and Serco have not formally accepted liability for the pension deficit.
- the Trust does not have sufficient resources to meet the pension liability. The liability would therefore need to be met by the bond or Serco or the Council. The bond is insufficient to meet the liability.

The monitoring officer has stated

'I, as chief legal officer, have considered the risk to the Council in relation to the pension liability. Under the terms of the admission agreement, primary liability for any pension fund shortfall sits with the Leisure Trust and SERCO jointly. It is acknowledged that there is a residuary risk to SRBC should both the Leisure Trust or SERCO fail to discharge their liability. This has been managed through the admission agreement which requires SERCO to maintain a bond in favour of the Pension Fund to meet any shortfall. The bond valuation is to be assessed by the Pension Fund actuary.

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any other significant findings identified during the year.

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- The accounts for SRCLL that show a pension related liability of c£2m. It is unclear from the contract agreements available whether the Council or SRCLL is responsible for this liability at the cessation of the contract.
- We raised this issue with the Council. Officers are currently considering the relevant contract information.

### Auditor view

'It is accepted that the indemnity in the employee transfer agreement excluded some bases for a deficit, but this does not impact on the liability of SERCO to the Pension Fund, only the acknowledgement of that liability by the Leisure Trust / SERCO to SRBC. At this point it is not clear why there is a deficit and whether this exclusion from the indemnity should apply. SERCO have been contacted to confirm their position on the indemnity. The risk would only materialise should the Pension Fund elect to pursue SRBC. This would seem unlikely given the contractual liability in the Admission Agreement which includes the requirement to have a bond.'

The proposed approach in the statement of accounts to the liability is appropriate to the risk.'

The following contingent liability note has been added to the financial statements

'In 2005/06 the Council's leisure centre operation transferred to South Ribble Community Leisure Limited (SRCLL), which is a company set up with charitable objectives. Serco Leisure Operating Ltd (SLOL) manage the services from the council's leisure sites with payments made by South Ribble Council via SRCLL. The agreement ends in March 2021. The accounts at SRCLL indicate a pension related liability of c£2m. Within the agreement SLOL are required to indemnify for any shortfall in pension liabilities. The contract specifies that this indemnity should be attained though SLOL providing a bond to mitigate this risk exposure. As such, South Ribble Council is not deemed to be exposed to any outstanding pension liability risk associated with this contract terminating. However, as the value of the bond to be attained by SLOL is not yet fully ascertained, a contingent liability has been deemed to exist at 31 March 2019.'

We are satisfied that the Council's liability is contingent.

We consider that the Council's management of this issue has been poor. The Council should have actively monitored the bond to ensure that it was adequate to meet any pension liability of the Trust. It is not clear that the Trust and SERCO will accept this liability at which point the Council may become liable to make good the pension deficit.

# Significant findings - Controls

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any other significant findings identified during the year.

## Issue

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### Procurement and contract management

The Council's Internal Auditors have reported that the Council did not follow its procurement procedures with regard to the a leisure contract. In particular we note that the Council:

- Appointed an advisor costing c.£766,000 more than the cheapest alternative
- Identified that the project could over run by £9.6m if immediate action was not taken.

We consider that is a serious failing in the Council's controls.

### Auditor view

- As a matter of urgency the Council should strengthen its control over contract procurement and management

### Journals

There are no journal limits and journals do not require authorisation by a second officer. We consider this to be a significant failure in control.

### Auditor view

- As a matter of urgency the Council should strengthen its control over journals

### Procurement

The Council's Internal Auditors have reported that the did not follow its procurement procedures with regard to the retendering of gas and electricity contracts. While there was no identified loss to the Council from this procurement we consider this to be poor.

### Auditor view

- As a matter of urgency the Council should strengthen its control over contract procurement

# Significant Findings - Other issues

This section provides commentary on new issues and risks which were identified during the course of the audit.

## Issue

### Income cut - off

- We sample tested 27 items to ensure that expenditure was accrued into the correct year.
- Of the items tested we identified 5 items that had not been accrued appropriately into 2018/19. The extrapolated error was £34,667.
- Management noted that the Council did not have a minimum amount for accruals in either financial year (2018/19 & 2019/20).

### Auditor view

- We are satisfied that the accounts are not material misstated. However, we consider that the Council should introduce an appropriate income accruals policy.

### Debtors

- The Housing Benefit subsidy debtor in the financial statements is £836,671. However the Interim subsidy claim shows balance due of 882,692. The the debtor is understated by 43k.

- We are satisfied that the accounts are not material misstated. The Council has not adjusted for this error.

### Expenditure cut - off

- We identified two items where creditors were raised but the order subsequently cancelled. This resulted in creditors being overstated by £10,713. We calculated the extrapolated error as £242k.

- We are satisfied that the accounts are not material misstated. The Council has not adjusted for this error.

# Significant Findings - Disclosure issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant disclosure issues identified during the year.

## Issue

### Grants

- Grant transactions were omitted from the Note 33 in the draft accounts. Within Note 33, 'Grants and Contributions - Other' within the Credited to Services bracket did not include a full analysis of grants. The figure has been changed from £1,259k to £2,038k.

### Auditor view

- The disclosure error has been amended.

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### Financial statements

Due to the delay in the completion of the audit we requested that the Council update the following items

- Narrative report
- Outlook for the future
- Going concern
- AGS
- Events after the reporting date.

### Auditor view

- The disclosures have been amended.

### Financial statements

- Note 1 to the accounts contains the Expenditure and Funding Analysis. The note is displayed in the Council's financial statements prior to the primary financial statements. We consider that this should follow on from the main financial statements.

### Auditor view

- The Council has made this adjustment.

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We were made aware of several incidences of potential management of control. We adjusted our audit strategy to take account of this issue.</li> <li>We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2 <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3 <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We were made aware of several incidences of potential management of control and non compliance with the Council's policies and procedures.</li> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4 <b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council, which is appended.</li> </ul>
5 <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the Council's bank and short term investment managers. As at the report date, we await return of confirmations from balances of £6 million.</li> </ul>
6 <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review noted disclosure omissions springing from the sector wide issues around the impact of the McCloud decision and GMP on LGPS liabilities. This is discussed in greater detail earlier in the report (p18). There are other disclosure changes with regard to the leisure pension fund liability and business rate appeals. Other notes have been updated due to the passage of time.</li> </ul>
7 <b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>We have highlighted on page 7 the reasons for the significant delays in the audit and the difficulties encountered.</li> </ul>

# Other responsibilities under the Code

Issue	Commentary
<b>1 Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Management have restated the AGS and Narrative report as they do not fit with our current knowledge of the Council. We are satisfied with the restated AGS and Narrative report.</p>
<b>2 Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>Management have restated the AGS as it does not fit with our current knowledge of the Council. We are now satisfied with this disclosure.</p> <p>We have determined that it is appropriate for us to issue statutory recommendations under s24 of the Local Audit and Accountability act 2014. We detail our recommendation at page 41 to this report.</p>
<b>3 Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>However, the Council is below the threshold (as set out in the Group Instructions) and therefore no further work is required.</p>
<b>4 Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2018/19 audit of South Ribble Borough Council in the audit opinion.</p>



# Value for Money

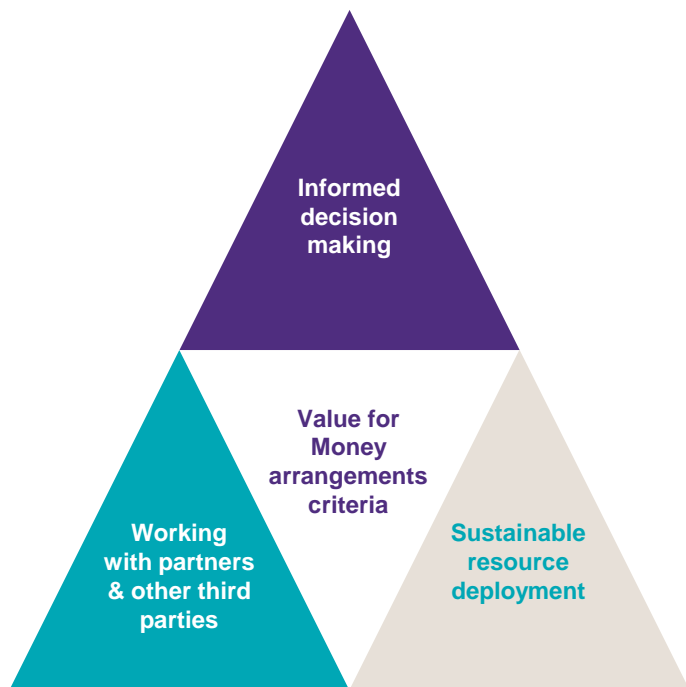
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in February 2019 and identified significant risks with regard to financial sustainability and the governance of the Council, in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risks to you in our Audit Plan dated February 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Whether the Council had satisfactory arrangements in place to plan, manage and deliver its finances over the medium term
- the progress made by the Council in responding to our statutory recommendation and the governance challenges faced by the Council.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on page 20.

## Overall conclusion

We have concluded that South Ribble Borough Council does not have proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We consider that the Council has appropriate management arrangements in place for ensuring its financial sustainability.

The Council has publicly acknowledged the governance failings that were in place during 2018/19 and which continued, at least in part, into 2019//20. The Annual Governance Statement considered in draft form by the Governance Committee in June 2020 sought to highlight all of the issues and to put in place a very clear and robust action plan to implement and embed a strengthened governance framework. This action plan was deliberately front-loaded to accelerate the deliver of improvements that had commenced during 2019/20.

We note the openness and transparency of the Council. We agree with its view that the Council made limited progress in improving its governance or performance management throughout 2018 and 2019. There have continued to be significant issues with regard to management, members, performance management, and the Council's control environment, including procurement. We consider that these issues have significantly impacted on the Council's ability to provide appropriate services to the people of South Ribble.

We note that from September 2019 greater progress has been made by the Council, for example, through the issue of a refreshed Corporate Plan in September 2019 and 2020. The Council needs to ensure that the actions that it has taken are embedded across services.

We discuss this in detail on the next pages of our report.

Based on the work we performed to address the significant risks, we are not satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this, is attached as a separate agenda item.

## Recommendations for improvement

We discussed findings arising from our work with management and have identified a number specific recommendations for improvement. We have also issued statutory recommendations. These are detail in Appendix C.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Financial sustainability

##### 2018/19

#### Revenue Service Budget

In 2018/19, the council set a balanced annual budget of £14.128m which included efficiency savings of £0.628m and no budgeted contributions to or from general reserves. The revised budget for 2018/19 forecast a net surplus of £0.219m to be transferred to the capital reserve to support the 4 year Capital Strategy and Programme. At the end of the year, the council had underspent by a further £0.093m and this small surplus has been added to general reserves.

The final out turn position for the Council is a £0.093m underspend against the revised net revenue budget of £14.135m. This is a strong financial performance.

#### Short term investments

The Council continues to maintain significant levels of short term investments. See table from Council's 2018/19 report. This, along with high levels of reserves, places the council in a robust financial position.

Table 3: Short-term investment interest

Comparison of interest earned 2017/18 and 2018/19			
	Average Balance	Average Rate	Interest Earned
2017/18	£36,164,564	0.495%	£179,120
2018/19	£40,054,734	0.755%	£302,594

#### Capital Budget Outturn

The final capital programme budget for 2018/19 was £9.882m which was subsequently revised to £2.898m in February 2019 to take account of slippage in the programme. In revising the 2018/19 budget, the Council took the decision to carry forward £6.654m into 2019/20. The carry forward has been reflected in the 2019/20 budget. The final out turn position on the capital budget of £0.476m underspend against an annual budget of £2.898m. We consider that this masks a considerable underspend against the original capital budget (which was £9.882m). We consider this underspend indicates poor capital project management.

#### Useable Reserves

The Council had General Fund Reserves of £4.68m and Earmarked Reserves of £14.8m as at 31 March 2019. We consider that this places the Council in a robust financial position.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### 2019/20 budget and Outturn

Cabinet recommend for approval the 2019/20 Budget and Medium Term Financial Plan 2019/20 to 2022/23 to Full Council on the 27th February 2019.

The overall revenue outturn for 2019/20 is a net budget surplus of £1,400,000. Of this, £270,000 is surplus ring-fenced income and £166,000 relates to budgets that will be utilised in 2020/21. The net surplus is £964,000. The forecast at quarter 3 was an overall surplus of £930,000.

#### Short term investments

The Council continues to maintain significant levels of short term investments. See table from Council's 2019/20 outturn report. This, along with high levels of reserves, places the Council in a robust financial position.

Year	Average Balance	Average Rate	Interest Earned
2019/20	£43,018,874	0.901%	£387,391
2018/19	£40,054,734	0.755%	£302,594

#### Capital Budget Outturn

The final capital programme budget for 2018/19 was £12.9m which was subsequently revised to £4.129m to take account of slippage in the programme. Actual expenditure against the budget was £3.009m. An underspend of £1.12m against the revised budget or £9.3m against the original budget. Capital programme management continues to be poor and the Council is failing to deliver the project set out in its plans.

#### Useable Reserves

The Council had General Fund Reserves of £5.08m and Earmarked Reserves of £17.5m as at 31 March 2020. We consider that this placed the Council in a robust financial position.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

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#### 2020/21 budget and financial position

Cabinet recommend for approval the 2020/21 Budget and Medium Term Financial Plan 2020/21 to 2023/24 to Full Council on the 23th February 2020. A net revenue budget of £14.6m was set by the Council.

#### Budget monitoring 2020/21 Quarter 2 report

The overall forecast for 2020/21 for the revenue budget is a net surplus of £55,000.

#### Impact of Covid-19

Covid-19 has impacted on the Council's budget as follows:

- Business Rates - collectable business rates for South Ribble was budgeted at £36.7m. The Government has increased the discount on business rates liability for certain businesses to 100%. This has reduced the Council's gross collectable business rates to an estimated £25.1m. The Council has received S31 grants to cover this reduction. After adjusting for this reduction in collectable business rates the Council estimates that the gross shortfall of business rates income could be £0.973m. South Ribble's share of this deficit would be approximately £389,000.
- Council tax – based in current collection rates the gross shortfall in income is forecast as £671,000. The Council's share of this would be £81,000
- Expenditure – the Council estimates that it will incur an additional cost of £218,000. In addition, it has agreed £240,000 of support was agreed to Serco Leisure Operating Ltd in relation to leisure provision.

#### Capital Budget Outturn

A capital budget of £10.09m was set by the Council. The programme was later adjusted to £8.9m. Covid-19 has had an impact on the timescales for delivering capital schemes but officers consider that the programme is on track in 2020/21. Of its £8.9m programme the Council considers it will deliver £8.5m. This is a significant improvement on prior years. The programme will be financed from the Council's reserves.

#### Useable Reserves

The total balance on reserves at the beginning of the financial year was £20.814m. Approximately £4.7m will be used in 2020/21 reducing reserves to £15.2m. This remains a strong position.

#### Medium term financial strategy

The revenue budget forecasts in the MTFs shows a balanced budget in 2020/21 and a deficit of £352,000 in 2021/22 which is forecast to increase to £548,000 in 2023/24. At present the Council is planning to fund these from general reserves although it is considering what additional income or budget savings can be identified. Clearly, this is not sustainable in the longer-term.

#### Summary

We are satisfied that the Council has appropriate management arrangements in place for the management of its finances.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Governance

In 2015/16, we qualified the Council's VfM Conclusion due to matters identified in respect of the Scrutiny Committee Task Force review, after the investigation of matters related to the licensing service. The task force highlighted a number of issues including relating to a number of corporate governance failings.

In our 2016/17 review we commented that some improvements had taken place with the introduction of the Improvement Reference Group, improvement action plans and bringing in a LGA Peer Review team. However, insufficient progress had been made to enable us to remove or 'except for' conclusion.

In 2017/18 there remained a very mixed picture. Some of the positives we identified were :

- The improvement reference group met throughout the year and included members from all parties; senior officers; and LGA representation.
- A new corporate plan was prepared and issued and had broad all-party support
- The Member / Officer Protocol has been approved
- Transformation plans are now in place
- Performance and satisfaction with the Council remains high
- Financially the Council are in a relatively healthy position

However, as highlighted during the LGA revisit, we concluded that a number of areas still required attention and the overall pace of change remained slow. The new management structure took some time to approve and posts remain unfilled, resulting in a lack of senior capacity. A review of the senior officer remuneration note in the Council's 2017/18 accounts highlights a management team in some flux with interim appointments and two permanent Directors leaving.

The organisational uncertainty has not been helped by:

- Uncertainty over the development of further shared services
- Changes in the personnel fulfilling the role of the s151 officer.

The LGA Peer Review referred to "ongoing political issues" which were still causing some distraction and delaying the improvement journey. It was an issue that was raised several times in the report. The LGA also raised issues in relation to the Governance Committee's role being unclear and the need to improve internal communication, whilst there is insufficient assurance about the implementation of the MTFs. It noted that: 'there is a need to develop a coherent approach to corporate, financial planning and strategic risk'.

Given the above we concluded that were unable to lift our "except for" value for money conclusion. For the year ended 31 March 2018 we qualified our VFM Conclusion and issued a s24 recommendation relating to the Council's response to major governance failures, which resulted in significant damage to the Council's reputation. As part of our audit we set out that we would review the progress made by the Council in responding to our recommendation and the governance challenges by

- consideration of further external reviews
- review of the impact made by the Improvement Reference Group and
- discussions with key officers.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

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#### Governance

We made the following recommendation under section 24 of the Local Audit and Accountability Act 2014 ('the Act'). The Council needs to:

- Make demonstrable progress in relation to the eight recommendations that are made in the letter dated 16 March 2018 to the Chief Executive from the Local Government Association (LGA) in relation to the LGA Corporate Peer Challenge follow up visit to South Ribble Borough Council
- In particular, the two recommendations in relation to the management structure should be implemented as a matter of urgency which are to place particular focus in the short term upon:
  - Implementing the new senior management structure
  - Developing the leadership potential of the new senior team to take forward the place, strategic finance and transformation agendas.

#### Findings of 2018/19 and 2019/20 audit

The Council has publicly acknowledged the governance failings that were in place during 2018/19 and which continued, at least in part, into 2019//20. The Annual Governance Statement considered in draft form by the Governance Committee in June 2020 sought to highlight all of the issues and to put in place a very clear and robust action plan to implement and embed a strengthened governance framework. This action plan was deliberately front-loaded to accelerate the deliver of improvements that had commenced during 2019/20.

We note the openness and transparency of the Council. We agree with its view that the Council made limited progress in improving its governance or performance management throughout 2018 and 2019. There have continued to be significant issues with regard to management, members, performance management, and the Council's control environment, including procurement. We consider that these issues have significantly impacted on the Council's ability to provide appropriate services to the people of South Ribble.

We note that from September 2019 greater progress has been made by the Council, for example, through the issue of a refreshed Corporate Plan in September 2019 and 2020. The Council needs to ensure that the actions that it has taken are embedded across services.

We discuss this in detail on the next pages of our report.

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## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

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#### Management – service performance

The Council's performance report for 2018/19 reported that the Council was on track to deliver the majority of its strategic objectives. We note that the Council has concerns over the accuracy of this report. We discuss this on the next page.

The Quarter one performance report for 2019/20 indicates that that Council was off track on complaints received, planning applications dealt with in accordance with statutory timelines, and calls answered and calls abandoned at its service. The Quarter three and four performance reports indicate that the Council was delivering against its performance objectives. It reports an improvement in calls answered and not abandoned. It does not report on its management of complaints or planning applications in these two reports.

We note that there have been service performance concerns with regard to Planning and Property, and Neighbourhood and Development during 2018/19 and 2019/20. In addition, Internal Audit have raised concerns with regard to Food Safety Inspections, Car Park enforcement procedures and Tree maintenance. This level of underperformance is a significant concern.

The Council has taken the following actions:

- With regard to Planning and Property an external review was carried out on the complaints relating to delays in planning applications. The review concluded that the decisions taken were correct but could have been handled faster
- With regard to food safety the Council has developed a comprehensive action plan. It has developed a draft Food service plan, and has introduced regular performance monitoring of the team,. We note that the programme of inspections was halted due to the pandemic. At this point (March 2020) there remained a backlog of inspections. Once the restrictions are lifted the Council will need to ensure this backlog is resolved.
- With regard to car parking a risk based maintenance and inspection policy has been drafted, an Updated Off Street Parking Order has been prepared for Council approval, an extension for a period of 2 years has been agreed with the Council's current enforcement provider but the agreement has yet to be signed and contract monitoring meetings have not recommenced. A review of fees and charges has been carried out and report and recommendations was presented to Full Council on 25th November 2020
- With regard to Tree maintenance a revised policy was approved on 16th March 2020, and a suitable tree management system has been identified but not yet purchased. Covid has had a major impact on the ability to carry out work, and the backlog has increased from 217 days in January 2020 to the present figure of 245 days. The Council are looking at the possible use of sub-contractor to reduce this backlog.

While we consider that the Council is taking action to strengthen its performance management there appear to have been significant deficiencies in the performance of services in both 2018/19 and 2019/20. The Council has been transparent in acknowledging these issues in its Annual Governance Statement.

The Council will need to continue its focus on these areas to ensure that it is providing an appropriate level of services.

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## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Performance monitoring

We note the following:

- the last full annual performance report produced was the 2018/19 Comprehensive Corporate performance report produced. This shows that the Council was on plan to deliver its corporate objectives. However, we note the Council's view that it does not consider this report to be reliable.
- the Council did not produce a Comprehensive Corporate performance report for 2019/20
- the Quarter 1 performance report, reported 11 Sept 2019, includes data on complaints, planning application performance, calls abandoned, homelessness, use of B&B. In comparison, there is less data on actual service performance reported in the Q3 (reported February 2020) and Q4 (Reported June 2020) 2019/20 performance reports. We note that this reporting is based on the new performance management framework which will be reviewed in 2020/21.

We also note that Internal Audit raised concerns over the performance information provided to the Council during 2018/19 concluding that from a sample of 21 indicators 10 out of 21 reviewed are inaccurately reported due to issues with data collection and calculation processes, and 5 out of 21 reviewed could not be confirmed as accurately reported due to the source data not being retained. Poor quality data limits the ability of members and officers to make informed decisions. This is a significant concern.

The Council is aware of these issues and has put in place the following response:

- a Corporate Plan was approved in September 2019. Quarterly performance reports for Q1, Q3 2019/20 and Q4 2019/20 and Q1 20/21 have been produced by the Council
- the Q4 report states a plan to refresh the Corporate Plan in light of Covid 19
- a refreshed Corporate Strategy was approved by Council on the 30th September 2020
- in October 2020 the Performance Management Framework was fully reviewed and updated. The framework sets out that quarterly performance reports are to focus on monitoring delivery of the priorities set out in the Corporate Strategy, with additional service level monitoring of performance to be via Business Plan Monitoring Statements
- the findings and recommendations of the internal audit report have been considered in the production of the this framework (which includes a data quality policy)
- Regular reporting of performance against strategic objectives and some performance metrics to cabinet recommenced in September 2020. Training is being undertaken as part of the new corporate strategy roll-out.

We consider that the Council is taking action to strengthen its performance management. However, there appear to have been significant deficiencies in the performance of services (see earlier) and the performance framework has not operated in full in either 2018/19 or 2019/20. In 2018/19 there are questions over the accuracy of the performance data provided. In 2019/20 there was no annual performance report for 2019/20.

We note the recent improvements in the performance management systems with the revised Corporate Strategy and Performance Management Framework. Quarterly monitoring has also recommenced. These systems will need to be embedded. The Council should also consider whether performance monitoring adequately covers service performance.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Maintenance of an appropriate control environment

The Council has identified a number of deficiencies in its control environment. It has detailed these in a full and transparent manner in its Annual Governance Statement. These deficiencies were identified by the Internal Audit team and the current leadership team. We note that management and members are aware of these issues and are focussed on ensuring that there is an improvement in the control environment.

With regard to 2018 and 2019 it is clear that the Council has not maintained an appropriate control environment. In particular, we note the following conclusions by the Council's internal auditors:

- Creditors: 'Testing has identified that whilst some controls are in place within the Creditors system (Civica) there are a number of controls which allow for the potential of fraud, error and or allow staff potentially to act beyond their delegated authority, including the issues outlined below.'
- Health and Well Being Leisure Campus: 'The findings identify a number of significant fundamental failings in respect of governance arrangements in regard to this key project, including failure to comply with Constitutional decision making processes, including failing to inform Members of increasing costs at key times in the budget process; failure to notify Cabinet, as outlined by Cabinet and the Constitution in respect of expenditure in the amount of key decision (£100,000). This demonstrates that the checks and balances put in place to support officers and enable Members to make informed decisions have been totally disregarded by the people at a Senior level including the statutory officers of the Council and the Chief Executive.'
- Procurement of gas and electricity contract – 'it is evident that the Council's Contract Procurement Rules had not been adhered to in most, if not all, aspects of the re-letting of the gas and electricity contract(s) and that assurance cannot be provided that best value had been obtained. It is also evident that management controls, have fundamentally failed.
- General Data Protection Regulations : 'A GDPR Implementation Group, led by The DPO was set up to address the requirements of the ICO's 12 step plan and to assist with GDPR implementation across the Council. Audit found that whilst several of these steps have been actioned and implemented, there are still a number of requirements outstanding, in particular, an approved Retention Policy, adequate training and awareness, and a fully completed Record of Processing Activity (ROPA).

These are significant failings.

We have followed up these issues.

- Creditors – we note that the control weaknesses are significant and that in part there appears to have been a deliberate override of control by management with regard to the receipting of goods. This is of significant concern. A decision has been taken by management to undertake further testing in this area. This will be completed this financial year and improved management actions will be agreed with the service.
- Health and Well Being Campus - A revision of the cost plan and value engineering exercise led to a report in September 2019 report that discontinued the project. We note that design fees of £569,912.58. The Council estimates that £275,000 of these fees were effectively abortive.
- Procurement - The procurement issues have been raised with the Procurement Team. They have confirmed that, in their view, there is no a systemic failure of the Council's contract procedure rules. The Council has let 5 significant contracts since this date with a value of £2.45m. It has confirmed that appropriate procedures have been followed in all instances. We reviewed a summary of the award decision for 2 contracts to the value of £2.1m. We are satisfied that the award was appropriate.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

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#### Maintenance of an appropriate control environment

- Training has been provided to Directors / Assistant Directors and senior managers on ethical decision making, to include procurement processes and council decision making. The training will be delivered to managers and team leaders in early 2021.
- The Council has amended its constitution (as reported to the Council on Wednesday 25 November) to promote member led decision making. It is considered that this will provide greater transparency due to the wider involvement of members in procurement and contract awards.

GDPR - With regard to GDPR additional staff training has been undertaken during Summer / Autumn 2020. However, there are a number of significant GDPR actions that have yet to be taken. These include:

- Information Asset Owners (IAOs) revealed that there are no set procedures in place for ensuring records are deleted once the retention period has expired. A project has commenced to resolve the matter in Environmental Health, Planning, Housing, Licensing & Legal, Revs and Bens
- The Council has not yet reviewed all of its contracts to ensure they are GDPR compliant.

The Council should continue to take action to strengthen the compliance with its policies and procedures.

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## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Capability of officers

We note that, including the ex-Chief Executive, there have been concerns over the performance of several senior officers during 2018/19 and 2019/20. We consider that this casts doubt over the ability of the senior leadership team during 2018/19 and 2019/20.

We note that there have been a number of changes at a senior level. For example, since June 2018 there have been six s151 officers. The Council continues to operate with an interim S151 officer and without a permanent Chief Internal Auditor. We note that the Director of Finance post is covered by an internal postholder with an understanding of the issues facing the Council. The Council is currently out to advert for a permanent appointment. Similarly the Chief Internal Auditor post is also out to advert.

Proposals were brought forward for restructuring by the ex Chief Executive, for example, the Borough Solicitor but have not been followed through. Since then, in September 2019 (and implemented from December 2019), the proposals for shared senior posts have been brought forward and implemented. The Council considers that this has significantly bolstered the capacity and experience of the senior management team. We do not dispute this but consider that these changes at a senior level will quite naturally take time to embed and impact on the Council.

We can see the progress made by the Council. However, we consider that the changes at a senior level have significantly impacted on the Council's ability to provide services to the area. It is important that there is stability amongst the senior leadership team going forward and that the Council appoints permanently to the interim posts.

#### Internal audit

Internal audit have undertaken a number of significant investigations. These have included reviews of procurement, recruitment, GDPR, performance data, and service performance. The reports are highly critical of the Council's arrangements in a number of areas and have been helpful in identifying significant weaknesses in Council control systems.

We note that a number of these reviews sit alongside the independent investigation. We share the view of the independent investigator that a number of these reports were investigatory in nature and potentially breached the Council's Standing Orders and JNC Model Disciplinary Procedures. While we accept that the Council undertook these reviews in response to concerns over the management and governance of certain services it needs to ensure that such reviews are appropriate.

It is of significant concern that the Independent Investigator did not agree with a number of the findings of the Internal Report. This indicates either a lack of quality control or rigour in the Internal Audit process, or error in the Independent Investigators work. Going forward, the Council needs to ensure that it is satisfied with the quality control procedures relating to internal audit and, if similar circumstances arise, the findings of independent investigators.

The Independent Investigator states 'The commissioning of investigations into further disciplinary allegations against the Chief Executive, via the audit route rather than in accordance with the JNC Model Procedure at the outset, was a response to concerns raised by the Leader rather than by a Committee of Council'. We note that the Council disagrees with this statement and that the Chief Executive considers that he commissioned these reviews. Given the lack of clarity in this area we are not able to form a conclusive judgement. We therefore note that the Council should ensure that Internal Audit remains an independent and active function within the Council.

We note that as at November 2020 the Council have only recently agreed an Internal Audit Plan for 2020/21 and that a permanent Chief Internal Auditor is not in place. The Council has confirmed that internal audits have continued to be undertaken during 2019/20 and 2020/21, and that the permanent post is currently being recruited. At present, an interim Senior Auditor reviews the IA reports of the audit team and their own work is peer reviewed by one of the team before being shared with the Monitoring Officer for checking and review. We note that the Internal Audit Plan for 2020/21 has only recently been agreed. Combined with a lack of a permanent Chief Internal Auditor we consider that this increases the risk of fraud or non compliance with procedures at the Council.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Officer and member relationships

We have considered the relationships between officers and members during 2018-29 and 2019-20.

With regard to the 2018-19 the ex Chief Executive appears to have had a positive relationship with the then administration. The relationship with the then opposition party seems to have been poor. We note that the Independent Investigator commented that the relationship between the ex-Chief Executive and leading members of the Labour Group became 'increasingly strained and difficult throughout her tenure'. It is of significant concern that the Council allowed relationships between the then opposition group and the ex-Chief Executive to deteriorate in this manner.

With regard to 2019-20, we have:

- discussed officer and member relationships with the current Chief Executive who considers that relationships between members and officers are good and improving. Relationships between the political groups are appropriate
- reviewed the Council's records to identify any recent complaints regarding officer or member behaviour, and any issues referred to the Standards Committee. The standards committee Report states: 'For the period 1st of November 2018 to 31st of December 2019 there were 7 formal standards complaints about members. By way of comparison for the year 1st of November 2017 to 31st of October 2018 there had been 23 such complaints. In the 12 months before that there had also been 23 such complaints. Of the 7 new cases: a decision to take no action was made in 5 cases and an apology/explanatory statement was sought (and obtained) in 2 cases.' We do not consider that the level of cases is high
- attended the Council's Governance Committee in October and November 2020. We consider that the challenge of officers at these meetings to have exceeded what we would consider to be acceptable. While we accept members frustration at some of the issues reported to the Committee, it is important that members ensure that their challenge of officers remains appropriate.

We note that a Member and Officer Protocol was adopted in March 2018 – all members and officers signed up to it for the year 2018 – 2019. For the year 2019 -2020 (following the election in May 2019) members were again asked to sign up to this protocol. We note that not all members signed up to this protocol. We consider that it is disappointing that some members did not sign up to the protocol.

The Annual Governance statement also draws out the following issues:

- Internal Audit Identified that a number of policies relating to the ethical governance of the Council require reviewing and updating. The monitoring officer has confirmed that these have been updated
- ethical training for Members and Officers is required (although we note that training has now been delivered in this area.

We also note that the Chief Executive is now actively working with the opposition group.

We consider that officer and member relationships are not unreasonable, and welcome the approach taken by the Chief Executive to deal openly with both the current administration and the opposition. Both officers and members should continue to focus on building positive relationships.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

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#### IRG action plan and Annual Governance Statement

South Ribble Borough Council created an Improvement Reference Group (IRG) as a partnership between South Ribble and the Local Government Association to provide oversight, support and challenge to SRBC's improvement and transformation journey. The board was established following the Corporate Peer Challenge in 2017 and subsequent re-visit in March 2018.

The IRG was a cross party working group made up of the incumbent administration at that time (Conservative Group) and the opposition (Labour Group); it also included Conservative and Labour Peer Members from other Local Authorities and officers from the Local Government Association. SRBC Officers in attendance included the Chief Executive and the Section 151 officer; the Chair of the Group was the Leader of the Council.

An IRG Action Plan was devised to monitor completion of the recommendations, and progress on this was reported to Cabinet on 23/1/19 and Council on 6/2/19 in the Chief Executive's Report "Corporate Peer Challenge Action Plan and Response to External Auditors Statutory Recommendation Update".

We note that Internal Audit were asked to look at the reporting of the "Corporate Peer Challenge Action Plan and Response to External Auditors Statutory Recommendation Update" reported to Cabinet on the 23rd January 2019 and Council on 6th February 2019. Concerns had been raised in regard to the reporting of the outcome of the meeting of the Independent Reference Group (IRG) which took place on the 7th January 2019; in that, the accurate overall position that was reported to Cabinet and Council (dates as above) was not the position agreed at the IRG meeting. The scope of this review was to determine whether the ex-Chief Executive intentionally misled Members by exaggerating the level of improvements implemented by South Ribble Borough Council when reporting to Members, in particular by rewording the minutes of the IRG meeting of 7/1/19 to read more favourably. Both internal audit and the Independent Investigator reviewed this matter. It is of significant concern that they reached different conclusions on this matter.

We requested that the Council confirm what action had been taken to confirm the accuracy of each report and which, in the Council's view, reflects an accurate representation of the events. We also requested an update on the actions in the IRG plan. We understand, that due to the issues surrounding the plan, and whether improvements had been made the monitoring of the plan has been discontinued. Rather the Council has focussed on the development of an open and transparent annual Governance Statement that sets out the issues facing the Council and the actions that need to be taken. We do not consider that this is unreasonable.

The Annual Governance Statement is comprehensive. In the main we are comfortable with the statements made in the report. The Council should continue to focus on delivering the actions within the plan.

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## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

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#### Governance matters relating to ex-Chief Executive

Following the May 2019 elections there was a change in administration at the Council. Subsequently, the Investigating and Disciplinary Committee (IDC) issued terms of reference for an independent investigation on 22 July 2019 and supplemented on 21 November 2019 with regard to concerns raised with regard to the behaviour of the then Chief Executive. The Independent Investigator reported her findings to the Council on 22 April 2020. The IDC requested that a number of issues should be investigated with regard to the Chief Executive's behaviour.

The Independent Investigator presented a balanced view in their report. The report dismisses many of the claims against the Chief Executive but does conclude that disciplinary action was necessary in a number of areas. It is unusual to have such a large number of disciplinary issues. We also note that the previous administration had not raised any concerns with regard to these matters. We consider that these issues have impacted on the good governance of the Council. In particular, there are issues relating to working with members and officers, management of performance, appropriate behaviour, and procurement.

We comment on three specific issues below.

The Independent Investigator concludes 'On the basis of the evidence outlined above, the Leader of the Council did not have the legal power to suspend the Chief Executive. The Chief Executive's suspension was therefore technically invalid until such time as it was reviewed by the decision-making body to which the Council had delegated power to suspend.' We consider that this is a significant breach of governance. However, the Council have confirmed that prior to taking the action to suspend, the Leader took advice from both the LGA and external legal advisers. Whilst it was confirmed that the Leader did not have this power in the constitution it was recognised that there were no "urgent" powers available and the Council should balance their obligations and consider the position of the staff effected by the allegations. The Council has further commented that the IDC was convened shortly thereafter and chose to continue the suspension, supporting the decision of the Leader and mitigating any risk of acting ultra vires. The Council has now amended the constitution to provide the leader of the Council with this authority.

The independent Investigator highlights the accusation that dismissal of the Chief Executive may have been "leaked" to the press. We have discussed this with the Chief Executive who has stated that 'the leak' was in fact a press release. It was felt at the time that confirmation the CE was on special leave was appropriate in order to prevent incorrect reporting which would likely have followed due to the CE's unexplained absence. The circumstances were not released.

The decision with regard to the dismissal of the Chief Executive was taken by the Investigating and Disciplinary Committee held on Tuesday, 9 June 2020. We note that the recommendation made by the Independent Investigator was a series of oral, written and final written warnings. In particular we note that the Independent Investigator states 'If those findings had been made in separate proceedings, then, on a simple "totting up" basis, the threshold for moving through the range of disciplinary sanctions would have included dismissal with notice as a potential outcome. The fact that the issues were not addressed contemporaneously has deprived the Chief Executive of opportunities to improve/adjust her behaviour.' This matter is the subject of an employment tribunal so it is not appropriate to comment further than we have on this matter.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

### Significant risk

#### Summary

The Council has publicly acknowledged the governance failings that were in place during 2018/19 and which continued, at least in part, into 2019//20. The Annual Governance Statement considered in draft form by the Governance Committee in June 2020 sought to highlight all of the issues and to put in place a very clear and robust action plan to implement and embed a strengthened governance framework. This action plan was deliberately front-loaded to accelerate the deliver of improvements that had commenced during 2019/20.

We note the openness and transparency of the Council. We agree with its view that the Council made limited progress in improving its governance or performance management throughout 2018 and 2019. There have continued to be significant issues with regard to management, members, performance management, and the Council's control environment, including procurement. We consider that these issues have significantly impacted on the Council's ability to provide appropriate services to the people of South Ribble.

We note that from September 2019 greater progress has been made by the Council, for example, through the issue of a refreshed Corporate Plan in September 2019 and 2020. The Council needs to ensure that the actions that it has taken are embedded across services.

We have mentioned a number of the actions taken by the Council earlier in this report. In addition, we note the following actions taken:

- The Council introduced a Transformation Strategy in 2018/2019 and developed a transformation programme. In 2019/2020 the Council elected not to introduce a new updated Transformation strategy. Review of Council papers indicates that transformation is considered part and parcel of everyday working. We note that a key driver for transformation is shared services and that progress has been made in this area. **Governance**
- An Organisational Development Strategy has been developed and has been approved by leadership team and its implementation is underway. This strategy aims to engage staff in key areas of development to support a positive culture of trust and accountability.
- Progress has been made in delivering shared services to ensure that the council has a sustainable delivery model that is fit for the future. Key milestones include:
  - Finalising the proposals for the phase one service reviews, designed to develop a single operating model for the new shared services.
  - Preparing for the implementation of the service reviews
  - Preparing the business case for phase two of shared services.

#### Next steps

It is positive that the Council has acted in an open and transparent manner with regard to the issues that are facing it. We also note that it is taking action to resolve the performance, control and governance issues it has identified.

We consider that the Council will need to continue to focus on these areas and embed high service performance standards, compliance with its financial procedures and controls, and strong member officer relationships. We have made statutory recommendations to support this change.



## **Additional powers and duties under section 24 of the Local Audit and Accountability Act 2014 ('the Act')**

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### **Statutory powers and duties**

As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, we have additional powers and duties under the Act. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have concluded that it is appropriate for us to use our powers to make a recommendation under section 24 of The Act due to the limited progress in improving its governance or performance management throughout this period. There have continued to be significant issues with regard to management, members, performance management, and the Council's control environment, including procurement. We consider that these issues have significantly impacted on the Council's ability to provide appropriate services to the people of South Ribble.

### **Recommendation made under section 24 of the Local Audit and Accountability Act 2014 ('the Act')**

The Council needs to make demonstrable progress in relation:

- Improving service performance
- Strengthening the financial control environment of the Council
- Securing appropriate working relationships between officers and members
- Appointing a suitable experienced and senior S151 officer.

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	9,750	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
None noted			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit & Value for Money Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Estimated impact of the increase on the pension liabilities for the implications of McCloud ruling that are expected to apply to the LGPS	(380)	(380)		• The adjustment is not material to the financial statements
2 Estimated understatement of income (cut off sample)	35	35		• The adjustment is not material to the financial statements
3 Understatement of housing benefit debtor	43	43		• The adjustment is not material to the financial statements
4 Estimated overstatement of creditors	242	242		• The adjustment is not material to the financial statements
5 Estimated overprovision for business rate appeals	497	497		• The adjustment is not material to the financial statements
<b>Overall impact</b>	<b>437</b>	<b>437</b>	<b>437</b>	

# Fees

We confirm below our final fees charged for the audit and provision of non audit service.

## Audit Fees

	Proposed fee	Final fee	2017/18 Fee
<b>Council Audit</b>	£33,821	£63,321	£43,923
<b>Total audit fees (excluding VAT)</b>	<b>£33,821</b>	<b>£68,321</b>	<b>£43,923</b>

The fees reconcile to the financial statements as follows:

- Fees per financial statements; £33,821
- We are proposing additional fees of £4,500 in respect of:
  - Assessing the impact of the McCloud ruling. The government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling.
  - IAS 19 and PPE. The Financial Reporting Council (FRC) has highlighted that the depth of work by audit firms in respect of IAS 19 and PPE needs to be strengthened across local government audits. Accordingly we have increased the level of scope and coverage in respect of these areas.
- We are proposing additional fees of £15,000 with regard to review of additional value for money audit work due to the governance failures at the Council
- We are proposing fees of £10,000 with regard to additional audit work as a result of the financial control failures at the Council
- We are proposing an additional fee of £5,000 due to Covid – 19 related delays in the delivery of the audit.
- Total fees per the above: £68,321

## Non Audit Fees

Fees for other services	Fees £'000
<b>Audit related services:</b>	£11,000
• Certification of Housing benefit subsidy grant	
	<b>£11,000</b>



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REPORT TO	ON
Governance Committee	22 December 2020



TITLE	REPORT OF
Audited Statement of Accounts 2018/19 and Letter of Representation	Deputy Director of Finance and Deputy Section 151 Officer

Is this report confidential?	No
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## PURPOSE OF THE REPORT

1. 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 2018/19 for approval. The formal deadline for approval was 31 July 2019. The Regulations further require that, where the audit of the accounts has not been concluded by that date, approval shall take place as soon as reasonably practicable afterwards. The Statement is required to be accompanied by the approved Annual Governance Statement (AGS) for the year. The AGS covering both 2018/19 and 2019/20 was approved by the Committee on 16 June 2020.

## RECOMMENDATIONS

2. The Committee is recommended to:
  - a) Approve the audited Statement of Accounts for 2018/19 (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.
  - b) 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

3. 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.

## 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 OUTCOMES

5. The report relates to the following corporate priorities: *(tick all those applicable)*:

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 2018/19 at its meeting of the 30<sup>th</sup> May 2019. The usual timetable, which would have seen the audit completed and the audited version of the Statement presented to the Committee at the end of July 2019, was delayed while identified governance issues were resolved and the auditor addressed the implications of these for the conduct of the audit. Members are now presented with the audited Statement of Accounts 2018/19 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 2018/19, 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 one specific query which remains to be resolved and which may result in further amendments.
9. There are just two substantive changes that have been made to the accounts, presented at Appendix A, as a result of the audit. These are:
- Note 1 to the accounts, the Expenditure and Funding Analysis, has been moved from its original position, ahead of the Core Statements, to appear immediately after them.
  - In Note 33, the amount of non-benefits related grants credited to services has been corrected from £1.259m to £2.038m, a change of £779k.
- In addition, there have been a number of updates to disclosures to reflect the passage of time since the publication of the Draft Statement in May 2019, together with some expansion of disclosures and some minor editing, including the correction of typographical errors.
10. Should there be any further changes to the Statement of Accounts 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 not later than 31<sup>st</sup> July 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/statementofaccounts>.

## 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 Standard on Auditing (UK and Ireland) 580. 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.

## RISK

18. 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.

## **EQUALITY AND DIVERSITY**

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

## **AIR QUALITY IMPLICATIONS**

20. There are no implications for air quality arising from this report.

## **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 May 2019. The Narrative Report is included in the SOAs 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.

## **BACKGROUND DOCUMENTS (or There are no background papers to this report)**

- Accounts and Audit (England) Regulations 2015
- Local Government Finance Act 1988, Section 114
- The Local Government and Housing Act 1989, Section 56(5)
- International Standard on Auditing (UK and Ireland) 580
- South Ribble Borough Council (unaudited) Statement of Accounts 2018/19 - Report to Governance Committee, 30<sup>th</sup> May 2019
- South Ribble Borough Council Budget Outturn Report 2018/19 - Report to Cabinet, 19<sup>th</sup> June 2019
- Grant Thornton Audit Findings Report - Report to Governance Committee, 22<sup>nd</sup> December 2020

## APPENDICES

- Appendix A Statement of Accounts for South Ribble Borough Council for year ended 31 March 2019 (for approval and signing).
- Appendix B Letter of Representation 2018/19 (for approval and signing).

James Thomson  
Deputy Chief Finance Officer and Section 151 Officer

Report Author:	Email:	Telephone:	Date:
Tony Furber (Principal Financial Accountant)	<a href="mailto:tony.furber@southribble.gov.uk">tony.furber@southribble.gov.uk</a>	01772 625625	14 December 2020

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# DRAFT STATEMENT OF ACCOUNTS

Year Ending  
31 March 2019





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# Narrative Report of the Chief Financial Officer

## Introduction

I am pleased to introduce the Statement of Accounts for the 2018/19 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 2018/19 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 Statement of Accounts is required to be accompanied by an Annual Governance Statement (AGS), which sets out the arrangements made by the Council to ensure that its business is conducted according to the required regulations, standards and proper practices. The audit of the Council's accounts for the year therefore cannot be completed, nor its final Statement of Accounts be approved and published, until after the AGS has itself been finalised. The completion of a comprehensive response to concerns which were raised, at the time that an initial draft AGS for 2018/19 was issued in May 2019, have led to the Council publishing a finalised version which covers both 2018/19 and 2019/20. This was approved by Governance Committee in June 2020 and has been further reviewed by the Council's auditor in the time since. The finalised version appears at page 106 below.

I hope you find this report and the Statement of Accounts useful in understanding the Council's financial position and performance for the year. If you would like more information on the accounts, please do not hesitate to get in touch.

I'd also like to thank 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 finalisation of the Statement of Accounts.

James Thomson CPFA  
Deputy Chief Finance Officer/Section 151 Officer



## South Ribble

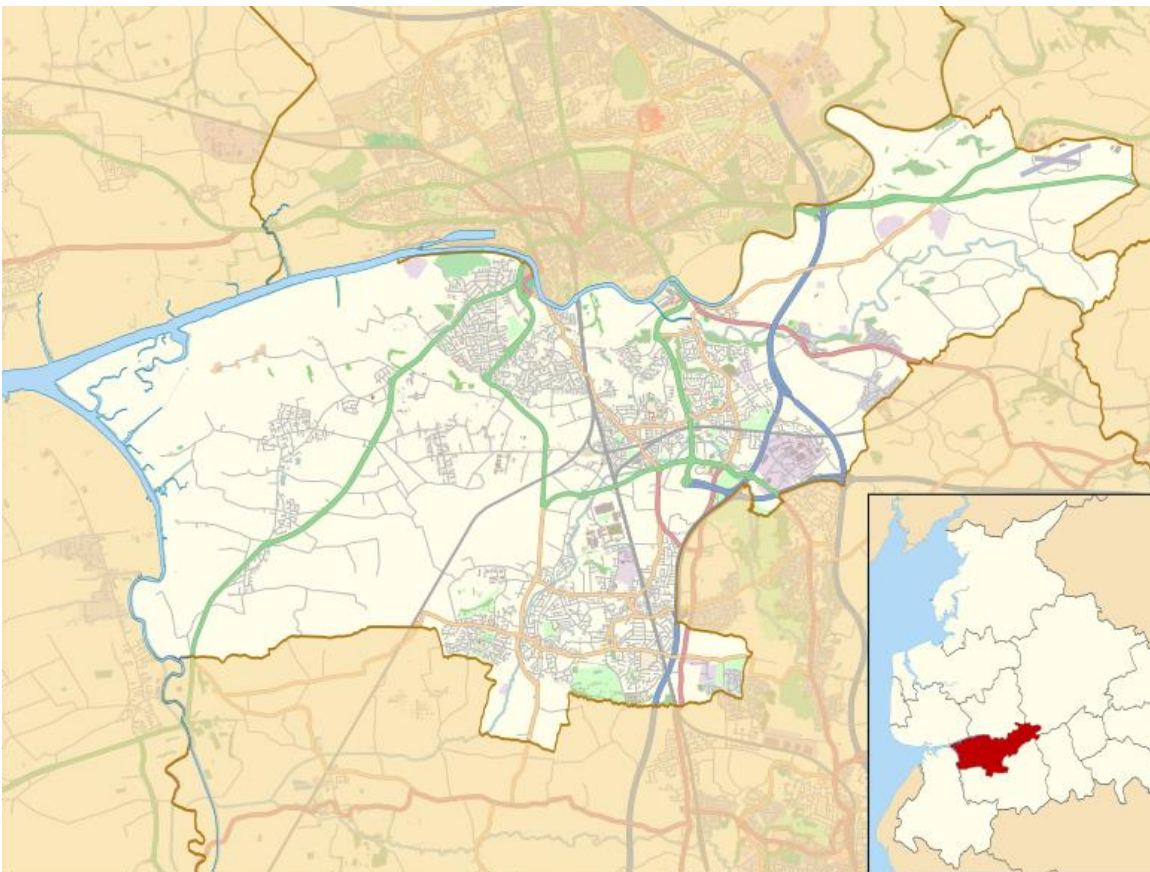
South Ribble Borough is located in Lancashire at the centre of the North West region, situated right on the M61, M6 and M65 motorways with easy access to the West Coast mainline and airports at Manchester and Liverpool with the Borough extending to about 113 km<sup>2</sup> (approximately 44 square miles). 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 110,788 in 2019.

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 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.

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 in the 2018/19 year was as follows, with the Conservative Party then forming a majority administration:

Party	No.
Conservative	27
Labour	16
Liberal Democrat	3
Penwortham Independents	1
South Ribble Independents	1
Vacant	2
<b>TOTAL</b>	<b>50</b>

Elections for the whole of the Council were held in May 2019, which resulted in the formation of a minority Labour administration, supported by the Liberal Democrats on a supply and confidence basis. The political structure at the end of 2019/20 was as follows:

Party	No.
Conservative	23
Labour	21
Liberal Democrat	5
Vacant	1
<b>TOTAL</b>	<b>50</b>

## Management Structure

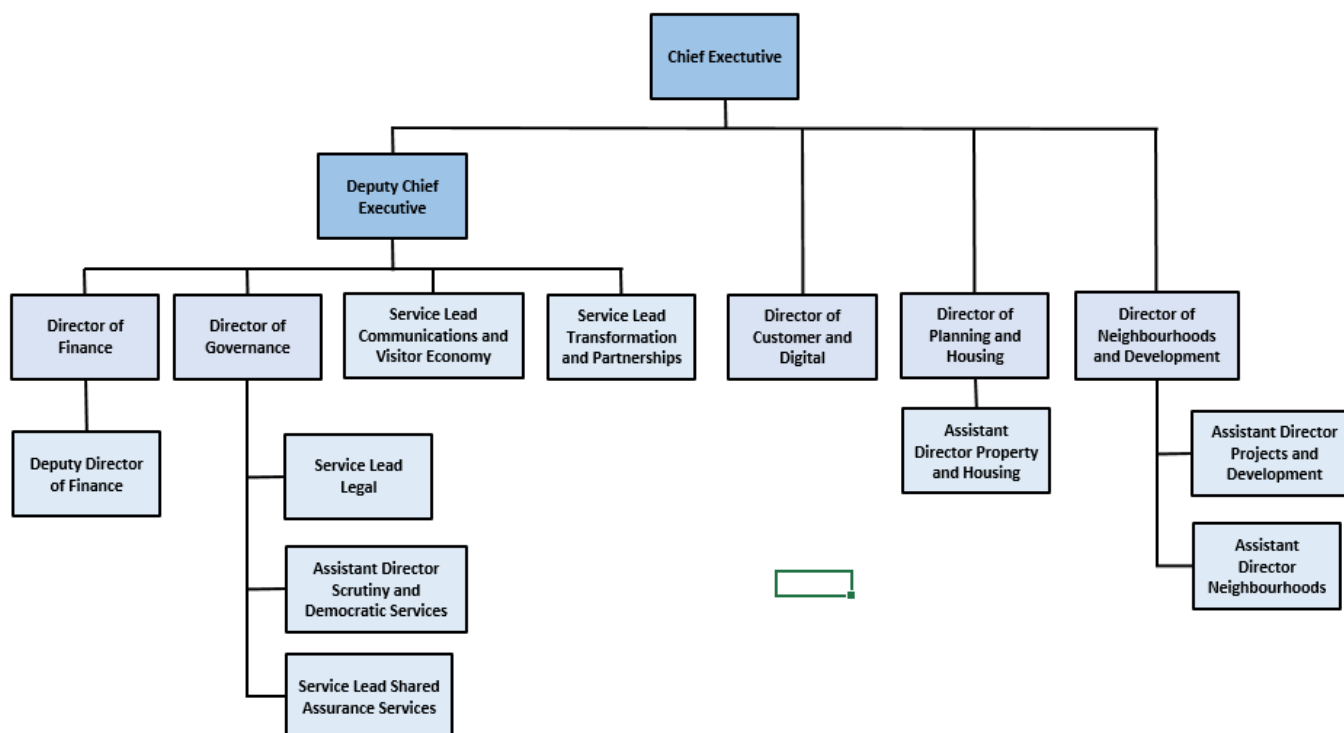
At the end of March 2018/19, the top tier of the Council's management structure consisted of the post of Chief Executive and two Deputy Chief Executives, one covering the areas of resource management and transformation and the other responsible for regeneration and growth. These were in turn supported by a team of Director and Assistant Director roles, each with direct responsibility for the management and delivery of services of particular services. The senior management structure was reviewed during 2019/20. This was done within the context of further developing Shared Services with Chorley Borough Council, with advantages in establishing an enhanced robustness and stability in the senior management environment, including appointments to the statutory officer roles of section 151 officer and monitoring officer, which are key to good governance. The Shared Services initiative also establishes shared Policy and Performance, HR and Communications teams, all of which will play key roles in addressing cultural change in the organisation in addition to leading on reviews of policies and procedures as well as re-establishing systems for monitoring. The revised structure is shown in the chart below.

More broadly, our staff are the most important resource we have to help us achieve our goals. The Council employs 279 staff in full time and part time contracts. A breakdown of our workforce by age and gender, as at 31 March 2019, is set out in the table below:

**No. of Employees by Age and Gender.**

	Male	Female
Under 20	3	0
20-29	22	10
30-39	25	26
40-49	35	36
50-54	18	27
55-59	22	22
60+	15	18
<b>TOTAL</b>	<b>140</b>	<b>139</b>

**Senior Management Structure**



**Corporate Plan and Performance in 2018/19**

The Annual Corporate Plan Performance Report for 2018/19 was received by Cabinet on 19 June 2019. The report provided an overview of how the Council performed against the identified deliverables for 2018/19, within the context of the then-current five-year 2018/23 Corporate Plan.

The report highlighted a number of successes that included a Digital Strategy Review, the implementation of the Living Wage Reform and development of a homelessness project to implement the new Homeless Reduction Act 2017. However, although reported as an achievement to note, the delivery of 491 new homes in 2018/19 with 97 of these being affordable, the authority was still underperforming by 10% against what was considered a low target and improvement upon this has been established as a priority target.

Three projects that shown as being off-track, but it was noted that these were in instances where the Council played more of an influencing and supportive role, rather than having the direct authority to deliver these projects, independent of decisions by key partners. These included, securing funding for the Ribble Crossing, the progressing of the Cuerden Strategic site and Shared Services arrangements with Chorley Borough Council, although it was noted at the meeting that, following a recent meeting with Chorley, Shared Services was now progressing at an increased pace.

It is important however to recognise that there are identified issues with performance reporting during this period. It is unlikely that there were at that time robust plans underpinning and informing the project rating reported. This is addressed more comprehensively within the Annual Governance Statement and actions have been taken to improve data quality in performance reporting.

The Corporate Plan itself was, at the time of the meeting, subject to review and a revised version for 2019-23 was approved by Council on 25 September 2019.

The Corporate Plan is delivered with the purpose to achieve the Council's vision and ambition. In the 2018-19 Plan, this vision was summarised as:

‘South Ribble is and continues to be recognised nationally as the best place in the UK’.

With the ambition to be:

‘A Council that is recognised for being innovative, forward thinking and financially self-sufficient, whilst putting people at the heart of everything we do’

From 2019/20 onwards the Council has committed to aligning the projects delivered within the Corporate Plan to the 2019/24 South Ribble Community Strategy, which was developed by the South Ribble Partnership in 2018. Doing this allows the Council to work towards shared community objectives in collaboration with community partners, in the priority areas of Effective Partnerships, Growth, Connected, and Place.

Although South Ribble Borough Council's Corporate Plan is directly informed by the South Ribble Community Strategy, both the Corporate Plan and Community Strategy are influenced by wider regional and sub-regional plans. The Council work closely with partners at a regional and sub-regional level to develop policies (*what is intended to be delivered*) and strategies (*how this is intended to be delivered*) that support these plans, and bring mutual benefits for all organisations and districts involved.

These policies and strategies then influence policies and strategies that are in place within the Council, however using the ‘performance management, review, and continuous improvement approach’ these policies and strategies remain equipped to facilitate the successful delivery of the Corporate Plan, whilst also producing outcomes aligned with the Community Strategy and wider regional and sub-regional plans.



Council officers (*also known as 'Our People' within the Corporate Plan*) are fundamental for successfully delivering the identified Corporate Priorities. The Corporate Planning and Delivery Framework sets out below the 'Corporate Planning and Delivery Cycle'. This cycle breaks down the annual process of Corporate Planning and Delivery into five stages, namely, Consult, Plan, Performance Management (*and Delivery*), Review (*and Evaluation*), and Continuous Improvement, whilst being underpinned by Effective Communication (*frequently and consistently throughout*), and the embedded Blended Working approach.

This framework and way of working echoes South Ribble Borough Council's ethos of being 'One Council, One Team, Creating Excellence', by both creating and supporting the high performing teams that have delivered the excellent progress made across the five-year Corporate Plan to date.





The Corporate Plan is broken into three key **Corporate Priorities** (as shown in the model below), each which contain programmes and projects for delivery. Each of these priorities are underpinned by '**Our People**', as we must develop and support our Council officers to facilitate the delivery of our Corporate Plan for all of South Ribble's communities.



The areas of activity and the identified projects associated with each of these are identified below, together with examples of performance against them in 2018/19. A detailed performance report for the year will be presented to full Council towards the end of July 2019.

***Excellence and Financial Sustainability***

This heading covers the following:

- Council Investment Portfolio Programme
- Transformation Programme
- Shared Services with Chorley Council

The table below sets out progress achieved in respect of the Council Investment Portfolio Programme.

Project (s):	2018/19 Performance Update	Status	Next Steps in 2019/20
Civic Centre Commercialisation Phase 1	The completion of the first phase of this project has included the successful renovation of the Civic Centre's Business and Conference Centre, which is now available for external use and generating revenue. Furthermore, improvements have been made to the reception area, including signage for the Department for Work and Pensions (DWP) partners who are now located in the Civic Centre	Complete	Phase 2 of Business and Conference Centre project is set to commence through 2019/20, this is set to include further commercialisation and the renovation to the café area.
Worden Hall Arts Centre Commercialisation Phase 1	An investment opportunity was advertised for bids to be provided for the commercial use of Worden Hall, and applicants have now been shortlisted.	On-track	The investment opportunity shall be worked up and finalisation for consideration by Cabinet.
Depot Commercialisation Phase 1	The vehicle workshop at Moss Side Depot has now been outfitted with equipment to enable MOT tests to be carried out on the premises. The MOT test Centre is forecasted to be open for use from May 2019, initially starting with in-house vehicles and opening up to staff, partners, and the public via a phased approach.	On-track	Through 2019/20 Council officers will aim to seek additional opportunities to increase revenue through the Moss Side Depot's assets and services.
Surplus sites disposals programme Phase 1	The specification, scoring schedule and tender documentation have now been drafted for the procurement team. The tender aims to appoint advisors for a three-year period with the option to extend for an additional year.	On-track	Advisors will carry out a strategic asset review of surplus sites to identify next steps.

Develop business case for South Ribble Home Build proposal	A consultation exercise was carried out looking at a number of sites in the Council's ownership, this included letters to residents and public consultations. Both the 'McKenzie Arms' on Station Road, Bamber Bridge and Kingsfold Drive sites were identified as priorities for full business cases and options appraisals that must be reported back to Cabinet.	On-track	The Homebuild Strategy shall be reviewed with the new administration and a clear way forward shall be agreed.
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### ***Health and Wellbeing***

This heading covers the following:

- Health, Leisure and Wellbeing Campus Programme
- Homelessness and Independent Living Support
- Social Isolation and Loneliness
- Support for Communities and Volunteering
- Lancashire Mental Health Strategy
- Deliver the Borough's Air Quality Plan

Examples of progress achieved in 2018/19 are:

#### ***Homelessness and Independent Living Support***

This programme is one multiple Corporate Plan programme that the Council have committed to in order to tackle inequalities that exist across the Borough. More specifically this programme looks to prevent the number of individuals that reach the stage of becoming homeless, and also ensure that those who do reach this stage are not in that situation for the long-term. Furthermore, this programme aims to ensure that those living with disabilities are able to improve their quality of life within their homes, in a way that is both quick and accessible.



Project (s):	2018/19 Performance Update	Status	Next Steps in 2019/20
Development of a Homelessness project to implement the new Homelessness Reduction Act 2017	This project was successfully delivered to implement the Homelessness Reduction Act 2017. The Homelessness Strategy is now ongoing as 'business as usual'.	Complete	Implement a new service delivery model of health focused on prevention.
Implement a project to deliver additional Independent living support to people living with a disability	The completion of this project has enabled customers who have been referred for assistance through the fast track process to benefit from adaptations to their homes quicker, and therefore been able to be discharged sooner.  The project will continue to be delivered as 'business as usual'.	Complete	

*Support for Communities and Volunteering*

This programme focuses on how the Council, partners, and members of the community can work together to actively participate in improving the quality of life for those across South Ribble's communities living with inequalities.

Project (s):	2018/19 Performance Update	Status	Next Steps in 2019/20
Adopt a revised Council Tax Support Scheme for 2019/20	The Council Tax Support scheme was agreed for 2019/20 with no change to annual billing. Following an additional report to Council regarding the outcome of further modelling and recommendations for a review of the Hardship Policy, further work will be undertaken in 2019/20.	Complete	A review will take place for the Exceptional Hardship Payment Policy as part of the Council Tax Support Scheme for 2020/21, this will include carrying out a consultation on preferred scheme options.

Develop volunteering strategy framework to support people and communities to be resilient	<p>This has been developed alongside the South Ribble Community Strategy, with additional consultation specific to volunteering and participation also carried out.</p> <p>A drafted strategy has been produced and in agreement with Cabinet, the strategy will be going out for further consultation. This consultation programme will form the basis of an implementation and action plan to bring the strategy to life.</p>	Complete	Work with partners to deliver actions identified in the Volunteering Strategy, with a key outcome going forward being to develop a 'deal' with communities that will support the Council's wider health and wellbeing approach as well as transformation of services.
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The average number of days taken to process a new housing benefit claim (including weekends) for 2018/19 was 22 days, this being level with the England national average of 22 days. It is also worth noting that Quarter 4 achieved an average of 19.05 days. Council Officers have worked hard to maintain high performance despite the impact of Universal Credit.

### ***Place***

This heading covers the following:

- Cuerden Strategic Site
- Economic Strategy: Supporting Existing and New Businesses
- City Deal and Plan for Successors Programme
- Central Lancashire Core Strategy and South Ribble Local Plan
- Housing Framework: Delivery of a balanced housing market
- Place Promotion
- My Neighbourhood Plans
- River Ribble Masterplan
- Raising Community Aspirations in relation to Growth and Improvements in the Borough
- Renewable Energy

Examples of progress achieved in 2018/19 are:

### *Place Promotion*

The Place Promotion programme aims to promote South Ribble both within local communities through investing in community events and festivals, but also on a regional and national level in order to attract more residents and businesses to choose South Ribble as a place to live, work, play, and do business.

Project (s):	2018/19 Performance Update	Status	Next Steps in 2019/20
Invest Central Lancashire and South Ribble Inward Investment Marketing Plan/Activity	This has included the joint promotion of investment opportunities with City Deal partners, working with industry partners such as Place Northwest and direct promotion through relevant business media. New materials have been produced both with City Deal branding and with 'Business in South Ribble' and Apprentice Factory branding, all promoting the investment opportunities and support in South Ribble. South Ribble attended MIPIM UK as a partner on the Lancashire stand, which was a major opportunity to reach the wider target market and that was complemented by more focussed Place Northwest Development updates at Lancashire level.	On-track	Develop Invest Central Lancashire and South Ribble Inward Investment Marketing Plan/Activity, and deliver actions.
Develop South Ribble Programme for festivals and events	A draft Events Programme for 2019/20 was approved and now plans for individual events are being worked up with more detail around health and safety, risk management, publicity and promotion.	On-track	Finalise the South Ribble Programme for festivals and events, to build on South Ribble's thriving community spirit, and begin to deliver planned events.
South Ribble Ambassador programme	This project has not progressed as quickly as anticipated due to further scoping being required. This project will be aligned with actions identified in the South Ribble Community Strategy, and delivery will begin to commence in 2019-20.	Off-track	Work with partners to build a network of South Ribble Ambassadors, representing different key stakeholder groups across the Borough.

*Raising Community Aspirations in relation to Growth and Improvements in the Borough*

This programme aims to engage the communities and partners within South Ribble to work towards collective community goals that raise aspirations in relation to growth and improvements in the Borough. This has been delivered throughout 2018-19 in the form of the South Ribble Community Strategy.

Project (s):	2018/19 Performance Update	Status	Next Steps in 2019/20
Lead the development of the Borough Community Strategy	<p>This strategy has now been developed by South Ribble Partnership, and allows the Council to collaboratively work towards shared community goals with partners.</p> <p>A significant amount of consultation was carried out to develop the strategy, this included:</p> <ul style="list-style-type: none"> <li>• A community survey that was representative of the population.</li> <li>• Over 20 organisations were interviewed 1-1 to identify their needs/aspirations.</li> <li>• Two workshops engaged with wider partners and communities.</li> </ul> <p>Key partners continue to be active as members of the Steering Group which provides the direction and oversight for development of the Strategy. The draft strategy was presented to Partners in January 2019 and further work is now being completed to develop its structure and immediate work programme.</p>	Complete	In collaboration with partners the Council will scope out the projects and actions that will add value to South Ribble's communities across the identified priority areas (Growth, Connection, and Place), and begin to commence delivery.

## Our People

Identified projects in this area are:

- Organisational Development
- Apprenticeships

Key Performance Measures in this area are:

- 12 Council officers are undertaking apprenticeship courses through the apprenticeship levy (including degree level).
- Sickness absence has improved from an average of 9.62% in 2017/18 to 8.15% in 2018/19, this now being below the LGA England national average of 8.2%.
- The gender pay gap has also decreased from 2016/17 to 2017/18 as both a median and mean average figure:
  - Mean: 5.49% to 3.87%
  - Median: 0.61% to 0.42%
 (Please note: gender pay gap figures are reported one year late).

## Financial Performance

In 2018/19, the Council set a balanced annual budget of £14.128m which included efficiency savings of £0.628m and no budgeted contributions to or from general reserves.

The revised budget for 2018/19 forecast a net surplus of £0.219m to be transferred to the capital reserve to support the 4 year Capital Strategy and Programme. At the end of the year, the Council had underspent by a further £0.093m and this small surplus has been added to general reserves.

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 grant (revenue support grant) and the introduction of the local retention of business rates. The Council is part of the Lancashire Business Rate Pooling arrangement which allows increases in business rates to be retained locally but transfers the financial risk of maintaining and growing the tax base to local councils. These arrangements benefit South Ribble and therefore contribute positively to the Council's overall financial position. In September 2018 South Ribble participated in the Lancashire application for the Business Rates 75% pilot scheme. The Lancashire bid was successful and therefore, for 2019/20 only, South Ribble will benefit from retaining a higher proportion of any growth in business rates income. This increase in funding has been included in the 2019/20 budget forecast. For 2020/21, the locally retained share has reverted to the previous level of 50%.

Another core funding stream is New Homes Bonus (NHB) which relates to growth in housing supply in the borough. The NHB scheme was changed in 2017/18 when the benefit receivable was reduced from 6 to 4 years and a growth threshold was also introduced. South Ribble has committed to pay its receipts into City Deal and therefore, because of these changes, less funding will be available from this source for the Council to pay into City Deal and the Council's element will cease after 2019/20. Further allocations of NHB were made for 2020/21, but these were for one year only and the future of NHB beyond the end of that year remains very uncertain.

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 outcome of this process was originally expected in the second half of 2019/20, in time for it to provide the basis for a new multi-year local government finance settlement from 2020/21 onwards, but this was postponed for a further year, leaving 2020/21 as an interim one-year settlement. A postponement for a further year has now been announced. When combined with the impacts of both the Covid 19 pandemic

and the final outcomes of the Brexit process, this means that both the immediate and longer-term futures of local government funding are highly uncertain.

In light of this, and the fact that Council tax is the major source of funding for local services, it is essential that 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. In 2018/19, South Ribble continued to perform well in this area with collection rates of 97.42% for council tax and 98.81% for business rates.

In July 2018, Council approved to transfer the 2017/18 underspend against the 2017/18 original budget of £0.770m from General Balances to the Borough Investment earmarked reserve. Total reserves for the Council increased by £0.531m to £19.519m by the end of the financial year of which £4.680m is held in a general reserve. The remaining reserves are earmarked for specific programmes of work or costs that are known to the Council. The plans within the Council's latest Medium Term Financial Strategy, as approved by Council in February 2020, will see reserves reduce to an estimated £13.265m by the end of the 2023/2024 financial year. In the context of the current uncertainties on the future of local government funding, referred to above, the careful management of reserves remains as high a priority as ever. 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.

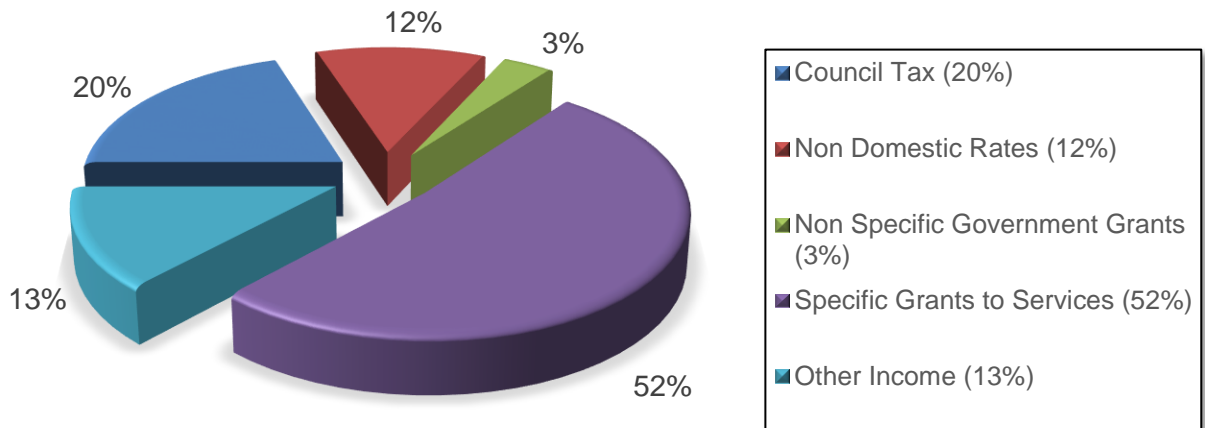
The approved budget and variances for the year are set out in the table below:

## Approved Budget 2018/19

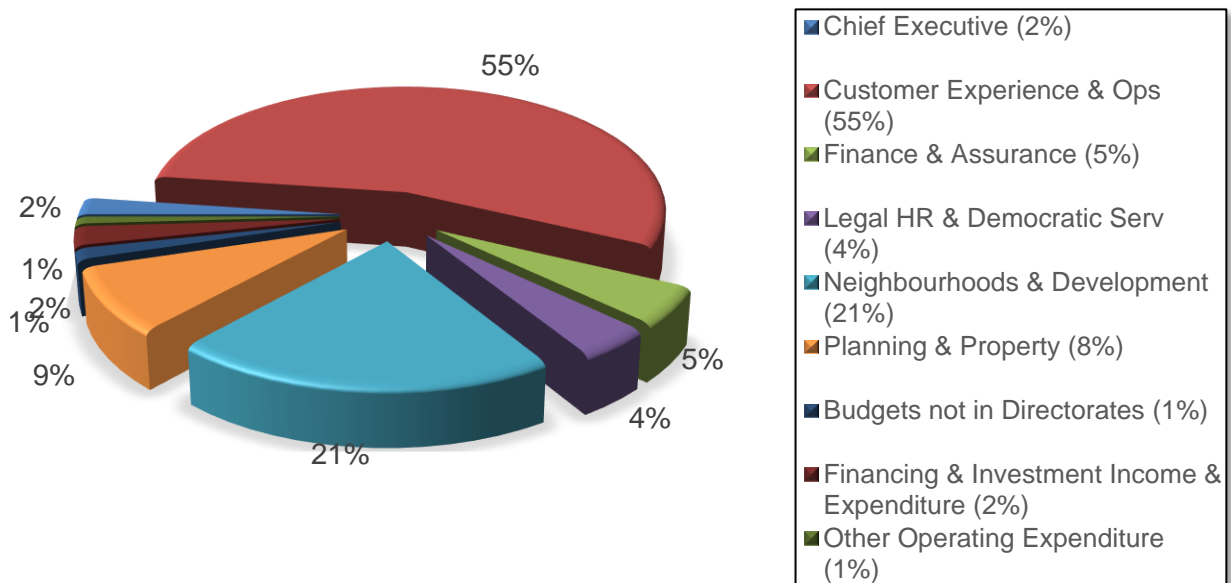
Details	Revised Budget £000	Outturn £000	Reserves Movements £000	Final Outturn £000	Outturn Variances (Under) / Overspend £000
<b>Directorate</b>					
Chief Executive	844	867	0	867	23
Neighbourhoods and Development	6,015	5,668	132	5,800	(215)
Planning and Property	609	397	291	688	79
Customer Experience and Operations	1,881	1,694	153	1,847	(34)
Finance and Assurance	1,693	1,686	60	1,746	53
Legal, HR & democratic	1,379	1,348	27	1,375	(4)
<b>Budgets Not in Directorates</b>					
Capital financed From Revenue	0	518	(518)	0	0
Debt Repayment	886	884	0	884	(2)
Interest	(100)	(175)	0	(175)	(75)
Parish Precepts	365	365	0	365	0
Pensions Costs	563	554	0	554	(9)
<b>Funding</b>					
Council Tax	(8,054)	(8,054)	0	(8,054)	0
New Homes Bonus	(1,391)	(1,399)	0	(1,399)	(8)
Business Rates s31 grant	(1,099)	(1,291)	190	(1,101)	(2)
Retained Business Rates	(3,508)	(3,504)	0	(3,504)	4
Reserves	(83)	349	(335)	14	97
<b>TOTAL OUTTURN VARIANCE 18/19</b>	<b>0</b>	<b>(93)</b>	<b>0</b>	<b>(93)</b>	<b>(93)</b>
<b>Plus:</b>					
<b>Contribution of underspend in 2017/18 to Borough Investment Reserve (Council decision July 2018)</b>					<b>770</b>
<b>Net Deficit in Year</b>					<b>677</b>
<b>Contribution to/(from) General Reserve</b>					<b>(677)</b>
<b>Movement on General Fund as per Expenditure and Funding Analysis</b>					<b>(531)</b>
<b>Net Transfer to Earmarked Reserves</b>					<b>1,208</b>
<b>(Increase)/Decrease in General Reserves</b>					<b>677</b>

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

### Where the money came from



### Where the money was spent





## Capital Programme

In February 2019 the Council approved a 4-year capital strategy of £41.4m. The key elements within this were:

- Health, Leisure and Wellbeing Programme including 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. £23.8m
- Master planning and regeneration of key strategic sites, more affordable housing, support to vulnerable people through disabled facilities grant and upgrading the condition of the Council's buildings. £8.1m
- Improved and updated ICT systems and technology including mobile technology, replacement of Council service vehicles and an update to the Civic Centre to create a more commercially focussed facility. £4.9m
- Funds released for an investment property programme to generate income for the Council. £4.6m

These have continued as priority themes into the 2019/20 and 2020/21 strategies, with the addition of other items, most notably the provision of Extra Care accommodation, for which provision of £10m has been made across the years 2021/22 to 2023/24. The most recent strategy, approved by Council in February 2020, contains total planned expenditure of £57.6m from 2020/21 to 2023/24.

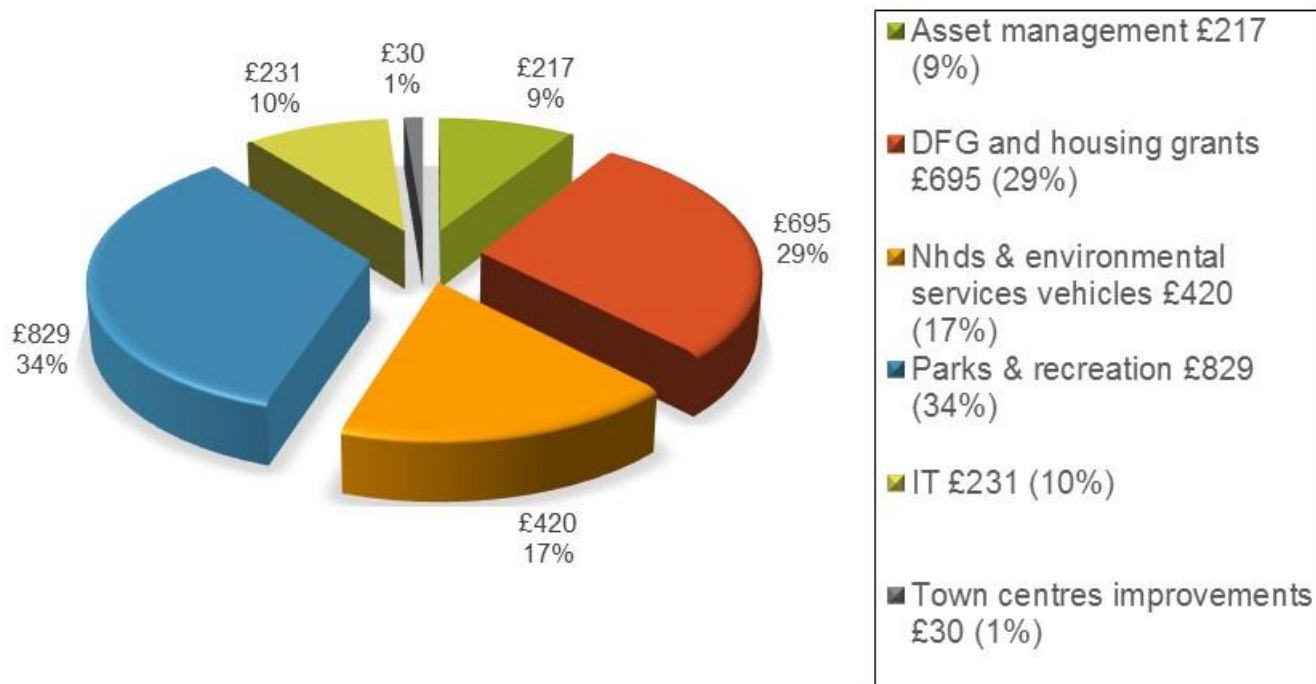
Within the £41.4m, the original capital programme budget for 2018/19 was £8.151m. With approved slippage from 2017/18 and other subsequent changes, the final budget was £9.882m. This was later revised to £2.897m in February 2019, to take account of slippage in the programme. In revising the 2018/19 budget, the Council took the decision to carry forward £6.654m into 2019/20, so that projects that were underway could be completed. That carry forward was reflected in the 2019/20 budget.

The position on the 2018/19 capital budget is set out in the following table.

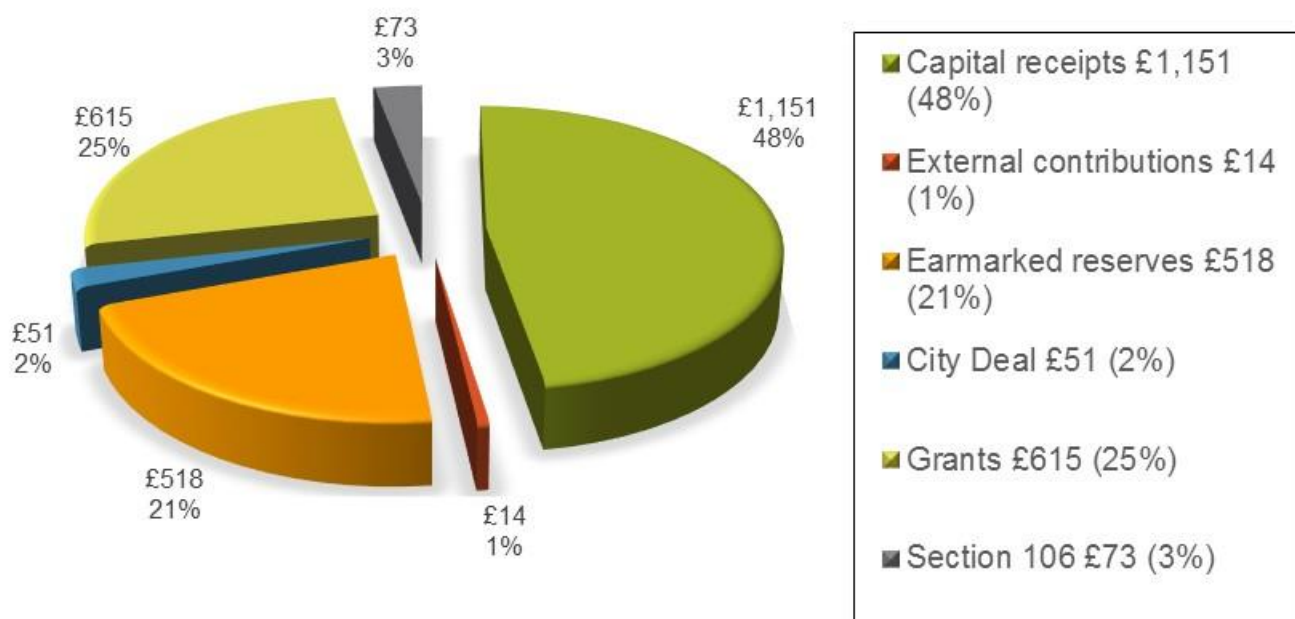
Description	Budget £000	Revised Budget (A) £000	Expend- iture (B) £000	Variance (B) – (A) £000	Re-phased into 2019-20 £000	Over / (Under) spend £000
<b>Health, Leisure and Well Being</b>						
Green Infrastructure	400	255	212	(43)	(43)	0
Existing Built Assets	655	249	249	0	0	0
Open Spaces and recreational areas	1,540	415	368	(47)	(45)	(2)
<b>Place</b>						
Master-planning and regeneration	427	89	78	(11)	(16)	5
Disabled Facilities Grants	848	757	621	(136)	(136)	0
Housing Grants	200	63	63	0	0	0
Affordable Housing	583	10	6	(4)	(4)	0
<b>Excellence and Financial Sustainability</b>						
ICT systems and technology	233	227	231	4	0	4
Vehicles and plant replacement	1,018	656	420	(236)	(236)	0
Corporate buildings	430	176	174	(2)	(6)	4
Investment Property	3,548	0	0	0	0	0
<b>TOTAL</b>	<b>9,882</b>	<b>2,897</b>	<b>2,422</b>	<b>(475)</b>	<b>(486)</b>	<b>11</b>

The Council spent £2.422m against the revised budget of £2.897m, which equates to 83.6% and gives an overall variance of £0.475m. Of this, £0.486m was been carried forward into 2019/20 to enable projects to be completed. The remaining £0.011m was a net overspend. A summary position of capital expenditure is set out below.

### Capital Expenditure £'000



### Capital Financing £'000



The significant areas of spend (over £20,000) and major schemes completed in the 2018/19 capital programme were as follows:

Scheme Name	Spend £'000
Green Infrastructure:	
Central Parks Network	53
Shruggs Wood	32
Penwortham Holme Rec Centre drainage	128
Existing Built Assets:	
Farmyard Cottages roofing and cladding	43
Worden Park toilet facilities improvements	175
Open Spaces and recreational areas:	
New Leisure Campus Facility	175
Worden Park replacement conservatory	134
Master-planning and regeneration:	
City Deal - St Catherine's Park and Central Parks	46
Disabled Facilities Grants	621
Private Sector home improvement grants	63
ICT systems and technology:	
Civic Centre audio visual equipment	40
Civica EDRMS Data Retention Module	23
Moss Side Depot Networking	21
SAN hosts replacement	81
Wifi upgrade	35
Vehicles and plant replacement	420
Corporate Buildings:	
Civic Centre Banqueting Suite	80
Moss Side Depot building works	54
Moss Side Depot server room works	35

## The Corporate Risk Register

The Corporate Risk Register is in place to identify and manage the risks that could impact on the delivery of the Council's objectives. Monitoring of the Corporate Risk Register is undertaken throughout the year and is reported to Governance Committee. More information on the Corporate Risk Register, and performance against it, can be found in the Year-end Performance Monitoring Report which will be reported to Full Council in July 2019 and which will then be accessible on the Council's website.

The table below sets out the some of the more significant risks facing the Council and the mitigating actions that are in place in order to manage the risk.

### Corporate Risk Register 2018/19

The Register as it stood at 31 March 2019 is summarised below.

Risk Description	Inherent Risk Score	Existing Control Measure Description and additional mitigating actions taken in 2017/18	Residual Risk Score
Failure of corporate governance leading to external intervention	<b>High</b>	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>• Council Constitution and Codes of Conduct</li> <li>• Risk Registers reviewed regularly</li> <li>• Cross party Improvement Reference Group with external membership in place</li> <li>• Transformation Strategy</li> <li>• AGS Action Plan</li> </ul> <p><b>Additional control measures to be implemented:</b></p> <ul style="list-style-type: none"> <li>• Develop a more inclusive approach to the development of the Annual Governance Statement</li> <li>• Member Development Charter</li> <li>• Member and Officer Protocol</li> <li>• Review of Council Constitution</li> </ul>	<b>Low</b>
Reduction in Government Grant threatens the financial sustainability of the Council	<b>High</b>	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>• Budget Forecasting within MTFS with regard to Annual LG Finance Settlement</li> <li>• 5-year MTFS aligned to the 5-year Corporate Plan to ensure resources are allocated to deliver the corporate priorities</li> <li>• Robust monitoring and reporting of progress in delivering the Corporate Plan and MTFS</li> <li>• Financial Training for relevant staff and members</li> <li>• Maintain high Council Tax and Business Rates collection rates</li> </ul> <p><b>Additional control measures to be implemented:</b></p> <ul style="list-style-type: none"> <li>• Implement Strategic Asset Review actions</li> <li>• Transformation projects: implement savings. income generation proposals</li> <li>• Clear targets in the Corporate plan and MTFS with robust performance monitoring and reporting</li> <li>• Develop models for and implement further shared services</li> </ul>	<b>Low</b>

Fraud & Corruption	Medium	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>Fighting Fraud and Corruption locally</li> <li>Probity Policies - Anti Fraud &amp; Corruption / Fraud Response Plan / Whistleblowing etc.</li> <li>Periodic training / awareness sessions carried out with officers</li> </ul>	Medium
		<p><b>Additional control measures to be implemented:</b></p> <ul style="list-style-type: none"> <li>Update Anti-Fraud Strategy</li> <li>Review Corporate Fraud Risk Register in GRACE</li> <li>Comprehensive policy review and revised scheme of delegation to reflect the Council's new organisational structure</li> </ul>	
Impact of Brexit on Council Services	Low	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>Weekly policy review</li> <li>Brexit negotiations and legislation under regular review for developments that may have an impact on services</li> </ul>	Low
Failure of information systems and security	Medium	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>Maintaining high level of ICT security, achievement of PSN accreditation.</li> <li>Development of annual ICT work programme</li> </ul>	Medium
		<p><b>Additional control measures to be implemented:</b></p> <ul style="list-style-type: none"> <li>Implement recommendations of SOCITIM Review as appropriate</li> </ul>	
Lack of capital funding to undertake large scale improvements to parks, open spaces and leisure facilities	Medium	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>Capital programme reflects the priorities in the Corporate Plan</li> <li>Regular monitoring of Capital Programme</li> </ul>	Low
		<p><b>Additional control measures to be implemented:</b></p> <ul style="list-style-type: none"> <li>Develop resource plan for Campus Programme</li> </ul>	
Lack of staff resources, systems and / or the skills needed to deliver services and corporate plan and improvement activities	High	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>Transformation Strategy</li> <li>Policies including Pay Policy / Recruitment policy</li> <li>Employee Benefits - keep under review and in line with best practice</li> <li>Implement the Transformation Strategy action plans - focus on organisational development</li> <li>Project Management System</li> </ul>	Medium
		<p><b>Additional control measures to be implemented:</b></p> <ul style="list-style-type: none"> <li>Early implementation of the new organisational structure</li> <li>Organisational culture review</li> <li>liP Gold renewal</li> <li>Investment in organisational development, staff and member development</li> <li>Investment in programme and project management capacity and skills</li> </ul>	

Political decisions not taken by members in a timely way	Medium	<p><b>Existing control measures:</b></p> <ul style="list-style-type: none"> <li>• Cross party working</li> <li>• Cross party Improvement Reference Group with external membership in place</li> <li>• Publication deadlines for Committee reports in place</li> </ul>	Low
		<p><b>Additional control measures to be implemented:</b></p> <ul style="list-style-type: none"> <li>• More use of pre-scrutiny on key decisions</li> <li>• Early consultation with residents / businesses and member engagement on key strategic issues</li> <li>• Training and support on the use of the ModGov system to ensure that all members have immediate access to published reports within the statutory publication deadline</li> </ul>	

## Covid-19 Pandemic and 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's 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.

## Outlook for the Future

All local authorities are currently faced with very high levels of uncertainty regarding the future funding of their services. The key factors in this are the ongoing Brexit process and the impact of the Covid 19 pandemic. The direct impact of the pandemic has required the council to adapt its approach to service delivery and take a more active role in supporting local residents and businesses. This has had major financial implications and, although government funding has been provided, because the situation remains extremely challenging and constantly developing, both exactly what is and will be required and how it will be funded remain uncertain.

On Brexit, at the time of writing, the country's future trading relationship with the EU remains uncertain and the expiry of the transitional agreement on 31 December 2020 is fast approaching, with the possibility that no agreement on the future will be reached by that date. The implications for the council would be difficult to quantify and are likely to be on a macro-economic scale such as potential national reductions in economic activity resulting in reduced business rates income, council tax receipts and increased benefit support payments.

The impact of Covid-19 and the Brexit negotiations has also resulted in a delay in the Government implementing the review of the Business Rates System as well as the Fair Funding review. The Government was also due to announce a three-year future funding settlement for local government, which would provide the basis needed for financial and service planning over the medium term.

This document presents the council's Statement of Accounts for the financial year 2018-19, at the end of which there was just one year left of the three-year period covered by the then current financial settlement. The Fair Funding review was due to be completed by the government in September 2019 and a new three-year settlement, based on the review, was to be announced in November/December 2019 and implemented from financial year 2020/21 onwards. In Autumn 2019, this timetable was put

back by a year and a single-year settlement announced for 2020/21. A further delay was announced in April 2020 and it has now been confirmed that there will be a further single-year settlement for 2021/22. The content of that settlement has yet to be confirmed, although the initial indications are that it will largely be a continuation of the current funding pattern, with some adjustments to reflect financial burdens arising directly from the pandemic and its broader effects on levels of income from business rates. South Ribble Council has also been permitted once more to apply to the Lancashire Business Rates Pool for 2021/22 which the council expects to be agreed on previous terms.

In January 2020, the Council updated its MTFS so that it reflected 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 four-year MTFS without the need for significant savings.

The council's new Corporate Strategy was approved by Full Council on 30 September 2020 and the MTFS is being developed in consultation with officers and members to reflect this strategy. The new strategy retains the existing vision with an emphasis on 'accountability' to reflect the council's commitment to openness and transparency. The new strategy also reflects the council's commitment to businesses and residents to help manage, where possible, the uncertainties created during and after by Covid-19 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, this includes the delivery of an extended shared service with Chorley Council. The Council is introducing robust arrangements to ensure that plans for efficiencies are realistic and deliverable over agreed timescales. Performance against agreed objectives will be reported to Executive Cabinet at regular intervals throughout the year alongside budget monitoring reports. However, these all require additional monitoring and review in the context of the impacts of the Covid 19 pandemic. This will remain vital throughout 2020/21 and will have a major impact on the 2021/22 budget preparation and subsequent MTFS.

The Council is in a 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 investment strategy 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, working alongside the City Deal, 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. This is being carried out alongside the council's current work to refresh its Local Plan. 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 utilising some reserves to deliver its Corporate objectives, informed by the Corporate Strategy. However, as already stated the progress of Corporate Priority projects could be affected by the financial impact of the Covid 19 pandemic, while the implications of the completion of the Brexit process also remain unknown. The effects of these on the council's budget and performance will be closely reviewed throughout the year.



## 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 2018/19 were:

- Investments were short-term, the maximum period permitted by the Council's Treasury Strategy being one year.
- The average cash balance invested was £40.055m at an average rate of 0.755% and generated £0.302m 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.
- In 2018/19 there have been no repayments in respect of the Heritable investment claim. The balance of the claim remaining to be recovered is still £0.040m. In total, £1.974m of the original £2.000m investment has been recovered. Recovery to date is around 98% of the claim value, which has exceeded expectations.

## Pension Fund Liability

The pension fund deficit reduced just slightly during the year, by £0.147m, from £32.961m to £32.814m, being the net pension liabilities. 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. In addition, the Council's pension fund has to be revalued every three years to set future contributions into the fund. The most recent valuation, prior to 31 March 2019, was in 2016 and reported a funding level of 90%. The Council has a deficit recovery plan in place to reach a 100% funding level by making additional Deficit Recovery Contributions into the fund over the next 16 years.

This deficit figure is very much an estimate, being 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 2018/19 include:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The impact of these changes on the Authority's financial statements is limited to minor changes to the wording of accounting policies and to the detail of the presentation of a small number of disclosures.



**Going Concern**

The council, in common with all local authorities, remains subject to the significant uncertainties resulting from both the impacts of the Covid 19 pandemic and the ongoing Brexit process, together with those from the associated ongoing delays to the completion of a future national local government financing settlement. At present all indications are that a combination of government funding streams to meet additional expenditures, and the strong underlying position of the council's finances, will ensure that the council's financial and operational viability will remain robust.

The council has a number of large earmarked reserves including over £3m to manage any temporary reductions in business rates income, whether through Government reforms, economic downturns or national revaluations. The council also holds over £4m in general fund reserves to manage any other potential reductions in funding or additional expenditure requirements.

South Ribble Borough Council's current MTFs outlines the strategies it will pursue to meet current and future funding shortfalls. The approval of a balanced budgets for 2019/20 and 2020/21 has already been given and there is no reason to believe that the risks to the approval of the Council's budget in future years will not be entirely mitigated through the transformation programme. The process of refreshing the MTFs for the financial years from 2021/22 onwards is now under way. We have accordingly considered it 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 421491, by email at [info@southribble.gov.uk](mailto: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 2018/19 (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 32     **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 35     **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 106    **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 36     **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 37     **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 38     **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 39 **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 40 **Notes to the Main Financial Statements** – these add to and interpret the individual statements.

#### **SUPPLEMENTARY FINANCIAL STATEMENTS**

Page 102 **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 103 **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 Deputy Chief Executive (Resources and Transformation) and S151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Chief Financial Officer's Responsibilities

The Deputy Chief Executive (Resources and Transformation) and 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 2018/19 (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 2019 and its Income and Expenditure for the year ended 31 March 2019.

James Thomson CPFA  
Deputy Chief Finance Officer and Section 151 Officer  
Date: 22 December 2020

## 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.

2017/18				Note	2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,007	(115)	892	Chief Executive		873	(2)	871
9,973	(2,836)	7,137	Neighbourhoods & Development		9,791	(2,645)	7,146
3,951	(2,423)	1,528	Planning & Property		3,765	(2,052)	1,713
1,657	(198)	1,459	Finance & Assurance		2,277	(277)	2,000
1,716	(327)	1,389	Legal, HR & Democratic Services		1,639	(293)	1,346
23,478	(21,683)	1,795	Customer Experience & Operations		22,247	(20,414)	1,833
1,214	0	1,214	Budgets Not in Directorates		464	0	464
<b>42,996</b>	<b>(27,582)</b>	<b>15,414</b>	<b>Cost of Services</b>		<b>41,056</b>	<b>(25,683)</b>	<b>15,373</b>
398	0	398	Other operating expenditure	12	369	0	369
3,484	(3,518)	(34)	Financing and investment income and expenditure	13	4,349	(3,512)	837
9,768	(26,867)	(17,099)	Taxation and non-specific grant income	14	10,055	(25,869)	(15,814)
<b>56,646</b>	<b>(57,967)</b>	<b>(1,321)</b>	<b>(Surplus) / deficit on provision of services</b>		<b>55,829</b>	<b>(55,064)</b>	<b>765</b>
		(128)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets				(607)
		(5,077)	Re-measurement of the net defined benefit liability	37d			(1,318)
		<b>(5,205)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(1,925)</b>
		<b>(6,526)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(1,160)</b>



## 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
<b>Balance at 31 March 2017</b>	(18,593)	(2,106)	(6,451)	(27,150)	2,365	(24,785)
<b><u>Movements in 2017/18</u></b>						
Total Comprehensive Income & Expenditure	(1,321)	0	0	(1,321)	(5,206)	(6,527)
Adjustments between accounting basis & funding basis (note 10)	926	174	(1,662)	(562)	562	0
<b>(Increase) / Decrease in year</b>	<b>(395)</b>	<b>174</b>	<b>(1,662)</b>	<b>(1,883)</b>	<b>(4,644)</b>	<b>(6,527)</b>
<b>Balance at 31 March 2018</b>	<b>(18,988)</b>	<b>(1,932)</b>	<b>(8,113)</b>	<b>(29,033)</b>	<b>(2,279)</b>	<b>(31,312)</b>
<b><u>Movements in 2018/19</u></b>						
Total Comprehensive Income & Expenditure	765	0	0	765	(1,925)	(1,160)
Adjustments between accounting basis & funding basis (note 10)	(1,296)	1,105	(998)	(1,189)	1,189	0
<b>(Increase) / Decrease in year</b>	<b>(531)</b>	<b>1,105</b>	<b>(998)</b>	<b>(424)</b>	<b>(736)</b>	<b>(1,160)</b>
<b>Balance at 31 March 2019</b>	<b>(19,519)</b>	<b>(827)</b>	<b>(9,111)</b>	<b>(29,457)</b>	<b>(3,015)</b>	<b>(32,472)</b>

## 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 2018 £'000		Notes	31 March 2019 £'000
28,147	Property, Plant & Equipment	15	28,461
11,332	Investment Property	16	10,679
188	Intangible Assets	17	150
50	Long Term Debtors	18	47
<b>39,717</b>	<b>Long Term Assets</b>		<b>39,337</b>
27,044	Short Term Investments	18	31,071
87	Inventories	19	88
3,728	Short Term Debtors	20	2,428
4,670	Cash and Cash Equivalents	21	3,126
<b>35,529</b>	<b>Current Assets</b>		<b>36,713</b>
(7,902)	Short Term Creditors	22	(8,054)
(1,700)	Provisions	23	(1,833)
<b>(9,602)</b>	<b>Current Liabilities</b>		<b>(9,887)</b>
(217)	Long Term Creditors	18	(183)
(596)	Other Long Term Liabilities	18	(259)
(32,961)	Net Pension Liability	37	(32,814)
(558)	Grant Receipts in Advance - Capital	33	(435)
<b>(34,332)</b>	<b>Long Term Liabilities</b>		<b>(33,691)</b>
<b>31,312</b>	<b>Net Assets</b>		<b>32,472</b>
(29,034)	Usable Reserves	24 & MiRS	(29,457)
(2,278)	Unusable Reserves	25	(3,015)
<b>(31,312)</b>	<b>Total Reserves</b>		<b>(32,472)</b>

The unaudited accounts were authorised for issue on 31 May 2019 and the audited accounts were authorised for issue on 22 December 2020.

James Thomson CPFA  
Deputy Chief Finance Officer and Section 151 Officer  
Date: 22 December 2020

## 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.

2017/18 £'000		Note	2018/19 £'000
1,321	Net surplus or (deficit) on the provision of services (CIES page 53)		(765)
3,283	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26a	3,432
(2,941)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26b	(1,886)
<b>1,663</b>	<b>Net cash flows from Operating Activities</b>	<b>26</b>	<b>781</b>
(759)	Investing Activities	27	(3,644)
52	Financing Activities	28	1,319
<b>956</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(1,544)</b>
3,714	Cash and cash equivalents at the beginning of the reporting period		4,670
<b>4,670</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21</b>	<b>3,126</b>

## 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.

2017/18				2018/19		
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
864	28	892	Chief Executive	867	4	871
5,799	1,338	7,137	Neighbourhoods & Development	5,668	1,478	7,146
105	1,423	1,528	Planning & Property	397	1,316	1,713
1,518	(59)	1,459	Finance & Assurance	1,686	314	2,000
1,345	44	1,389	Legal, HR & Democratic Services	1,348	(2)	1,346
1,600	195	1,795	Customer Experience & Operations	1,694	139	1,833
1,096	118	1,214	Budgets Not in Directorates	554	(90)	464
<b>12,327</b>	<b>3,087</b>	<b>15,414</b>	<b>Net cost of Service</b>	<b>12,214</b>	<b>3,159</b>	<b>15,373</b>
(12,722)	(4,013)	(16,735)	Other Income and Expenditure	(12,745)	(1,863)	(14,608)
<b>(395)</b>	<b>(926)</b>	<b>(1,321)</b>	<b>(Surplus) / Deficit in year</b>	<b>(531)</b>	<b>1,296</b>	<b>765</b>
(18,593)			Opening General Fund Balance at 1 April 2018	(18,988)		
(395)			Add (Surplus) / Less Deficit on General Fund Balance in Year	(531)		
<b>(18,988)</b>			<b>Closing General Fund Balance at 31 March 2019</b>	<b>(19,519)</b>		

## 2. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 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.

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 i.e. amounts invested, are classified based on a classification and measurement approach that reflects the business model for holding the assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit and loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The authority’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost. There are no FVPL or FVOCI financial assets.

#### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the balance sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for the interest receivable are based on the carry amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains for losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line of the CIES.

### *Expected Credit Loss Model*

The authority recognises expected credit losses on all its financial assets held at amortised cost on either 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 and lease receivables held by the authority. The authority adopts the simplified approach to lease and trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a 12 month expected losses basis.

### **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 demonstrable 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 2018/19 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 2018/19 and 2019/20 financial statements in respect of accounting changes that are introduced in the 2019/20 Code are:

- amendments to IAS 40 Investment Property in respect of transfers of Investment Property,
- annual improvements to IFRS Standards 2014-2016 Cycle,
- IFRIC 22 Foreign Currency Transactions and Advance Consideration,
- IFRIC 23 Uncertainty over Income Tax Treatments, and
- amendments to IFRS 9 Financial Instruments in respect of prepayment features with negative compensation.

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

##### **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.

##### **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. The classes of assets to which this applies are detailed in Notes 15e and 16.

##### **Business Rate 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. This, 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 2018/19, although higher than the average, is within the appropriate range.

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	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.	Sensitivity to the factors contributing to this estimate is shown in Note 37i. Small changes have major impacts on the pension deficit.
Debtors	<p>The most significant debtor issue for the Council is its responsibility for collecting £99.570m in business rates and council tax. It is however mainly as 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 £0.597m for debtors which are classed as financial instruments. The gross total is £1.859m against which a bad debt provision of £1.262m has been made.</p> <p>This total debtors figure includes Housing benefit debtors of £1.161m (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>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 £0.019m to the CI&amp;ES.</p>
Asset valuations	<p>Note 15e shows that fixed assets valued at £26.650m (£26.544m of Operational Land and Buildings and £0.106m of Community Assets) are carried at either current value or depreciated replacement cost value.</p> <p>Note 16 shows that investment properties valued at £10.679m 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. A fall of 10% in the value of these assets would amount to £2.665m, with the charge being split between the CIES and the Revaluation Reserve, dependent upon the valuation histories of the individual assets.</p> <p>A fall in the value of the Council's investment properties will result in a charge to the CI&amp;ES. Every 10% fall in the total value of the Council's investment properties would result in a £1.068m charge to the CI&amp;ES.</p>

Item	Uncertainty	Effect if actual results differ
Provisions	A provision of £1.833m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2019. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2019. See Note 23.	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 £0.046m, of which this Authority's share of the cost would be 40% or £0.018m.
Fair value measurements	When the fair values of financial and non-financial assets and 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 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 valuers). 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, 15e, 16 and 18c.	<p>The impact of a variation of 10% in the values of the Council's non-financial assets, which are measured at fair value, is shown under 'Asset Valuations' above.</p> <p>There are currently no financial assets or liabilities which are carried at fair value, although information is shown as an additional disclosure at Note 18c.</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. In preparing the Draft Statement of Accounts for 2018/19, as published on 31 May 2019, the Council considered material items to be those greater than £0.864m (2017/18 £0.850m). This equated to 2% of the Council's gross expenditure for the preceding financial year and matched the threshold initially indicated by the Council's auditor, as stated in External Audit Plan for the year. Following the identification of the governance issues which gave rise to the additional work deemed necessary by the auditor, the limit for the purposes of the audit was reduced to £616k and so, accordingly, for this purposes of completing this final Statement, the Council considers material items to be those greater than £0.616m.

## 7. Events after the reporting period

The audited Statement of Accounts was authorised for issue by the Deputy Chief Finance Officer & Section 151 Officer on 22 December 2020. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no 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 40.

2018/19	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
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>						
Chief Executive	2	(5)	7	4	0	4
Neighbourhoods & Development	1,787	(61)	(29)	1,697	(219)	1,478
Planning & Property	307	(21)	4	290	1,026	1,316
Finance & Assurance	4	581	(2)	583	(269)	314
Legal, HR & Democratic Services	18	(12)	(8)	(2)	0	(2)
Customer Experience & Operations	161	(30)	8	139	0	139
Budgets Not in Directorates	0	(90)	0	(90)	0	(90)
<b>Net Cost of Service</b>	<b>2,279</b>	<b>362</b>	<b>(20)</b>	<b>2,621</b>	<b>538</b>	<b>3,159</b>
Other income and expenditure from the Expenditure and Funding Analysis	(2,073)	809	(61)	(1,325)	(538)	(1,863)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>206</b>	<b>1,171</b>	<b>(81)</b>	<b>1,296</b>	<b>0</b>	<b>1,296</b>

2017/18 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
Chief Executive	25	4	(1)	28	0	28
Neighbourhoods & Development	1,498	92	2	1,592	(254)	1,338
Planning & Property	367	33	(2)	398	1,025	1,423
Finance & Assurance	4	121	(1)	124	(183)	(59)
Legal, HR & Democratic Services	16	23	5	44	0	44
Customer Experience & Operations	161	44	(10)	195	0	195
Budgets Not in Directorates	0	131	(13)	118	0	118
<b>Net Cost of Service</b>	<b>2,071</b>	<b>448</b>	<b>(20)</b>	<b>2,499</b>	<b>588</b>	<b>3,087</b>
Other income and expenditure from the Expenditure and Funding Analysis	(4,439)	888	126	(3,425)	(588)	(4,013)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,368)</b>	<b>1,336</b>	<b>106</b>	<b>(926)</b>	<b>0</b>	<b>(926)</b>

#### 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 is analysed as follows:

<b>Expenditure/Income</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b>Expenditure</b>		
Employee benefits expenses	11,382	10,692
Other service expenses	29,565	28,278
Depreciation, amortisation and impairment	2,530	3,384
Interest payments	3,003	3,053
Precepts and levies	10,166	10,418
Loss on the disposal of assets	0	4
<b>Total Expenditure</b>	<b>56,646</b>	<b>55,829</b>
<b>Income</b>		
Fees, charges and other service income	(9,031)	(7,064)
Interest and investment income	(2,455)	(2,401)
Income from Council Tax and Non-Domestic Rates	(21,121)	(21,676)
Government grants and contributions	(25,360)	(23,923)
<b>Total Income</b>	<b>(57,967)</b>	<b>(55,064)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(1,321)</b>	<b>765</b>

## 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.

2018/19	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b><u>Adjustments to the Revenue Resources</u></b>			
<b>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:</b>			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e)	(1,171)		
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	(2)		
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25f)	65		
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25g)	19		
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)	(2,655)		
<b>Total Adjustments to Revenue Resources</b>	<b>(3,744)</b>	<b>0</b>	<b>0</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 25b)	886		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	518		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,404</b>	<b>0</b>	<b>0</b>
<b><u>Adjustments to Capital Resources</u></b>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 66)		1,151	
Application of capital grants to finance capital expenditure (MiRS page 66)	1,044	(46)	(998)
<b>Total Capital Resources</b>	<b>1,044</b>	<b>1,105</b>	<b>(998)</b>
<b>Total Adjustments</b>	<b>(1,296)</b>	<b>1,105</b>	<b>(998)</b>



2017/18	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b><u>Adjustments to the Revenue Resources</u></b>			
<b>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:</b>			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e)	(1,335)		
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	(2)		
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25f)	(124)		
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25g)	21		
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)	(954)		
<b>Total Adjustments to Revenue Resources</b>	<b>(2,394)</b>	<b>0</b>	<b>0</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>			
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 25b)	990		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	668		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,658</b>	<b>0</b>	<b>0</b>
<b><u>Adjustments to Capital Resources</u></b>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 54)		174	
Application of capital grants to finance capital expenditure (MiRS page 54)	1,662		(1,662)
<b>Total Capital Resources</b>	<b>1,662</b>	<b>174</b>	<b>(1,662)</b>
<b>Total Adjustments</b>	<b>926</b>	<b>174</b>	<b>(1,662)</b>

## 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 37.

	Balance 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance 31 March 2019 £'000
My Neighbourhoods	(45)	(6)	0	(51)	(3)		(54)
Asset Management	(1,494)	(500)	1,994	0			0
Borough Council Elections	(82)	(30)	0	(112)	(30)	28	(114)
Building Control Reserve	(22)	0	22	0			0
Housing Needs Survey	(87)	(20)	10	(97)	(20)	34	(83)
ICT Strategy Reserve	(988)	0	988	0			0
Local Development Framework	(80)	0	0	(80)	(175)		(255)
Performance Reward Grant	(68)	0	20	(48)	(24)	26	(46)
Public Open Space Funds	(1,535)	(96)	1,631	0			0
Organisation Restructure Costs	(385)	0	295	(90)		63	(27)
Vehicle and Plant replacement	(21)	0	21	0			0
Leisure sites repair and maintenance	(160)	0	160	0			0
Borough Investment Account	(3,824)	0	0	(3,824)	(770)		(4,594)
Business Rates Retention	(3,250)	(516)	1,509	(2,257)	(504)	10	(2,751)
City Deal Reserve	0	(1,811)	140	(1,671)	(40)		(1,711)
New Burdens Funding Reserve	(222)	(59)	281	0			0
Capital Funding Reserve	0	(3,460)	0	(3,460)	(177)	564	(3,073)
Repairs and Maintenance Fund	0	(500)	0	(500)			(500)
Transformation Fund	0	(500)	0	(500)			(500)
Apprenticeship Reserve	0	(335)	0	(335)	(2)	70	(267)
Other Earmarked Reserves	(1,733)	(120)	1,247	(606)	(401)	143	(864)
<b>Total Earmarked Reserves</b>	<b>(13,996)</b>	<b>(7,953)</b>	<b>8,318</b>	<b>(13,631)</b>	<b>(2,146)</b>	<b>938</b>	<b>(14,839)</b>
General Reserve	(4,597)	(760)	0	(5,357)	(93)	770	(4,680)
<b>Total General Fund Reserves</b>	<b>(18,593)</b>	<b>(8,713)</b>	<b>8,318</b>	<b>(18,988)</b>	<b>(2,239)</b>	<b>1,708</b>	<b>(19,519)</b>

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

Earmarked Reserve	Reason / Use
My Neighbourhoods	An accumulation of unspent core funding allocated to be spent in accordance with the local priorities determined by each of the My Neighbourhood Forums.
Asset Management	Sums set aside to support the cost of maintaining and improving the Council's property portfolio to ensure its long term viability as an asset and to protect income generation. The balance has been transferred into the Capital Funding reserve, following the strategic review of reserves.

Earmarked Reserve	Reason / Use
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 2019.
Building Control Reserve	Surpluses generated on Building Control fee-earning service set aside to support continuing service delivery.
Housing Needs Survey	Annual contribution made to fund the costs of carrying out detailed Housing Needs Surveys.
ICT Strategy	To fund IT replacement programme and other technologically based service transformation projects. The balance has been transferred into the Capital Funding reserve, following the strategic review of reserves.
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.
Public Open Space Commuted Sums	Cash endowments for the maintenance of assets transferred from the Central Lancashire New Town. The balance has been transferred into the Capital Funding reserve, following the strategic review of reserves.
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.
Vehicles, Plant & Equipment	Residual balance of sums set aside to fund the replacement of vehicles, plant and equipment which are not funded from other sources of finance. The balance has been transferred into the Capital Funding reserve, following the strategic review of reserves.
Leisure Sites Repair and Maintenance	To fund any repair costs for which the Council is committed to under the contract with the Leisure Trust. The balance has been transferred into the Capital Funding reserve, following the strategic review of reserves.
Borough Investment Account	To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the Council to bridge the funding gap. In July 2018, Council approved an increase of £770k in the available funds to support the Investment Property strategy.
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.
New Burdens Funding	Funds retained to support work undertaken in future years in relation to new central government initiatives. The balance has been transferred into the General reserve, following the strategic review of reserves.
Capital Funding Reserve	In 2017/18 a number of individual reserves were merged to create a single Capital Strategy 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	In November 2017, Council approved the transfer of £500k from General Reserves to set up a Transformation Fund. The purpose of this reserve is to provide funding for projects which will generate a

Earmarked Reserve	Reason / Use
	payback into the Council's revenue budget through sustainable income generation and/or recurring cost savings.
Apprenticeship Reserve	This relates to funding set aside to fund Apprenticeship costs.
Other	To allow the carry forward of specific funding where the revised expenditure plans mean it will fall in subsequent years. This includes funding planned new areas of investment in the medium-term financial strategy in future years.

## 12. Other operating expenditure

2017/18 £'000		2018/19 £'000
398	Parish Council precepts	365
0	(Gains) and losses on the disposal of non-current assets	4
<b>398</b>	<b>Total</b>	<b>369</b>

## 13. Financing and investment income and expenditure

2017/18 £'000		2018/19 £'000
138	Interest payable and similar charges	137
888	Net interest on the net defined benefit liability (note 37d)	809
(180)	Interest receivable and similar income	(312)
(291)	Income and Expenditure in relation to investment properties and changes in their fair value (note 16)	702
182	Allowance for impairment of outstanding debts*	269
(771)	Losses or (surplus) on trading accounts (note 29)	(768)
<b>(34)</b>	<b>Total</b>	<b>837</b>

\* This item shows the charge to the General Fund for the provision made for the non-recovery of outstanding debts. It is shown here following a change in accounting requirements in 2018/19 and would previously have appeared within the Net Cost of Services, on the line for Finance & Assurance. Allowance for the non-collection of outstanding Council Tax and Business Rates court costs has also been included for the first time, having previously been made within the Collection Fund. Of this, a total of £210k relates to the need to make provision for debt in respect of previous financial years. Without this, the charge for the year would be £59k.

#### 14. Taxation and non-specific grant income and expenditure

2017/18 £'000		2018/19 £'000
(7,840)	Council tax income	(8,119)
(3,514)	Non-domestic rates income and expenditure	(3,504)
(3,216)	Non-ring fenced government grants	(2,689)
(2,529)	Capital grants and contributions	(1,502)
<b>(17,099)</b>	<b>Total</b>	<b>(15,814)</b>

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

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.

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

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

With regard to this council, the retained levy would be £1.191m (£1.237m in 2017/18), hence under pooling we have benefitted from extra income of £1.072m (£1.113m in 2017/18). Lancashire County Council has received the remaining 10% of retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £0.002m is payable by each pool member to Ribble Valley Borough Council in their role as lead.

In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

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

Lancashire Business Rates Pool Members 2018/19	Authority Type	Tariffs and Top-Ups in Respect of 2018/19 £'000	Retained Levy on Growth 2018/19 £'000	10% Retained Levy Payable to/Received by Lancashire County Council £'000	Net Retained Levy 2018/19 £'000
Burnley Borough Council	Tariff	5,813	(779)	78	(701)
Chorley Borough Council	Tariff	6,256	(798)	80	(718)
Fylde Borough Council	Tariff	7,793	(640)	64	(576)
Hyndburn Borough Council	Tariff	3,818	(554)	55	(499)
Pendle Borough Council	Tariff	3,260	(356)	36	(320)
Ribble Valley Borough Council	Tariff	4,147	(726)	73	(653)
Rossendale Borough Council	Tariff	2,610	(603)	60	(543)
South Ribble Borough Council	Tariff	9,934	(1,191)	119	(1,072)
West Lancashire Borough Council	Tariff	8,367	(889)	89	(800)
Wyre Borough Council	Tariff	6,577	(609)	61	(548)
Lancashire County Council	Top-Up	(152,079)	0	(715)	(715)
Central Government	-	93,504	0	0	0
<b>Total</b>		<b>0</b>	<b>(7,145)</b>	<b>0</b>	<b>(7,145)</b>

*Pool membership in 2017/18 did not include Burnley Borough Council*

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

## 15. Property, plant and equipment

## 15a Movements in Property Plant and Equipment

2018/19	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2018</b>	<b>27,162</b>	<b>12,226</b>	<b>2,529</b>	<b>106</b>	<b>262</b>	<b>42,285</b>
Additions	306	662	277	0	401	1,646
Revaluations recognised in the Revaluation Reserve (RR)	447	0	0	0	0	447
Revaluations recognised in CIES	193	0	0	0	0	193
De-recognition - disposals	0	(274)	0	0	0	(274)
De-recognition - other	0	0	0	0	(4)	(4)
Assets reclassified	101	11	90	0	(202)	0
<b>At 31 March 2019</b>	<b>28,209</b>	<b>12,625</b>	<b>2,896</b>	<b>106</b>	<b>457</b>	<b>44,293</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2018</b>	<b>(2,984)</b>	<b>(10,316)</b>	<b>(838)</b>	<b>0</b>	<b>0</b>	<b>(14,138)</b>
Depreciation charge	(843)	(1,065)	(224)	0	0	(2,132)
Depreciation written out of RR	160	0	0	0	0	160
Depreciation written out of CIES	4	0	0	0	0	4
Impairment losses recognised in RR	0	0	0	0	0	0
Impairment losses recognised in CIES	0	0	0	0	0	0
De-recognition - disposals	0	274	0	0	0	274
Assets reclassified	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>(3,663)</b>	<b>(11,107)</b>	<b>(1,062)</b>	<b>0</b>	<b>0</b>	<b>(15,832)</b>
<b>Net Book Value</b>						
<b>At 31 March 2019</b>	<b>24,546</b>	<b>1,518</b>	<b>1,834</b>	<b>106</b>	<b>457</b>	<b>28,461</b>
<b>At 1 April 2018</b>	<b>24,178</b>	<b>1,910</b>	<b>1,691</b>	<b>106</b>	<b>262</b>	<b>28,147</b>

2017/18	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2017</b>	<b>26,068</b>	<b>11,847</b>	<b>1,886</b>	<b>75</b>	<b>134</b>	<b>40,010</b>
Additions	229	441	596	99	175	1,540
Revaluations recognised in the Revaluation Reserve (RR)	58	0	0	30	0	88
Revaluations recognised in CIES	362	0	0	(98)	0	264
De-recognition - disposals	0	(62)	0	0	0	(62)
Assets reclassified	445	0	47		(47)	445
<b>At 31 March 2018</b>	<b>27,162</b>	<b>12,226</b>	<b>2,529</b>	<b>106</b>	<b>262</b>	<b>42,285</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2017</b>	<b>(2,381)</b>	<b>(9,340)</b>	<b>(599)</b>	<b>0</b>	<b>0</b>	<b>(12,320)</b>
Depreciation charge	(780)	(1,038)	(239)	0	0	(2,057)
Depreciation written out of RR	40	0	0	0	0	40
Depreciation written out of CIES	137	0	0	0	0	137
Impairment losses recognised in RR	-	0	0	0	0	0
Impairment losses recognised in CIES	-	0	0	0	0	0
De-recognition - disposals	-	62	-	-	-	62
Assets reclassified	-	-	-	-	-	0
<b>At 31 March 2018</b>	<b>(2,984)</b>	<b>(10,316)</b>	<b>(838)</b>	<b>0</b>	<b>0</b>	<b>(14,138)</b>
<b>Net Book Value</b>						
<b>At 31 March 2018</b>	<b>24,178</b>	<b>1,910</b>	<b>1,691</b>	<b>106</b>	<b>262</b>	<b>28,147</b>

### 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 2019, there was one significant contractual commitments relating to capital expenditure. The value was £109,400 and relates to the purchase of five vehicles.



### 15d Effects of Changes in Estimates

There were no material changes in accounting estimates for Property, Plant and Equipment in 2018/19.

### 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 2018/19 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
<b>Carried at historical cost</b>	<b>1,665</b>	<b>12,625</b>	<b>2,896</b>	<b>0</b>	<b>457</b>	<b>17,643</b>
Valued at current value as at:						
31 March 2019	2,225	0	0	12	0	2,237
31 March 2018	4,368	0	0	65	0	4,433
31 March 2017	3,605	0	0	29	0	3,634
31 March 2016	16,316	0	0	0	0	16,316
31 March 2015	30	0	0	0	0	30
<b>Total cost or valuation</b>	<b>28,209</b>	<b>12,625</b>	<b>2,896</b>	<b>106</b>	<b>457</b>	<b>44,293</b>

### 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 2019, 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.

	2017/18 £'000	2018/19 £'000
Fair Value 1 April	11,479	11,332
Additions – Subsequent expenditure	7	49
Disposals	0	(19)
Net gains / (losses) from fair value adjustments	291	(683)
Transfers (to) / from Property Plant and Equipment	(445)	0
<b>TOTAL</b>	<b>11,332</b>	<b>10,679</b>

### 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 2018/19 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 2018/19 amortisation of £0.073m was charged to the following lines in the Comprehensive Income and Expenditure Statement.

	2017/18 £'000	2018/19 £'000
Customer Experience & Ops	55	60
Finance & Assurance	4	4
Legal HR & Democratic Serv	14	18
<b>Total</b>	<b>73</b>	<b>82</b>

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

	2017/18 £'000	2018/19 £'000
Cost at start of year	1,281	1,374
Additions in year	93	44
Reclassifications in year	0	0
<b>Gross cost at end of year</b>	<b>1,374</b>	<b>1,418</b>
Accumulated amortisation at start of year	(1,113)	(1,186)
Amortised in year	(73)	(82)
<b>Accumulated amortisation</b>	<b>(1,186)</b>	<b>(1,268)</b>
Net carrying amount at the start of the year	168	188
<b>Net carrying amount at the year end</b>	<b>188</b>	<b>150</b>

At 31 March 2019, 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 2018 £'000	Current 31 March 2018 £'000		Long Term 31 March 2019 £'000	Current 31 March 2019 £'000
		<b>Financial Assets</b>		
		<i>Carried at Amortised Cost</i>		
0	27,044	Short Term Investments	0	31,071
50	837	Debtors	47	597
<b>50</b>	<b>27,881</b>	<b>Total Financial Assets</b>	<b>47</b>	<b>31,668</b>
		<b>Financial Liabilities</b>		
		<i>Carried at Amortised Cost</i>		
(596)	0	Long Term Creditors - Finance lease liabilities	(259)	0
0	(304)	Creditors - Finance lease (due within 12 months)	0	(344)
(217)	(1,726)	Creditors	(183)	(1,577)
<b>(813)</b>	<b>(2,030)</b>	<b>Total Creditors</b>	<b>(442)</b>	<b>(1,921)</b>
		<b>Memo: Items that are not Financial Instruments</b>		
0	4,670	Cash & cash equivalents (note 21) net of bank overdraft	0	3,126
0	2,891	Debtors	0	1,830
0	(5,872)	Creditors	0	(6,134)

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

**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:-

	2017/18			2018/19		
	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	(180)	(180)	0	(312)	(312)
Interest expense	0	138	138	0	137	137
<b>Net (gain) / cost for the year</b>			<b>(42)</b>			<b>(175)</b>

**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 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Finance Lease (short and long-term)	(900)	(1,114)	(602)	(592)
Short Term Creditors	(1,726)	(1,726)	(1,577)	(1,577)
Long Term Creditors	(217)	(217)	(183)	(183)
<b>Total Liabilities</b>	<b>(2,843)</b>	<b>(3,057)</b>	<b>(2,362)</b>	<b>(2,352)</b>

For the Leisure Finance Lease the fair value represents the value of the liability if the Council were to prematurely repay the debt and so would incur a premium.

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 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents	4,670	4,670	3,126	3,126
Investments - Loans	27,044	27,044	31,071	31,071
Short Term Debtors	837	837	597	597
Long Term Debtors	50	50	47	47
<b>Total Assets</b>	<b>32,601</b>	<b>32,601</b>	<b>34,841</b>	<b>34,841</b>

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 a fair approximation of their 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 11.2 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 2018/19 was approved by Full Council on 28th February 2018 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 2019 it had deposits totalling £34.197m (£31.711m at 31 March 2018) 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 2019 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 2019, the outstanding gross amount was £1.859m (£2.118m at 31 March 2018) and the maximum exposure to credit loss was assessed as £0.597m (£0.837m at 31 March 2018). 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	401
Gain - Impact on the Surplus or Deficit on the Provision of Service	401

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



**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**

	2017/18			2018/19		
	Consumable Stores £'000	Maintenance Materials £'000	Total £'000	Consumable Stores £'000	Maintenance Materials £'000	Total £'000
Balance at 1 April	76	21	97	65	22	87
Purchases	345	232	577	439	169	608
Issued in year	(354)	(232)	(586)	(429)	(170)	(599)
Written off in year	(2)	1	(1)	(9)	1	(8)
<b>Balance at year end</b>	<b>65</b>	<b>22</b>	<b>87</b>	<b>66</b>	<b>22</b>	<b>88</b>

**20. Short term debtors**

	31 March 2018 £'000	31 March 2019 £'000
Trade receivables	425	261
Prepayments	488	529
Other receivable amount	4,594	3,640
<b>Gross carrying amount at the year end</b>	<b>5,507</b>	<b>4,430</b>
Less provision for bad debts	(1,779)	(2,002)
<b>Net carrying amount at the year end</b>	<b>3,728</b>	<b>2,428</b>

**21. Cash and cash equivalents**

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

	31 March 2018 £'000	31 March 2019 £'000
Cash held by the Authority	2	1
Bank current and call accounts	2,667	3,125
Short term deposits	2,001	0
<b>Total cash and cash equivalents</b>	<b>4,670</b>	<b>3,126</b>

## 22. Short term creditors

	31 March 2018 £'000	31 March 2019 £'000
Trade payables	(1,834)	(1,843)
Other payables	(6,068)	(6,211)
<b>Total cash and cash equivalents</b>	<b>(7,902)</b>	<b>(8,054)</b>

## 23. Provisions

The movements in provisions during the year were as follows:

	Business Rates Appeals £'000
Balance at 1 April 2017	(1,200)
Additional provisions made in 2017/18	(816)
Amounts used in 2017/18	316
<b>Balance at 31 March 2018</b>	<b>(1,700)</b>
Additional provisions made in 2018/19	(995)
Amounts used in 2018/19	862
<b>Balance at 31 March 2019</b>	<b>(1,833)</b>

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. The Council is responsible for a 40% share of this liability along with The Department for Communities and Local Government (50%), Lancashire County Council (9%) 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 2019 is £4.583m (£4.250m at 31 March 2018). The Council has made a provision for 40% of this figure totalling £1.833m (£1.700m at 31 March 2018). 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.

## 24. Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page37).

## 25. Unusable reserves

	Note	31 March 2018 £'000	31 March 2019 £'000
Revaluation Reserve	25a	(5,780)	(6,275)
Capital Adjustment Account	25b	(29,254)	(29,266)
Financial Instruments Adjustment Account	25c	(3)	(1)
Deferred Capital Receipts Reserve	25d	(20)	(20)
Pensions Reserve	25e	32,961	32,814
Collection Fund Adjustment Account	25f	(348)	(413)
Accumulated Absences Account	25g	165	146
<b>Total Unusable Reserves</b>		<b>(2,279)</b>	<b>(3,015)</b>

## 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.

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(5,743)</b>	<b>(5,780)</b>
Upward revaluation of assets	(136)	(608)
Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Statement	8	1
Difference between fair value and historic cost depreciation	91	112
<b>Balance at 31 March</b>	<b>(5,780)</b>	<b>(6,275)</b>

## 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.

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(28,284)</b>	<b>(29,254)</b>
<i>Reversal of items relating to capital expenditure debited or credited to the CIES:</i>		
Charges for depreciation of non-current assets	2,057	2,132
Revaluation (gains)/losses on property, plant & equipment	(401)	(196)
Amortisation of intangible assets	73	82
Revenue expenditure funded from capital under statute	794	685
Net cost of disposal of assets	0	23
	<b>2,523</b>	<b>2,726</b>
Adjusting amounts written out of the Revaluation Reserve	(91)	(112)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>2,432</b>	<b>2,614</b>
<i>Capital financing applied in the year:</i>		
Capital receipts used to finance new capital expenditure	(174)	(1,151)
Grants and contributions used in the year to fund capital expenditure	(1,279)	(753)
Statutory & voluntary provision for the financing of capital investment charged against the General Fund	(990)	(886)
Capital expenditure charged to the General Fund Balance	(668)	(518)
	<b>(3,111)</b>	<b>(3,308)</b>
Movements in the market value of Investment Properties	(291)	682
<b>Balance at 31 March</b>	<b>(29,254)</b>	<b>(29,266)</b>

### 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.

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	(6)	(3)
Premiums on early debt redemption	(5)	(5)
Discounts on early debt redemption	8	7
<b>Balance at 31 March</b>	<b>(3)</b>	<b>(1)</b>

### 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

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	(20)	(20)
Transfer to Capital Receipts Reserve on receipt of cash	0	0
<b>Balance at 31 March</b>	<b>(20)</b>	<b>(20)</b>

### 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.

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>36,703</b>	<b>32,961</b>
Re-measurements of the net defined benefit liability.	(5,077)	(1,318)
Reversal of charges posted to the Comprehensive Income and Expenditure Statement.	3,057	3,400
Employer contributions and direct payments to pensioners payable in the year.	(1,722)	(2,229)
<b>Balance at 31 March</b>	<b>32,961</b>	<b>32,814</b>

**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.

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(471)</b>	<b>(348)</b>
Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement differs from the amount required by statute.	123	(65)
<b>Balance at 31 March</b>	<b>(348)</b>	<b>(413)</b>

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

	2017/18 £'000	2018/19 £'000
Amounts in respect of Council Tax	150	215
Amounts in respect of Business Rates	188	135
Additional amount in respect of element for Renewable Energy Schemes in Business Rates	10	63
<b>Balance at 31 March</b>	<b>348</b>	<b>413</b>

**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.

	2017/18 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>186</b>	<b>165</b>
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	(21)	(19)
<b>Balance at 31 March</b>	<b>165</b>	<b>146</b>

## 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:

	2017/18 £'000	2018/19 £'000
Depreciation	2,057	2,132
Impairment and downward valuations	(401)	(197)
Amortisation	73	82
Increase/(decrease) in impairment for bad debts	183	223
(Increase)/decrease in debtors	(1,272)	997
Increase/(decrease) in creditors	1,088	(1,814)
(Increase)/decrease in inventories	10	(1)
Movement in pension liability	1,336	1,171
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	23
Contributions (to) / from Provisions	500	133
Movement in investment property values	(291)	683
Other non-cash items charged to the net surplus or deficit on the provision of services	0	0
<b>Net adjustment</b>	<b>3,283</b>	<b>3,432</b>

### 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:

	2017/18 £'000	2018/19 £'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	0
Capital Grants credited to surplus or deficit on the provision of services	(2,941)	(1,886)
<b>Net adjustment</b>	<b>(2,941)</b>	<b>(1,886)</b>

**26c Interest received and interest paid**

The cash flows for operating activities include the following items:

	2017/18 £'000	2018/19 £'000
Interest received	242	312
Interest paid	(138)	(137)
<b>Net cash flow in / (out)</b>	<b>104</b>	<b>175</b>

**27. Cash Flow Statement – investing activities**

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

	2017/18 £'000	2018/19 £'000
Purchase of property, plant & equipment, investment property & intangible assets	(1,470)	(1,579)
Purchase of short and long term investments	(39,000)	(36,811)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	0
Proceeds from short and long term investments	37,000	32,784
Other receipts relating to investing activity (government grants)	2,711	1,962
<b>Total cash flows from investing activities</b>	<b>(759)</b>	<b>(3,644)</b>

**28. Cash Flow Statement – financing activities**

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

	2017/18 £'000	2018/19 £'000
Cash paid to reduce lease liabilities.	298	(274)
Other Payments for financing activities - change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors).	(350)	1,593
<b>Total cash flows from financing activities</b>	<b>(52)</b>	<b>1,319</b>



## 29. Trading operations

The Council manages an investment portfolio consisting of 75 industrial units (28 Investment managed, 47 economic regeneration), 55 other properties (Worden, shops, offices and residential), 24 plots of leased land, others (allotments, garages, parking plots, grazing).

2017/18 £'000		2018/19 £'000
(1,063)	Turnover	(1,112)
254	Direct costs	306
38	Capital charges	38
<b>(771)</b>	<b>Net (surplus) or deficit</b>	<b>(768)</b>

## 30. Members allowances

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

2017/18 £'000		2018/19 £'000
351	Allowances	357
<b>351</b>	<b>Total</b>	<b>357</b>

### 31. Officers remuneration

Senior Officers are defined as those officers who form part of the Council's Leadership Team. A new senior management structure was implemented effective from 1<sup>st</sup> April 2018, with the roles marked with an asterisk \* being the new permanent leadership posts. During the interim period a number of temporary appointments were made to deliver specific roles and or the strategic transformation undertaken. These interim posts have come to an end as the permanent employees have commenced positions.

2018/19 Remuneration	Note	Salary and allowances	Expenses allowances	Compensation for loss of office	Benefits In Kind	Pension Contribution	Total Remuneration
Post Title		£	£	£	£	£	£
Chief Executive	*	114,473	-	-	-	17,056	131,529
Deputy Chief Executive – Regeneration and Growth	A*	34,472	502	-	-	5,136	40,110
Deputy Chief Executive – Resources and Transformation (and Section 151 Officer)	B*	27,876	406	-	-	4,154	32,436
Deputy Chief Executive – Resources and Transformation (and Section 151 Officer) <i>[Interim April to June 2018]</i>	C	21,440	-	-	-	3,195	24,635
Section 151 Officer <i>[Interim July to September 2018]</i>	C	24,960	-	-	-	-	24,960
Section 151 Officer <i>[Interim October to November 2018]</i>	C	7,650	-	-	-	-	7,650
Director of Neighbourhoods and Development	*	63,011	1,239	-	-	9,389	73,639
Director of Planning and Property	*	63,011	1,239	-	-	9,389	73,639
Director of Customer and Digital	D*	36,292	103	-	-	5,407	41,802
Legal Services Manager (and Monitoring Officer)	*	52,818	-	-	-	7,870	60,688
Assistant Director of Neighbourhoods	*	50,000	1,170	-	190	7,450	58,810
Assistant Director of Projects and Development	E*	11,694	290	-	-	1,742	13,726
Assistant Director for Property and Housing	F*	11,997	306	-	-	1,788	14,091
Assistant Director of Housing and Environmental Services <i>[Interim May to November 2018]</i>	F	29,306	494	-	-	-	29,800
Assistant Director of Scrutiny and Democratic Services	*	47,066	1,239	-	-	7,013	55,318
Head of Shared Assurance Services <i>[retirement]</i>	G	31,847	826	29,040	-	126,640	188,353
Head of Shared Assurance Services <i>[Interim agency]</i>	G*	44,540	-	-	-	-	44,540
Interim Specialist Projects Consultant	H	20,856	-	-	-	-	20,856
Interim HR & OD Consultant	I	66,928	-	-	-	9,712	76,640
Interim Improvement Manager	J	-	-	-	-	-	-

- A) The *Deputy Chief Executive – Regeneration and Place* was appointed on 5<sup>th</sup> November 2018.
- B) The *Deputy Chief Executive – Resources and Transformation* was appointed on 3<sup>rd</sup> December 2018.
- C) Prior to the appointment of the current *Deputy Chief Executive – Resources and Transformation*, the post was filled on a temporary basis between 1<sup>st</sup> April and 30<sup>th</sup> November 2018. Different people were appointed as *Section 151 Officer* subject to availability for interim appointments.
- D) The *Director of Customer Experience and Operations* was appointed on 10<sup>th</sup> September 2018.
- E) The *Assistant Director of Projects and Development* was appointed on 7<sup>th</sup> January 2019.
- F) The *Assistant Director of Housing and Environmental Services* was appointed on 2<sup>nd</sup> January 2019. The post was filled on a temporary basis between 30<sup>th</sup> April and 30<sup>th</sup> November 2018.
- G) The *Head of Shared Assurance Services* retired on 2<sup>nd</sup> November 2018. The pension contributions comprise £4,475 in relation to salary costs and £121,895 in relation to pension strain costs. A temporary appointment has been in place since 15<sup>th</sup> October 2018, and is paid via an agency arrangement. The cost of the role is shared with Chorley Borough Council.
- H) The *Interim Specialist Projects Consultant* ceased employment on 31<sup>st</sup> May 2018.
- I) The *Interim HR & OD Consultant* ceased employment on 30<sup>th</sup> September 2018.
- J) The *Interim Improvement Manager* was paid via a consultancy arrangement that ended on 29<sup>th</sup> June 2018, at a cost of £30,649.
- K) The *Head of Finance Services* role (not listed in the table above) was carried out under the Shared Services Agreement with Chorley Borough Council up to 13<sup>th</sup> May 2018. The member of staff was a Chorley Borough Council employee but ceased employment at that date.

The comparative information for 2017/18 is shown below.

2017/18 Remuneration	Note	Salary and allowances	Expenses allowances	Compensation for loss of office	Benefits In Kind	Pension Contribution	Total Remuneration
Post Title		£	£	£	£	£	£
Chief Executive	A	82,888	-	-	-	12,350	95,238
Interim Chief Executive	B	106,137	-	-	-	-	106,137
Director of Development, Enterprise & Communities	C	72,187	929	41,088	-	16,379	130,583
Director of Neighbourhoods, Environmental Health & Assets	D	73,693	929	36,979	-	217,155	328,756
Head of Shared Assurance Services	E	53,019	1,239	-	-	7,900	62,158
Human Resource Manager	F	22,716	516	12,200	25	3,005	38,462
Legal Services Manager (Monitoring Officer)		49,857	-	-	-	7,429	57,286
Interim Specialist Projects Consultant	G	59,961	-	-	-	-	59,961
Interim HR & OD Consultant	H	114,587	-	-	-	17,074	131,661
Temporary Governance Manager	I	77,448	-	-	-	-	77,448
Interim Improvement Manager	J	-	-	-	-	-	-

- A) The *Chief Executive* was appointed on 1<sup>st</sup> July 2017.
- B) The *Interim Chief Executive* ceased employment on 30<sup>th</sup> June 2017. The salary and allowances figure includes pay in lieu of notice.
- C) The *Director of Development, Enterprise & Communities* ceased employment on 31<sup>st</sup> December 2017. The salary and allowances figure includes pay in lieu of notice.
- D) The *Director of Neighbourhoods, Environmental Health & Assets* ceased employment on 31<sup>st</sup> December 2017. The pension contributions include pension strain that is payable to the Pension Fund. The salary and allowances figure includes pay in lieu of notice.
- E) The *Head of Shared Assurance Services* post is shared between South Ribble and Chorley Councils.
- F) The *Human Resource Manager* ceased employment on 4<sup>th</sup> August 2017.
- G) The *Interim Specialist Projects Consultant* commenced employment on 11<sup>th</sup> September 2017.
- H) The *Interim HR & OD Consultant* commenced employment on 15<sup>th</sup> May 2017.
- I) The *Temporary Governance Manager* ceased employment on 21<sup>st</sup> December 2017.
- J) The *Interim Improvement Manager* was paid via a consultancy arrangement at a cost of £115,828 for the year.
- K) The *Head of Finance Services and Section 151 Officer* role (not listed in the table above) was carried out under the Shared Services Agreement with Chorley Borough Council. The member of staff was a Chorley Borough Council employee.

Authorities are required to disclose the number of other employees receiving more than £50,000 remuneration, excluding pension contributions. In both 2017/18 and 2018/19 no other employees had a salary of more than £50,000 but there were additional payments regarding compensation for loss of office which took the total remuneration of the following numbers of employees above that threshold. The following table shows the bandings into which their total remuneration fell.

Total Remuneration Banding	Number of employees 2017/18	Number of employees 2018/19
£50,000 to £55,000	1	0
£55,001 to £60,000	0	1
£60,001 to £65,000	0	0
£65,001 to £70,000	0	0
£70,001 to £75,000	1	0
<b>Total</b>	<b>2</b>	<b>1</b>

The following table gives details of employee exit packages in the current and preceding years.

Exit Package cost banding	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 to £20,000	1	1	4	5	5	6	£54,426	£77,925
£20,001 to £40,000	0	1	3	0	3	1	£105,941	£30,857
£40,001 to £60,000	0	0	1	0	1	0	£49,486	0
£60,001 to £80,000	0	0	0	1	0	1	£0	£62,738
£80,001 to £100,000	0	0	0	0	0	0	£0	0
£100,001 to £150,000	0	0	1	0	1	0	£130,770	0
£150,001 to £200,000	0	0	0	1	0	1	£0	£150,935
£200,001 to £250,000	0	0	1	0	1	0	£246,154	0
<b>Total</b>	<b>1</b>	<b>2</b>	<b>10</b>	<b>7</b>	<b>11</b>	<b>9</b>	<b>£586,777</b>	<b>£322,455</b>

### 32. External audit costs

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

	2017/18 £'000	2018/19 £'000
Fees for statutory inspection and audit	44	38
Fees for the certification of grant claims and returns	7	7
<b>Balance at 31 March</b>	<b>51</b>	<b>45</b>

### 33. Grant income

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

	2017/18 £'000	2018/19 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
National non-domestic rates	(1,110)	(1,290)
Revenue support grant	(437)	0
Grants – New Homes Bonus	(1,669)	(1,399)
Community Infrastructure Levy	(611)	(990)
Grants & Contributions - Other	(1,918)	(512)
<b>Total</b>	<b>(5,745)</b>	<b>(4,191)</b>
<b>Credited to Services</b>		
Grants – benefits related	(20,929)	(19,539)
Grants & Contributions – other	(2,433)	(2,038)
Contribution – County Council waste recycling	(909)	0
<b>Total</b>	<b>(24,271)</b>	<b>(21,577)</b>
<b>Grand Total</b>	<b>(30,016)</b>	<b>(25,768)</b>

The Authority 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:

	2017/18 £'000	2018/19 £'000
Various contributions	558	435
<b>Total</b>	<b>558</b>	<b>435</b>

### 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 2018/19, the Council paid grants totalling £0.022m (2017/18 £0.022m) to some of these organisations.

#### ◆ **Officers**

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

#### ◆ **Partnerships, Companies and Trusts**

Financial & Assurance Shared Services Partnership (F&ASSP) – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury management, procurement and assurance services across the administrative areas of the two Councils. A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing these services.

In 2018/19 gross expenditure of £1.736m (2017/18 £1.581m) was incurred on the shared services which was fully funded by recharges to the two Councils.

An outstanding F&ASSP creditor as at 31st March 2019 amounts to £0.183m.

#### ◆ **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 is for a period of 15 years and 10 months which commenced on 1 June 2005.

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	£0.022m
Leisure Services Fee	£0.200m
Creditor/Debtor	There was an outstanding creditor balance of £0.017m at 31 March 2019

### 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.

	2017/18 £'000	2018/19 £'000
<b>Opening Capital Financing Requirement</b>	<b>5,302</b>	<b>4,626</b>
<i>Capital investment:</i>		
Property, Plant and Equipment	1,540	1,645
Investment property	7	48
Intangible Assets	93	44
Revenue Expenditure Funded from Capital under Statute	794	685
<i>Sources of finance:</i>		
Capital Receipts	(174)	(1,151)
Government Grants and Other Contributions	(1,279)	(753)
<i>Sums set aside from revenue:</i>		
Earmarked Reserves	(668)	(518)
Revenue Financing	0	0
Minimum Revenue provision	(743)	(640)
Voluntary Revenue Provision	(246)	(246)
<b>Closing Capital Financing Requirement</b>	<b>4,626</b>	<b>3,740</b>
<i>Explanation of movements in year:</i>		
Assets financed by prudential borrowing	55	0
Assets acquired under deferred purchase arrangement	257	0
Provision made for debt repayment	(990)	(886)
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>(678)</b>	<b>(886)</b>



## 36. Leases

### 36a Authority as lessee

#### Finance leases

Works have been done 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 2018 £'000	31 March 2019 £'000
Works to Leisure Centres	900	602

The Authority is committed to making minimum payments under these leases to discharge the outstanding liability plus finance costs that will accrue while the liability remains outstanding.

The agreement commits the lessor to invest £4.819m in their refurbishment in the years 2005/06 to 2020/21. As at 31 March 2019 £4.691m had been spent (£4.691m to 31 March 2018). The minimum payments under the lease total £6.638m of which, £0.872m is still to be paid. Payments in 2018/19 totalled £0.436m and the same amount is due in 2019/20.

The minimum lease payments in respect of the completed works to leisure centres are shown below. These minimum payments are different to the £0.872m still to be paid and identified above. This is because the figure of £0.872m represents amounts still to be paid under the terms of the contract and takes into account capital expenditure yet to be incurred, whereas the minimum payments below relate to the actual capital expenditure incurred at the Balance Sheet date.

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	436	436	304	344
Later than one and not later than five years	683	296	596	258
<b>Total</b>	<b>1,119</b>	<b>732</b>	<b>900</b>	<b>602</b>

#### Operating leases

The Authority operates office equipment under an operating lease. The future minimum lease payments are as follows:

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	20	20
Later than one and not later than five years	21	1
<b>Total</b>	<b>41</b>	<b>21</b>

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

	31 March 2018 £'000	31 March 2019 £'000
Minimum lease payments	21	20
<b>Total</b>	<b>21</b>	<b>20</b>

### 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 2018 £'000	31 March 2019 £'000
Finance lease debtor (present value of minimum lease payments)	20	20
Unearned finance income	89	88
<b>Total</b>	<b>109</b>	<b>108</b>

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 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	1	1	1	1
Later than one and not later than five years	5	4	5	4
Later than five years	103	103	103	103
<b>Total</b>	<b>109</b>	<b>108</b>	<b>109</b>	<b>108</b>

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 2018 £'000	31 March 2019 £'000
Not later than one year	736	569
Later than one and not later than five years	1,478	1,343
Later than five years	14,344	14,102
<b>Total</b>	<b>16,558</b>	<b>16,014</b>

## 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 2016, showed a shortfall for all employers of £690m or 10%. Employers are paying additional contributions over 16 years to meet the shortfall. For the three year valuation period beginning 1<sup>st</sup> April 2017 the Council opted to pre-pay the new future service rate and deficit recovery payments as a single amount in April each year of the 3 year valuation period to 2019/20 in return for a small overall discount. The discounted sum paid in April 2018 was £0.930m for the future service rate and £0.567m for the deficit recovery sum.

### 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:

	2017/18 £'000	2018/19 £'000
<b><i>Comprehensive Income and Expenditure Statement</i></b>		
<i>Cost of Services:</i>		
Administration	31	31
Current service cost	2,106	1,968
Past service cost	0	0
Effect of curtailments	32	592
<i>Net interest on the net defined benefit liability:</i>		
Interest costs	2,865	2,916
Expected return on scheme assets	(1,977)	(2,107)
<b>Total post-employment benefit charged to the (Surplus) / Deficit on the Provision of Service</b>	<b>3,057</b>	<b>3,400</b>
<b><i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i></b>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(863)	(7,144)
Experience gain & loss	0	0
Actuarial gains & losses from changes in demographic assumptions	0	0
Actuarial gains & losses from changes in financial assumptions	(4,214)	5,826
<b>Total re-measurements recognised in Other Comprehensive Income</b>	<b>(5,077)</b>	<b>(1,318)</b>
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,020)</b>	<b>2,082</b>
<b><i>Movement in Reserves Statement</i></b>		
Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services	(3,057)	(3,400)
Actual amount charged against the General Fund Balance for pensions in the year	1,722	2,229

**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	
	2017/18 £'000	2018/19 £'000
Present value of the defined benefit obligation	(113,858)	(121,700)
Fair value of plan assets	80,942	88,837
<b>Net liability arising from defined benefit obligation</b>	<b>(32,916)</b>	<b>(32,863)</b>

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

	Scheme Assets Local Government Pension Scheme	
	2017/18 £'000	2018/19 £'000
<b>1 April</b>	<b>79,489</b>	<b>80,942</b>
Interest on plan assets	1,977	2,107
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	863	7,144
Employer contributions	1,715	2,135
Employee contributions	406	408
Benefits paid	(3,477)	(3,868)
Other	(31)	(31)
<b>31 March</b>	<b>80,942</b>	<b>88,837</b>

The actual return on the plan assets was £9,251k in 2018/19 (£2,840k 2017/18).

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

	Scheme Liabilities Local Government Pension Scheme	
	2017/18 £'000	2018/19 £'000
<b>1 April</b>	<b>(116,140)</b>	<b>(113,858)</b>
Current service cost	(2,106)	(1,968)
Interest cost	(2,865)	(2,916)
Contributions by scheme participants	(406)	(408)
Re-measurement gains and (losses)		
Changes in financial assumptions	4,214	(5,826)
Experience gains & losses	0	0
Gains & losses from changes in demographic assumptions	0	0
Curtailments	(32)	(592)
Benefits paid	3,477	3,868
<b>31 March</b>	<b>(113,858)</b>	<b>(121,700)</b>

## 37h Local Government Pension Scheme assets comprised

	Fair value of scheme assets			
	2017/18 £'000	Percentage total of asset	2018/19 £'000	Percentage total of asset
<b>Cash</b>				
Cash and cash equivalents	(1,956)	(2.4%)	0	0.0%
Cash accounts	3,416	4.2%	453	0.5%
Net Current Assets	(1,798)	(2.2%)	63	0.1%
Subtotal Cash	(338)	(0.4%)	516	0.6%
<b>Bonds</b>				
UK corporate	461	0.6%	603	0.7%
Overseas corporate	961	1.2%	439	0.5%
Government	1,931	2.4%	3,123	3.5%
Overseas fixed interest	78	0.1%	0	0.0%
Subtotal bonds	3,431	4.3%	4,165	4.7%
<b>Property</b>				
Retail	2,226	2.8%	2,138	2.4%
Commercial	5,386	6.7%	6,142	6.9%
Subtotal property	7,612	9.5%	8,280	9.3%
<b>Private equity</b>				
UK	0	0.0%	0	0.0%
Overseas	41,840	51.6%	45,987	51.8%
Subtotal private equity	41,840	51.6%	45,987	51.8%
<b>Other</b>				
Infrastructure	10,257	12.6%	12,558	14.1%
Property funds	1,229	1.5%	1,360	1.5%
Credit funds	14,914	18.4%	6,308	7.1%
Pooled income fund	1,997	2.5%	9,663	10.9%
Subtotal alternatives	28,397	35.0%	29,889	33.6%
<b>Total</b>	<b>80,942</b>	<b>100.0%</b>	<b>88,837</b>	<b>100.0%</b>

### 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 full valuation of the scheme as at 31 March 2016.

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

	Local Government Pension Scheme	
	2017/18	2018/19
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.7 yrs.	22.8 yrs.
Women	25.4 yrs.	25.5 yrs.
Longevity at 65 for future pensioners		
Men	25 yrs.	25.1 yrs.
Women	28 yrs.	28.2 yrs.
Rate of inflation (CPI)	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.4%

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)	2,449
Rate of inflation (increase of 0.1% p.a.)	2,033
Salary inflation (increase of 0.1% p.a.)	286
Rate for discounting scheme liabilities (increase of 0.1%)	(2,000)



### 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 2019. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

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 £1.724m expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

### 38. Contingent liabilities

the end of March 2019, the council had a contingent liability was disclosed in respect of claims made, against councils throughout the country, for mandatory charitable business rates relief by NHS Trusts and NHS Foundation Trusts. The backdated relief was potentially worth hundreds of millions of pounds in total across all of the councils. The councils had rejected the claims on the grounds that the NHS bodies are not charities, and therefore the claims were unfounded. The value of the appeals received by South Ribble Borough Council was estimated at £0.990m. In December 2019, the High Court ruled that these bodies are not eligible for such relief, with their activities being classified as governmental rather than charitable, so the council no longer has a contingent liability for this.

In 2005/06 the Council's leisure centre operation transferred to South Ribble Community Leisure Limited (SRCLL), which is a company set up with charitable objectives. Serco Leisure Operating Ltd (SLOL) manage the services from the council's leisure sites with payments made by South Ribble Council via SRCLL. The agreement ends in March 2021. The accounts at SRCLL indicate a pension related liability of c£2m. Within the agreement SLOL are required to indemnify for any shortfall in pension liabilities. The contract specifies that this indemnity should be attained though SLOL providing a bond to mitigate this risk exposure. As such, South Ribble Council is not deemed to be exposed to any outstanding pension liability risk associated with this contract terminating. However, as the value of the bond to be attained by SLOL is not yet fully ascertained, a contingent liability has been deemed to exist at 31 March 2019.

## 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).

2017/18 Business Rates £'000	2017/18 Council Tax £'000		2018/19 Business Rates £'000	2018/19 Council Tax £'000
		<b>Income</b>		
	59,979	Council Tax Receivable		63,837
37,930		Business Rates Receivable	35,733	
<b>37,930</b>	<b>59,979</b>	<b>Total Income</b>	<b>35,733</b>	<b>63,837</b>
		<b>Expenditure</b>		
		Apportionment of Previous Year Surplus/(Deficit)		
314		Central Government	(68)	
251	145	South Ribble Borough Council (note 14 page 91)	(54)	61
57	783	Lancashire County Council	(12)	342
	108	Police & Crime Commissioner for Lancashire		46
6	44	Lancashire Combined Fire Authority	(1)	18
		<b>Precepts, Demands and Shares</b>		
16,372		Central Government	16,983	
13,098	7,751	South Ribble Borough Council (note 14 page 91)	13,586	7,992
2,947	43,112	Lancashire County Council	3,057	46,022
	5,838	Police & Crime Commissioner for Lancashire		6,307
327	2,311	Lancashire Combined Fire Authority	340	2,398
<b>33,372</b>	<b>60,092</b>	<b>Total Expenditure</b>	<b>33,831</b>	<b>63,186</b>
		<b>Charges to Collection Fund</b>		
41	162	Write offs of uncollectable amounts	59	175
335	108	Increase / (Decrease) in Bad Debt Provision	110	(69)
1,250		Increase / (Decrease) in Provision for Appeals	333	
124		Cost of Collection Allowance	124	
9		Disregarded Amounts		
		Renewable Energy Schemes	78	
		Enterprise Zone	418	
2,990		Transitional Protection Payments	913	
<b>4,749</b>	<b>270</b>	<b>Total Charges to the Collection Fund</b>	<b>2,035</b>	<b>106</b>
<b>(191)</b>	<b>(383)</b>	<b>Surplus / (deficit) arising during the year</b>	<b>(133)</b>	<b>545</b>
		<b>Collection Fund Balance</b>		
662	1,548	Surplus / (deficit) brought forward at 1 April	470	1,164
(191)	(383)	Surplus / (deficit) arising during the year	(133)	545
<b>471</b>	<b>1,165</b>	<b>Surplus / (deficit) carried forward at 31 March</b>	<b>337</b>	<b>1,709</b>
		<b>Allocated to</b>		
188	150	Transfer to / (from) Collection Fund Adjustment Account (Note 25f page 108)	135	215
235		Central Government	169	
43	854	Lancashire County Council	30	1,249
5	45	Lancashire Combined Fire Authority	3	65
	116	Police & Crime Commissioner for Lancashire		180
<b>471</b>	<b>1,165</b>	<b>Surplus / (deficit) carried forward at 31 March</b>	<b>337</b>	<b>1,709</b>

## 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 2018/19 was calculated as follows: -

Band	No. Dwellings	Total No. Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	13	12.00	5:9	6.7
A	10,030	8,327.60	6:9	5,551.7
B	13,065	11,471.15	7:9	8,922.0
C	12,131	10,949.95	8:9	9,733.3
D	7,868	7,308.50	9:9	7,308.5
E	3,937	3,725.90	11:9	4,553.9
F	1,592	1,516.95	13:9	2,191.2
G	511	476.75	15:9	794.6
H	21	19.75	18:9	39.5
<b>Total</b>	<b>49,168</b>	<b>43,808.55</b>		<b>39,101.4</b>
Less local Council Tax Support Scheme discounts				<b>(2,941.2)</b>
Less adjustments for losses on collection				<b>(723.2)</b>
Addition for anticipated changes in the base, reduced discount on second homes and other technical changes				<b>103.8</b>
Band D Equivalent Number of Properties				<b>35,540.8</b>

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 £1,754.44 for 2018/19 (£1,661.07 for 2017/18). 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	
		2017/18 £	2018/19 £
A	0.67	1,107.38	1,169.62
B	0.78	1,291.93	1,364.57
C	0.89	1,476.51	1,559.49
D	1.00	1,661.07	1,754.44
E	1.22	2,030.21	2,144.31
F	1.44	2,399.32	2,534.19
G	1.67	2,768.45	2,924.03
H	2.00	3,322.14	3,508.88

### 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 deficit of £0.135m was shared between preceptors during 2018/19, being the estimate included in NNDR1 2018/19, whereas the actual amount for 2017/18 was a surplus of £0.471m.

Note 14 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2018/19 to be £3.504m (2017/18 £3.514m). This can be reconciled to South Ribble Borough Council's share of Business Rates Income in the Collection Fund statement in the following table:

2017/18 £'000		2018/19 £'000
13,098	South Ribble Borough Council's share of Business Rates	13,586
0	Tariff payable to Central Government	
(9,644)	Tariff Payable to the Lancashire Business Rates Pool	(9,934)
(124)	Levy Payable to the Lancashire Business Rates Pool	(119)
0	Amounts retained by South Ribble Borough Council in respect of Renewable Energy Schemes	15
(76)	South Ribble Borough Council share of accumulated surplus or deficit for year (transferred to Collection Fund Adjustment Account - Note 25f)	10
260	South Ribble Borough Council share of previous year's estimated surplus or (deficit) as per NNDR1 under regulation	(54)
<b>3,514</b>	<b>NNDR Net Income per Note 14</b>	<b>3,504</b>

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.

#### 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 48.0.6p in 2018/19 (46.6p in 2017/18) and one for larger businesses at 49.3p in 2018/19 (47.9p in 2017/18).

The Business Rates income for 2018/19, after reliefs and provisions, was £35.231m (£36.304m in 2017/18).

The rateable value for the Council's area at the end of the financial year 2018/19 was £88.204m (£87.752m in 2017/18).

# Annual Governance Statement 2019 and 2020

## INTRODUCTION

This, in many respects, is an unusual document. Annual Governance Statements (the “AGS”) are prepared as a point in time assessment of a Council’s governance framework and compliance with it. It normally covers a single year and supports a council’s Statement of Accounts providing comfort to members and the public that the decisions taken to support the financial decisions of the council have been made correctly and lawfully.

It is of course more than this, it addresses all decision-making processes. It provides confidence to the public that officers and councillors are acting with probity, that decisions are made transparently and that the best interests of the public are protected.

This document covers 2 years, the AGS presented to Governance Committee last year could not be signed off or approved. Both Internal Audit and External Audit were unable to accept statements made concerning the governance framework, nor compliance with it. In short there were significant governance failings identified (after the initial production of the draft AGS) that meant the AGS presented was simply not correct.

While some elements of this document will be familiar, following the format used for previous years, the contents of these sections will be significantly different. This will reflect the issues which were identified and have continued to be identified since the start of the municipal year 2019/20. Progress has been made to improve the council’s approach to governance. Section 5 of this AGS not only addresses the governance failings identified but also updates on improvements that have been made. It should also be accepted that the fact there continue to be issues identified is evidence of a more challenging approach to governance which in itself supports a culture of improvement.

However, the purpose of the AGS is to provide a stark and honest position statement of the Council’s approach to governance. This document will not only deliver a realistic assessment of the Council’s position but also provide an action plan for improvement against which progress can be monitored.

## 1. What we are responsible for

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law, to high 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 should put in place proper 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.

South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework<sup>1</sup>  
<sup>2</sup>.

The Council are legally obliged to prepare an Annual Governance Statement which demonstrates how we have complied with the requirements of our code<sup>3</sup>. Unfortunately, this governance statement details how we failed to follow our local code, how these failings were identified and how we are taking steps to ensure that our governance framework can be improved and our statement of internal controls are complied with.

In May 2019 this document (in a similar form) was presented to Governance Committee for consideration as a draft. This draft stated that, not only is there a robust and comprehensive governance framework but that this framework had sufficient controls to ensure it was complied with. Subsequent to this, important and longstanding governance failings have come to light, highlighting that the AGS was incorrect. Further work undertaken over the last twelve months by the council's internal audit team has identified additional failings.

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<sup>1</sup> 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".

<sup>2</sup> 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](http://www.southribble.gov.uk) or can be obtained by contacting D Whelan, Deputy Monitoring Officer - Civic Centre, West Paddock, Leyland, Lancs, PR25 1DH

<sup>3</sup> Regulation 6(b) of the Accounts and Audit (England) Regulations 2015



## 2. Purpose of the 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.

### 3. Our Governance Framework

Our Governance Framework, which was adopted by full Council at its meeting on 24 May 2017, 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. While the governance framework detailed below is correct and is on its face comprehensive some of the detail which would have protected the Council is absent. These identified issues are included in the Comments column. The council approach to improving these defects will be addressed in section 5 of the AGS.

The principal elements of our governance arrangements in 2018/19 and 2019/20 and our commitment to our local code are described below:

<b>Good governance means behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>			
<b>The Council's commitment to Good Governance</b>	<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>	<b>Comments</b>
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>The council has a set of Core Values in place which inform everything we do</li> <li>Our values of Integrity, Positive Attitude, Learning Organisation, Teamwork and Excellence are at the core of our business and they influence everything we do. They demonstrate that we are serious not just about what is achieved but also how business is done</li> <li>We communicate our shared values with members, staff, the community and partners</li> <li>Our Core Values are incorporated into role profiles for senior managers and are embedded into our induction programmes for new officers and members.</li> </ul>	<b>Local Code of Governance Transformation Strategy Corporate Plan Suite of policies available through intranet – See Appendix C Action 6. Member and officer protocol</b>	<p>Whilst throughout this period there were a comprehensive suite of governance polices nevertheless some of those policies were in need of updating</p> <p>2018/19 No Personal Development and Review process in place, 2019/20 PDR process introduced, Induction improved, PDR's in general completed for all staff, 2020/21 process to be further embedded</p> <p>Management Controls require improving in regard to ensuring appropriate induction for individuals are promoted into Management roles, ensure appropriate regulation and rules training is undertaken.</p> <p>Breaches of CPR's and attempts to circumvent Financial Procedure Rules during 2018/19, early 2019/20. Training and review has taken place during 2019/20 and is ongoing.</p>

	<ul style="list-style-type: none"> <li>We have a suite of relevant policies in place – i.e. Whistleblowing policy, Antifraud and Corruption Strategy, Fraud Response Plan, Anti Bribery Policy, Anti Money Laundering Policy and Guidance, RIPA</li> <li>Contracts and service specifications for the main partnerships are informed by our values</li> </ul>		<p>Number of temporary arrangements in 2018/19 re s151 and into 2019/20. Assistant Director of Finance post now filled permanently; recruitment to Director of Finance in progress.</p> <p>A number of policies relating to anti-fraud and corruption, whistleblowing etc. require review and update and appropriate training provided for officers.</p>
<p><b>Demonstrating strong commitment to ethical values</b></p>	<ul style="list-style-type: none"> <li>We have a robust Members' Code of Conduct in place which was refreshed in 2017</li> <li>We had a Member and Officer Protocol which was adopted in March 2018 – all members and officers signed up to it for the year 2018 – 2019. For the year 2019 - 2020 (following the election in May) members were again asked to sign up to this protocol. The vast majority of members have signed up to this.</li> <li>We have a robust Employee Code of Conduct in place</li> <li>We are committed to raising the profile of our Standards Committee –the Chair of Standards reports to full Council on an annual basis</li> <li>The Protocol for the Independent Person was formalised and is included in the Constitution</li> <li>We strengthened our standards arrangements by appointing a second Independent Person</li> <li>We have an Investigation and Hearing policy which sets out how we deal with complaints against Members – this was updated and strengthened in 2017</li> <li>We have Member learning hours as well as tailored training for members on particular committees</li> </ul>	<p><b>Members Code of Conduct Constitution (Part 5A) – See Appendix C Action 2.2</b></p> <p><b>Code of Conduct for employees Constitution (Part 5B)</b></p> <p><b>Standards Committee Terms of Reference.</b></p> <p><b>Independent Person Protocol - Constitution (Part 4J)</b></p> <p><b>Member and officer protocol</b></p> <p><b>Member learning hours – Schedule in place</b></p> <p><b>Register of interests</b></p>	<p>Project Group established to align Code of Conduct across CBC and SRBC as part of shared arrangements, will include taking account of LGA model code as appropriate.</p> <p>Internal Audit Identified that a number of policies relating to the ethical governance of the Council require reviewing and updating.</p> <p>Provision of ethical training for Members and Officers is required</p> <p>Agreed values in partnership working require review and update, align to Corporate Strategy and Corporate Values</p> <p>Partnership Framework identified as out of date, requires review and update</p>

	<ul style="list-style-type: none"> <li>• Following the elections in May 2019 training was provided for all members on Standards issues and additional training was provided to the members of the Standards Committee.</li> <li>• We have a register of interests in place for officers and members to declare interests. Members are advised on an annual basis to review their declaration of interest's forms and interests are published online</li> <li>• We have a robust Scrutiny Committee</li> </ul>		
<p><b>Respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>• Appointment of statutory officers including; Head of Paid Service, Monitoring Officer and S.151 Officer who fulfil their responsibilities within legislative and regulatory requirements</li> <li>• Compliance with CIPFA's statement on the Role of the Chief Finance Officer in Local Government (2016)</li> <li>• We have an induction programme for new Officers and members</li> <li>• We have Financial Regulations and Contract Procedure Rules in place</li> <li>• Substantial work has been completed on reviewing and updating our Constitution, this is undertaken on an on-going basis.</li> <li>• Legal Officers provide advice on all committee reports and delegated decisions</li> </ul>	<p><b>Constitution</b>  <b>Review of compliance with statement on role of CFO.</b>  <b>Financial Regulations and Contract Procedure Rules – See Appendix C Actions 1 &amp; 5</b>  <b>Effective Anti-fraud and corruption policies and procedures</b>  <b>Local Assurance testing</b></p>	<p>It should be pointed out that Internal Audit have identified a number of failings to comply with Contract Procedure Rules for the year up to May 2019. Since then extensive training has been delivered on this issue.</p> <p>Internal Audit reviews identified significant breaches of Contract and Financial Procedure Rules in respect of Contracts and Tender processes. CPR's in relation to High Value Procurement in respect of some Utilities contracts breached. Also breach of European Procurement Rules, failure to achieve and demonstrate Value for Money, also breach of Constitution as appropriate decision-making process not adhered to; contract not agreed and signed by Legal Services.</p> <p>Internal Audit review identified instances of waiver process not complied with; contracts extended without adhering to appropriate decision-making process and without obtaining waivers of CPR's in line with Constitution.</p> <p>There have been instances of legal advice being sought without going through the internal team, Monitoring Officer advice not always followed.</p> <p>Internal audit reviews identified circumvention of Financial Procedure Rules, they are ambiguous and require interpretation, not aligned to current operation of services ; - Financial Regulations are in need of updating</p> <p>Fraud &amp; corruption risks for Council require assessment  Service Assurance Statements require testing to determine effectiveness of controls</p>

<b>Good governance means ensuring openness and comprehensive stakeholder engagement</b>			
<b>The Council's Commitment to Good Governance</b>	<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>	<b>Comments</b>
<b>Ensuring openness</b>	<ul style="list-style-type: none"> <li>• Our Local Code of Governance, Constitution and Annual Governance Statement show the Council's commitment to openness</li> <li>• Our Corporate Plan in February 2019 provided a focus, setting out the priority objectives, key targets and supporting improvement actions, the plan is reviewed and updated on an annual basis and is communicated through our website. In 2018-19 we undertook extensive consultation on priorities with residents, businesses and partners to inform the development of a new 5-year Corporate plan for 2019-24</li> <li>• Following a change of political administration in May 2019 work commenced on a new Corporate Plan. This was finalised and published in September 2019. It covers the period 2019 – 2023. Extensive consultation was carried out prior to its introduction.</li> <li>• Council and Committee agendas and decisions are available to the public through our website except where confidential matters are being disclosed</li> <li>• The culture in the council is that wherever possible all reports should be open to the public; we minimise the number of exempt reports</li> <li>• Wherever possible exempt reports are made public following a six month period upon request</li> <li>• Public participation is encouraged at our council and committee meetings – for</li> </ul>	<p><b>Local Code of Governance Constitution</b></p> <p><b>Annual Governance Statement</b></p> <p><b>Corporate Plan 2018-2023</b></p> <p><b>New Corporate Plan 2019 - 2023</b></p> <p><b>Compliance with Transparency Code</b></p> <p><b>Freedom of Information publication scheme</b></p> <p><b>All agendas and minutes are available through the website.</b></p> <p><b>Scrutiny Committee Terms of Reference</b></p> <p><b>Results of employee survey</b></p> <p><b>Results of member survey</b></p> <p><b>Results of cultural mapping review</b></p> <p><b>Community Engagement Strategy</b></p> <p><b>Community Engagement</b></p>	<p>Internal Audit reviews identified a failure to review and action by Management of outstanding / overview contracts and excess spend levels outlined in the Transparency Register resulting in contracts continuing beyond agreed extensions. Not all spend in excess of £5000 is included in the Transparency register, thus failing to comply with Transparency Code.</p> <p>The Council's Contracts Management system is not up to date and does not contain all contracts;</p> <p>Community Engagement Strategy requires reviewing and updating.</p> <p>Consultation and Engagement toolkit requires developing</p> <p>Review of Internal and external communications required</p>

	<p>example at Planning committee the public have greater rights to speak than is found at many councils</p> <ul style="list-style-type: none"> <li>• Requirements of the Code of Transparency are generally being complied with but there have been some instances where this has not occurred</li> <li>• The Corporate Plan, financial strategy and governance arrangements are reviewed annually and incorporate the key improvement areas. They ensure that resources are directed towards our priority areas and that our aims are realistic in the context of the funding constraints placed upon us</li> <li>• Scrutiny Committee report to every Council meeting – it meets 6 times a year – Scrutiny Committee have clear terms of reference</li> <li>• Every two years we have an Employee survey</li> <li>• Staff are consulted on matters through a South Ribble Action Group, CONNECT, and the Leadership Team key messages and briefings. In addition there has been extensive consultation with staff as part of the cultural mapping review</li> <li>• The Transformation Strategy and Transformation Programme, progress was reviewed and reported to Cabinet in the year 2018/2019.</li> <li>• <b>In the year 2018/2019 In collaboration with North West Employers, we carried out a review of our organisational culture, as part of this we developed a staff engagement measurement tool.</b></li> </ul>		<p>An approach to the review and updating of the Transparency Register must be developed and adhered to by Leadership Team. Leadership Team members must also ensure the high value spend report is reviewed to ensure spend above £5000 is recorded on the Transparency Register and determine good s/ services identified in the high value suppliers list, have been procured in accordance with the Council Contract &amp; Financial Procedure Rules.</p> <p>For reasons explained further on in this document there is no current Transformation Strategy</p> <p>This staff engagement tool has not been properly implemented, developed or embedded</p>
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<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>• We had a Communications Strategy 2017-19 in place which enabled the establishment of communication task and finish groups on an ad-hoc basis when required</li> <li>• There is significant consultation with voluntary, community and faith sector groups via the South Ribble VCFS Network, Neighbourhood Forums and through Partnerships</li> <li>• South Ribble Partnership’s Community Strategy 2019-2024 was developed allowing partners across the borough to work towards shared objectives in the interests of the local community – extensive consultation was carried out with all partners in developing this Strategy. The Strategy is available through South Ribble Partnership website. Council representation on South Ribble Partnership includes the leader (vice chair) and the Chief Executive. All agenda and minutes are distributed to all partners.</li> <li>• The Council has close links with Disability Equality Northwest</li> <li>• Safer Chorley and South Ribble Community Safety Partnership</li> <li>• My Neighbourhoods surveys and My Neighbourhood forums provide opportunities for public involvement, 3 meetings per area are undertaken</li> <li>• Public involvement with any current consultation through website e.g Greenlinks consultation</li> <li>• Collaborative working with a wide range of public sector agencies and businesses to improve outcomes for local people and</li> </ul>	<p><b>Communications Strategy 2017-19</b>  <b>Customer Feedback Policy</b>  <b>Community Strategy 2019-24</b>  <b>My Neighbourhood Plans</b>  <b>Schedule of Neighbourhood forum meetings (3 per annum)</b>  <b>Greenlinks consultation</b>  <b>Corporate Plan 2019-2024</b>  <b>Updated Corporate Plan 2019 – 2023.</b>  <b>Equality Impact Assessment</b></p>	<p>Communications strategy requires updating, Draft version 2019-22 has been developed, however requires updating, to address Communications team is now a shared service with Chorley.          The Partnership Framework requires review and update in order to ensure the partnerships reflect the Corporate Plan and the Council’s values.</p>
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	<p>communities. Key Partnerships support this collaborative working and include;</p> <ul style="list-style-type: none"> <li>• <b>South Ribble Partnership</b></li> <li>• <b>South Ribble Community Leisure Trust</b></li> <li>• <b>Central Lancashire health and wellbeing partnership</b></li> <li>• <b>Lancashire Enterprise Partnership</b></li> <li>• <b>Preston, South Ribble and Lancashire City Deal</b></li> <li>• <b>Lancashire County Council</b></li> <li>• Chorley Borough Council</li> </ul> <ul style="list-style-type: none"> <li>• In 2018-19 we undertook extensive consultation with partners from the public sector, business and community to develop a new 5 year Community Strategy this is directly linked to the Council's Corporate Plan priorities and sets out how we will work with partners to use our joint resources to provide the services people need.</li> <li>• In 2017-18 we undertook extensive consultation on priorities with residents, businesses and partners to inform the development of a new 5 year Corporate Plan for 2019 – 24.</li> <li>• We also carried out a robust consultation exercise with all relevant parties prior to the development and adoption of a new Corporate Plan (following the change in administration in May 2019) in September 2019</li> </ul>		
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<p><b>Engaging with individual citizens and service users effectively</b></p>	<ul style="list-style-type: none"> <li>• The council uses a range of mechanisms to understand the views and needs of its residents and partners. These include: public meetings, partnerships, multi-agency working, community and voluntary groups</li> <li>• The Council's website was developed to improve citizen engagement</li> <li>• The council is constantly examining its service delivery arrangements based on feedback in order to achieve best value, Improve customer service and take corrective action as necessary</li> <li>• All council/committee agendas, reports and minutes are openly available and can be viewed through the council's website</li> <li>• The council produces an Annual Report which provides a clear and concise summary of the council's activity over the previous year, so that residents can see where money has been spent and what has been achieved</li> <li>• Customer feedback policy was introduced in 2017 and resident satisfaction measures and proxy measures for customer care have been routinely reported to Scrutiny Committee and Cabinet throughout 2018-19 as part of the quarterly performance report.</li> <li>• There is public involvement with any current consultation through the council website e.g. Greenlinks consultation, Town Centre Masterplanning. Consultation is being developed for the budget setting process.</li> </ul>	<p><b>LGA Customer Survey Customer Feedback Policy Council website – committee reports and minutes Annual report Quarterly performance reports Records of public consultation Social Media (Facebook, Twitter etc.)</b></p>	<p>Procedures / processes relating to the Record of public consultations require review and update.</p> <p>Review and Update of Communications Strategy (as above)</p> <p>Review of Internal and external communications.</p> <p>Review and Update Community Strategy</p>
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**Good governance means defining outcomes in terms of sustainable economic, social and environmental benefits**

The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
<p><b>Defining outcomes</b></p>	<ul style="list-style-type: none"> <li>For the year 2018/2019 we had a new Corporate Plan 2019-2024 which was agreed by Council and reflected the council's priorities. The Plan was aimed at maintaining high resident satisfaction with the council and with the services we provide. It was also aimed at ensuring that the council remains financially self-sufficient with a focus on income generation. Regular reporting of progress towards achievement of the Corporate Plan was made to Scrutiny and Cabinet throughout 2018-19.</li> <li>In the year 2019/2020 (following a change of political administration after the local elections in May) a new Corporate Plan was introduced in September 2019.</li> <li>The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble – they lead and influence the strategic vision of the Partnership</li> <li>The South Ribble Partnership's Community Strategy was aligned with countrywide priorities and the council's Corporate Plan. The priorities of partners are also aligned to this</li> <li>A medium-term financial strategy was in place which set out the financial assumptions and provided a set of goals for financial decision making for the planning period ahead, this is backed up with robust budget monitoring</li> <li>Contract Procedure Rules and the guidance accompanying them contains advice on the social value dimension of</li> </ul>	<p><b>Quarterly performance reports</b>  <b>Corporate plan 2018-2023</b>  <b>Corporate Plan 2019 - 2023</b>  <b>Transformation Strategy 2017-18</b>  <b>Community Strategy</b>  <b>Medium-Term Financial Strategy</b>  <b>CPRs – See Appendix C</b>  <b>Action 5</b>  <b>AGS action plan</b>  <b>Improvement Reference</b>  <b>Group Quarterly Performance Reports</b></p> <p><b>Risk Management Framework</b>  <b>Agreed set of quality standard measures</b>  <b>Treasury Management update</b>  <b>Capital Strategy update</b></p>	<p>It has become apparent that performance information previously reported was inaccurate, not evidenced and not properly signed off. During 2019/2020 a great deal of work has been done to address this – see further on.</p> <p>Further work is required to ensure process is embedded, a further review of Performance Management will be undertaken by Internal Audit as part of the 2020/21 Audit Plan work.</p> <p>Risk management inadequately evidenced through use of the Grace system</p> <p>Service Plans have not always been in place.</p> <p>Whilst there is a risk management framework in place, risk is not managed effectively, there is no Risk Strategy in place, a review is required of the Risk Management Strategy and Framework.</p> <p>Comments are made further on in this report about the work of the Improvement reference Group. Serious concerns have emerged about the accuracy of data reported to full Council about the completion of necessary work in the relevant Action Plan.</p>

	<p>procurement – this is backed up by advice from the council’s legal and procurement officers</p> <ul style="list-style-type: none"> <li>• Regular meetings of the cross-party improvement reference group took place in 2018/19, to consider the actions set out in the Peer review. This will be commented on further later on in the report.</li> <li>• Contracts are in place for our major partnerships covering in particular Waste, Leisure, City Deal, Payroll, Shared Services (the latter with Chorley BC).</li> <li>• Quarterly performance and financial reports are produced and presented to Cabinet and Scrutiny</li> <li>• We have a risk management system (Grace) in place</li> </ul>		
<p><b>Sustainable Economic, Social and Environmental Benefits</b></p>	<ul style="list-style-type: none"> <li>• We had a Transformation Strategy for the year 2018/2019 in place and developed a transformation programme that demonstrated our continued commitment to customer centric service improvement and financial savings</li> <li>• The council sets out the factors it has taken into consideration when making decisions in reports which are available on our website</li> <li>• We have in place a Disaster Recovery Plan, an Emergency Plan and a Business Continuity Plan</li> <li>• There is an annual review process resulting in a Governance improvement action plan</li> <li>• We have a Customer Feedback Policy in place and is available to view on our website. This informs our customers of their right to complain and we monitor the number of complaints within the quarterly</li> </ul>	<p><b>Transformation Strategy and transformation programme</b>  <b>Business Continuity Plan and Disaster Recovery Plan – See Appendix C Action 8</b>  <b>AGS action plan</b>  <b>Customer Feedback Policy</b>  <b>Quarterly Performance Reports</b>  <b>Corporate Plan and priorities</b>  <b>MTFS</b>  <b>Capital Programme</b>  <b>Capital Strategy</b>  <b>Record of decision making and supporting materials</b></p>	<p>In 2019/2020 council elected not to introduce a new updated Transformation strategy. Transformation was considered part and parcel of everyday working. Also a key driver for transformation is shared services – a great deal of progress was made in considerably expanding the scope of shared services during this process.</p> <p>Internal Audit reviews identified insufficient information in budget setting process to ensure Members have appropriate information to make robust decisions; detailed information in respect of key decisions to be included in future budget setting processes.</p> <p>Improvements are required in the area of Customer Feedback.</p> <p>There are no formal procedures in place in any service for incorporating feedback from customers into reviewing/revising policies and delivery of services. Also complaints feedback is dealt outside of the system.</p>

	performance report considered by Leadership Team and members		
<b>Good Governance means determining the interventions necessary to optimise the achievement of the intended outcomes</b>			
<b>The Council's Commitment to Good Governance</b>	<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>	<b>Comment</b>
<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>The Council's constitution governs the way we conduct our business and is based on the principles of accountability, transparency, efficiency and openness</li> <li>The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations</li> <li>Our delegated decisions are published and are subject to call in</li> <li>The Monitoring Officer regularly advises on the correct interpretation of the Scheme of Delegation</li> <li>Scrutiny Committee has a vital role to play in scrutinising and challenging the decisions of cabinet and individual officers e.g, 3 Scrutiny call-ins of cabinet decisions in 2018/19. During 2019/2020 there was a Scrutiny Committee call in on the cross-party strategic review of community involvement including My Neighbourhoods</li> <li>The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern.</li> <li>Regular meetings of the cross-party improvement reference group took place in 2018/19, to consider the actions set out in the Peer review</li> <li>Minutes of Council and Committee minutes are published and available on</li> </ul>	<p><b>Constitution</b>  <b>Scheme of delegation,</b>  <b>Financial Regulations and</b>  <b>CPRs – See Appendix C</b>  <b>Actions 1 &amp;57</b>  <b>Scrutiny Committee Terms of Reference</b>  <b>IRG-</b>  <b>Record of decisions,</b>  <b>supporting materials, minutes</b>  <b>of meetings are all published</b>  <b>on website.</b>  <b>Performance Management</b>  <b>Framework</b>  <b>Corporate Plan</b>  <b>MTFS</b></p>	<p>In terms of the work of the Improvement Reference Group issues have emerged about this – in particular inaccurate information has been reported to cabinet and Council the actions that had been carried out to address the Action Plan.</p> <p>As above – ensure sufficient detail is included in discussions, including options to consider in order that Members can make robust decisions.</p> <p>Ensure risks are outlined and sufficient information is available to demonstrate that best value has been achieved in service delivery.</p> <p>Failings in the operation of the improvement reference group addressed in this document</p>

	<p>the Council's website wherever possible the Monitoring Officer discourages exempt committee reports</p> <ul style="list-style-type: none"> <li>• Reports set out alternative courses of action (to what is proposed) in all appropriate circumstances</li> <li>• We have Neighbourhood Area meetings</li> </ul>		
<p><b>Planning interventions</b></p>	<ul style="list-style-type: none"> <li>• We had a Corporate Plan 2019-2024 which had been agreed by Council and reflected the council's priorities. The Plan is aimed at maintaining high resident satisfaction with the council and with the services we provide. It was also aimed at ensuring that the council remained financially self-sufficient with a focus on income generation through integration with the council's Medium -Term Financial Strategy.</li> <li>• In the year 2019/2020 (following a change of political administration after the local elections in May) a new Corporate Plan was introduced in September 2019.</li> <li>• The council had in place a suite of Key Performance Indicators (KPIs) to monitor service delivery and progress against Corporate Plan activities. Reports are compiled quarterly and are submitted to the Leadership Team, Scrutiny Committee and Cabinet.</li> <li>• The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble – they lead and influence the strategic vision of the Partnership.</li> <li>• Codes of Conduct and protocols help to ensure effective communication between members and Officers</li> </ul>	<p><b>Corporate Plan 2019-2024 (September 2019) Corporate Plan 2019 - 2023</b>  <b>Quarterly Performance Report</b>  <b>Code of Conduct for elected members</b>  <b>Code of Conduct for Officers</b>  <b>Member / Officer protocol –</b>  <b>Community Strategy</b>  <b>Communication Strategy 2017-18</b>  <b>Council Calendar of meetings</b>  <b>Local Plan</b>  <b>Use of InPhase for Project Management</b>  <b>Project Management Toolkit</b></p>	<p>As part of a review of Project Management of a significant Council project it was identified by Internal Audit that, governance arrangements were ineffective in that agreed governance arrangements put in place had not been complied with and processes in regard to milestone decisions had not been complied with, demonstrating that project management was ineffective.</p> <p>Internal Audit identified a number of issues relating to Performance Management and reporting, in that data was inaccurately calculated, recorded and reported and there was a lack of compliance with the Council's Data Quality Policy. In 2019/20 significant work was undertaken to address this, Internal Audit will undertake a further review of Performance Management as part of the 2020/21 Audit Plan to ensure revised systems and controls are effective.</p> <p>It was identified from the Service Assurance Statements that improvements are required in regard to follow up processes where corrective action is identified, e.g. outputs of Residents Surveys and complaints etc. as there is currently no formal process for ensuring that feedback is taken account in service delivery improvements.</p>

	<ul style="list-style-type: none"> <li>We had a Communications Strategy 2017-19 in place - this enabled the establishment of communication task and finish groups on an ad-hoc basis when required It is now acknowledged that this needs to be updated.</li> </ul>		
<b>Optimising achievement of intended outcomes</b>	<ul style="list-style-type: none"> <li>We had a Financial Strategy in place backed up with robust budget monitoring and the MTFS Delivery Plan was monitored by both the Council's programme Board and Scrutiny committee</li> <li>Contract Procedure Rules and the guidance accompanying them contains advice on the social value dimension of procurement – this is backed up by advice from the council's legal and procurement officers</li> <li>Budget alignment with key priority areas provides capacity and investment</li> <li>A new Capital programme and MTFS for 2019-23 is closely aligned to the Corporate Plan for 2019-24.</li> </ul>	<p><b>Medium-term Financial Strategy</b>  <b>Contract Procedure Rules and Financial Procedures (Constitution) – See Appendix C Actions 1 &amp; 5</b>  <b>Budgeting guidance and protocols</b>  <b>Resident Consultation Capital Programme</b>  <b>Project Management Toolkit</b>  <b>Use of InPhase for project management</b>  <b>Budget setting process links to Corporate Plan, Service Plans; engages with officers and members (administration and opposition) MTFS</b>  <b>Draft Budget</b>  <b>Quarterly budget monitoring reports</b>  <b>Review of corporate outcomes and associated capital and revenue projects</b></p>	
<b>Good governance means developing the council's capacity, including the capability of its leadership and the individuals within it</b>			
<b>The Council's Commitment to Good Governance</b>	<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>	<b>Comments</b>
<b>Developing the organisation's capacity</b>	<ul style="list-style-type: none"> <li>The Council's Transformation Strategy focused on building and maintaining leadership and organisational capacity and articulated how we will support staff and members helping them to develop the</li> </ul>	<p><b>Transformation Strategy</b>  <b>Strong and effective leadership</b>  <b>Shared Services – See Appendix C Action 3</b>  <b>Investors in People</b>  <b>Medium-Term Financial Strategy</b></p>	<p>The principles behind the Transformation Strategy were sound but no actions were taken to implement them. Also there was a failure to comply with the governance arrangements that were adopted in this regard.</p> <p>No workforce plan has been in place during these years nor was any Organisation Development undertaken during this period.</p>

	<p>skills they need for the future. The transformation aims were;</p> <ul style="list-style-type: none"> <li>• To develop and embed an organisational culture that encourages, empowers and recognises ambition and innovation</li> <li>• A highly motivated and flexible workforce</li> <li>• Developing a performance culture</li> <li>• Encouraging and nurturing talent</li> <li>• To reduce the cost of service delivery</li> </ul> <ul style="list-style-type: none"> <li>• The council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met</li> <li>• In 2018/2019 in collaboration with North West Employers, we carried out a review of our organisational culture, as part of this we have developed a staff engagement measurement tool.</li> <li>• Members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire</li> <li>• Budget alignment with key priority areas provides capacity and investment ensuring the correct reserve allocation to deliver outcomes.</li> <li>• The Council is committed to increasing its capacity by working in partnership with a wide range of organisations including public, private, voluntary and community groups to build and share resources and deliver locally joined up services</li> <li>• Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services</li> <li>• A long term partnership with Chorley BC to deliver Financial and Assurance</li> </ul>	<p><b>Community Strategy</b></p>	<p>During 2018/2019 the HR service was not helped by a lack of consistent HR management and use of temporary HR resources</p> <p>It was identified by Internal Audit as part of discussions in relation to the Service Assurance Statements that whilst some work is undertaken in regard to the review of activities, outputs and planned outcomes, in respect of benchmarking, measuring performance etc., the Service Assurance Statements identified that it is not consistent / formalised across the Council.</p> <p>The Council must develop an agreed approach in respect of clear expected outcomes in order that services can demonstrate the achievement of their service delivery objectives.</p> <p>The development of an agreed approach to benchmarking and assessing services against comparative data should also be undertaken assessing and acting on the outcomes / feedback from surveys and complaints and a reporting mechanism established.</p> <p>Further there is very little work undertaken in regard to the reviewing of partnerships / contract management and the review of expected outcomes / deliveries of these key partnerships / contracts to demonstrate that the partnerships / contracts demonstrate best value in delivery of those services / service areas and that service objectives are being achieved.</p> <p>The Council must develop and agree an approach to reviewing key partnerships / contracts in order to demonstrate / evidence that key partnerships / contracts are delivering effective, efficient and economic services / service areas and demonstrating that these partnerships / contracts evidence best value for the Council.</p> <p>The identification of financial discrepancies within a key partnership / contract arrangement has demonstrated that contract management in that area is ineffective and controls have failed. Appropriate contract management / partnership management processes require development and implementation for each contract / partnership / framework in order to ensure that efficient and effective delivery of services can be demonstrated and failure of delivery can be addressed.</p> <p>Review and update of Organisational Development Plan / Planning</p> <p>Review and update workforce plan / planning</p>
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	<p>services both increases capacity and skills whilst delivering efficiency savings through the use of appropriate technologies In 2019 – 2020 the council also agreed and implemented an expansion of shared services, including a number of senior posts that will provide resilience, development opportunities and increased capacity.</p> <ul style="list-style-type: none"> <li>• Our values and integrated approach to financial and risk management are key to sustained progress against priorities</li> <li>• The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through service and individual performance plans to ensure that resources are focused on agreed priorities</li> <li>• Success in leadership and workforce related governance has been recognised in the achievement of Investors in People</li> </ul>		
<p><b>Developing the capability of the organisation's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>• The Council Leader and Chief Executive have clearly defined roles and maintain a shared understanding of roles and objectives.</li> <li>• The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations.</li> <li>• The Council maintains a Scheme of Delegation setting out which decisions and powers have been delegated to various Committees and Officers.</li> <li>• Protocols ensure that communication between elected members and officers is both effective and appropriate</li> <li>• The role of the section 151 officer is supported by the shared financial and assurance services team – this is a</li> </ul>	<p><b>Constitution Scheme of delegation, Financial regulations and CPRs – See Appendix C Actions 1 &amp; 5</b>  <b>Codes of Conduct; Member / Officer protocols – See Appendix C Action 2.2</b>  <b>Shared Services – See Appendix C Action 3</b>  <b>Role of Monitoring Officer as detailed in the constitution</b>  <b>Committee membership</b>  <b>Leadership Team –</b>  <b>Compliance with CIPFA statement on the roles of CFO</b>  <b>Public Sector Internal Audit Standards</b>  <b>Transformation Strategy 2017-18 – See Appendix C Actions 1 &amp; 3</b></p>	<p>During 2018 -2019 there was no organisation structure chart. The blended approach to working (see further on for more information) failed to identify accountability and responsibility. A review of whole organisational structure will be undertaken as part of the Shared Service review.</p> <p>During 2018/2019 no performance and development reviews were carried out. During 2019/2020 a new procedure was introduced, PDR's in general have been undertaken for all staff, the process requires embedding during 2020/21, Internal Audit will undertake some testing of this area as part of the 2020/21 Service Assurance Statement testing.</p> <p>The Council scheme of delegation is out of date and requires reviewing and updating particularly following the further development of Shared Services.</p> <p>Scheme of delegation has not been reviewed for some time, requires review and updating particularly to include the Shared Service changes.</p>



	<p>service that we share with Chorley Borough Council</p> <ul style="list-style-type: none"> <li>• The Monitoring Officer is supported by the council’s legal services team</li> <li>• The Chief Executive is the Head of Paid Service – the role is supported by the Leadership Team</li> <li>• Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and initiatives</li> <li>• Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities.</li> <li>• Good practice standards are annually assessed against the CIPFA statements for the roles of the Chief Finance Officer and the Public Sector Internal Audit Standards</li> <li>• The Transformation Strategy incorporated Member Development &amp; identified the priority areas for officer development. Monitoring is undertaken by the Leadership Team and the Scrutiny Committee.</li> <li>• Staff are consulted on matters through a South Ribble Action Group, CONNECT (Intranet), the Leadership Team. In addition there has been extensive consultation with staff as part of the cultural mapping review and review of organisational culture.</li> </ul>	<p><b>Performance and Development Reviews – See Appendix C Action 7</b>  <b>Cultural Mapping Review – Access to update courses and information briefings for Members</b>  <b>Training &amp; Development Plan for Members 2019/20</b>  <b>Residents Panel</b>  <b>Stakeholder Forums</b>  <b>Cabinet in the Community</b>  <b>Youth Council</b>  <b>Neighbourhood Area meetings</b>  <b>Public Consultation</b>  <b>Review Individual Member performance regularly</b>  <b>Peer reviews</b>  <b>Training and PDR’s for Staff</b>  <b>HR Policies</b></p>	<p>Breaches of Financial Regulations have been identified in Audit reviews, this is sometimes due to ambiguity of the Financial Procedures Rules, these require review and updating to ensure in accordance with CIPFA / Best Practice and align to Chorley Council as Finance is a Shared Service.</p> <p>In 2019/20, the Administration have developed a number of initiatives in order to ensure public participation during the year including holding Cabinet in the Community, however, due to COVID-19, this implementation has been delayed.</p> <p>A number of HR Policies are out of date and require review and updating, to be undertaken as part of the Shared Services agenda.</p>
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Good governance means managing risks and performance through robust internal control and strong financial management			
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
<b>Managing Risk</b>	<ul style="list-style-type: none"> <li>The Council has a Risk Management Framework that outlines the responsibilities for risk</li> <li>The Chief Executive has overall responsibility for risk management; a cabinet member has portfolio responsibility; operationally a Head of Service leads the risk management function and is recognised as the officer champion. Governance, Risk Assessment &amp; Control Evaluation software (GRACE) has been procured which enables continuous risk and control self-assessment by services. In addition Corporate Plan projects and project risks are monitored via InPhase.</li> <li>The Programme Board functions as the corporate risk management group and annually agrees and prioritises the corporate risk register which is aligned with the corporate plan</li> <li>Legal and Finance review all Committee reports and delegated decisions</li> <li>A quarterly review of the Corporate Risk Register is reported to both Scrutiny Committee and Cabinet alongside the quarterly performance reports</li> <li>The council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's Anti-Fraud &amp; Corruption Strategy, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases.</li> </ul>	<p><b>Risk Management Framework Constitution</b>  <b>GRACE</b>  <b>InPhase</b>  <b>Corporate Risk Register</b>  <b>Corporate Plan Risk Register</b>  <b>Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019</b>  <b>Customer Feedback Policy</b>  <b>Whistle-Blowing Policy</b>  <b>Suite of Anti-fraud policies – See Appendix C Action 6</b></p>	<p>The use of Inphase needs to be reviewed.</p> <p>A review of the risk management framework is required. There is no risk strategy or policy. Use of Grace / risk system (approach to risk management) needs to be developed further.</p> <p>There is an identified need to review risk management within projects – evidence of inadequate or poor risk registers</p> <p>Business Continuity Plans were identified as being out of date and not in place in some areas; Plans require further review and update following on from the current national crisis and to ensure they reflect the priorities of the Council BCP plans require continuous maintenance, review and testing to ensure they are fit for purpose and up to date.</p> <p>There are a number of significant Emergency Plans in place, these require, review, update and testing to ensure they are fit for purpose; regular exercise should be planned to stress test plans.</p> <p>Risk management is not fully embedded, this is reflected in the lack of up to date risk registers, the framework and management of risk requires review and update to ensure risks are being managed effectively and to ensure risk management is embedded.</p>

	<ul style="list-style-type: none"> <li>• A Complaints Procedure and a Whistle-Blowing Policy are kept under review, providing the opportunity for the public and employees to raise issues for investigation</li> </ul>		
<p><b>Managing Performance</b></p>	<ul style="list-style-type: none"> <li>• The council has in place a suite of Key Performance Indicators (KPIs) to monitor service delivery and progress against Corporate Plan activities. Reports are compiled quarterly and are submitted to the Leadership Team (Programme Board), Scrutiny Committee and Cabinet</li> <li>• We have introduced a Corporate Planning and Delivery Framework which will be used to monitor and manage the delivery of service plans and all corporate plan projects and for reporting progress to members</li> <li>• The council has a variety of control mechanisms to ensure compliance with legal requirements, public law and Council policy. These include the roles of the Monitoring Officer; the Chief Financial Officer (Section 151); the assurance work undertaken by both External and Internal Audit; and the Council's committee reporting system</li> <li>• The Monitoring Officer is responsible for keeping abreast of all legal requirements and informing relevant officers</li> <li>• The Governance Committee is responsible for reviewing and challenging the adequacy of the council's governance arrangements. It closely monitors progress on control matters including improvement plans, external and internal audit programmes and reports, and risk management.,</li> </ul>	<p><b>Quarterly Performance Report</b>  <b>Role of Monitoring Officer as detailed in Constitution.</b>  <b>Role of S.151 Officer as detailed in Constitution</b>  <b>Internal Audit Plan</b>  <b>Governance Committee Terms of Reference -</b>  <b>Monthly Programme Board meetings</b>  <b>Financial Standards and Guidance</b>  <b>Financial Regulations and CPR's</b></p>	<p>Service Assurance Statements identified that Benchmarking and cost performance is not undertaken in all service areas, independent post implementation reviews of service delivery is not undertaken in areas where new processes / systems are developed to determine if project / system objectives are met. A number of audit reports have been classified as providing limited assurance in respect of controls, indicating that there are risks to the effective, efficient and economic delivery of services and their performance.</p> <p>Management actions arising from individual audit reviews must be implemented in a timely manner, managed by the Directors and the implementation reported to Governance the Committee.</p>

<p><b>Effective overview and scrutiny</b></p>	<ul style="list-style-type: none"> <li>Cabinet is supported and challenged by the Scrutiny Committee which plays an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations. The agenda, reports and minutes are publicly available on the Council's website</li> </ul>	<p><b>Scrutiny Terms of Reference and workplan</b>  <b>The Role and responsibility for Scrutiny has been established and is clear</b>  <b>Training for Members</b>  <b>Evidence of improvements as a result of scrutiny</b></p>	
<p><b>Robust Internal Control</b></p>	<ul style="list-style-type: none"> <li>The council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes</li> <li>The Audit Plan is compiled following consultation with Directors and Heads of Service</li> <li>We have a suite of relevant policies in place – i.e. Whistleblowing policy, Anti-fraud and Corruption Strategy, Fraud Response Plan, Anti Bribery Policy, Anti Money Laundering Policy and Guidance</li> <li>The Head of Shared Assurance Services is a member of the Leadership Team and reports directly to Governance Committee and provides an assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control within the Annual Governance Statement (AGS)</li> </ul>	<p><b>Internal Audit Annual Plan, Internal Audit Strategic Plan</b>  <b>Internal Audit Charter</b>  <b>Internal Audit Reports</b></p> <p><b>Constitution</b>  <b>Anti-fraud and corruption strategy - See Appendix C</b>  <b>Action 6</b>  <b>AGS process</b>  <b>Risk Management Framework</b>  <b>Compliance with Code of Practice on Managing the risk of fraud and corruption</b>  <b>Compliance with Fighting Fraud locally</b>  <b>Effective Internal Audit Service</b>  <b>Effective Governance Committee</b></p>	<p>Last year's AGS process was not completed – significant failings emerged after the preparation of the draft AGS – procedures for the production of an AGS have been toughened and rendered more robust</p> <p>Develop Risk Management Strategy and review and update Risk Management Framework</p> <p>Whilst anti-fraud and corruption policies etc., are in place they require review and update. Further a review of the Council's measures to prevent and detect Fraud and Corruption is required and appropriate training is required.</p> <p>A Strategic Audit Plan is being developed to determine the resource requirements of the Internal Audit Service as part of the review of Shared Services.</p> <p>The Council's Governance Committee membership changed following the Elections in May 2019, CIPFA guidance recommends a review of the effectiveness of the Audit Committee in line with best practice, this independent review will be undertaken by Internal Audit as part of the Audit Plan for 2020/21.</p>
<p><b>Managing Data</b></p>	<ul style="list-style-type: none"> <li>The council has a suite of policies, protocols and/or strategies in place dealing with the issue of data</li> </ul>	<p><b>IT Strategy</b>  <b>Information Security Policy</b>  <b>Records Management</b>  <b>Guidance</b></p>	<p>It has become apparent (through the work of the Internal Audit team) that there have been instances of failing to comply with the Transparency Code and with the implementation of GDPR – please see Section 5 infra.</p>

	<p>management – safe collection, storage, use and sharing of data, They are designed to deal with the requirements of the following:</p> <ul style="list-style-type: none"> <li>• The Data Protection Act 2018</li> <li>• The Freedom of Information Act 2000</li> <li>• The Transparency Code 2015</li> <li>• GDPR</li> <li>• We launched a dedicated GDPR section on Connect (Intranet) providing regular blogs, information and tips, update of procedures</li> <li>• The GDPR officer group met on a fortnightly basis to monitor and review progress of the action plan</li> </ul>	<p><b>Compliance with DPA and FOI Acceptable Use Policy –</b></p>	<p>Internal Audit identified a number of control issues and non-compliance in regard to Data protection as part of the GDPR review, these have issues have been identified to Governance Committee and a follow up review will be undertaken as part of the 2020/21 Audit Plan.</p> <p>A number of arrangements were still required at the time of the review to ensure the implementation of GDPR was complete, this will be reviewed as part of the follow up.</p>
<p><b>Strong Public Financial Management</b></p>	<ul style="list-style-type: none"> <li>• A medium-term financial strategy was in place which set out the financial assumptions and provided a set of goals for financial decision making for the planning period ahead, this is backed up with robust budget monitoring</li> <li>• Financial regulations and CPRs are detailed within the constitution</li> <li>• Legal and Finance review all Committee reports and delegated decisions</li> <li>• The Section 151 Officer is an experienced Local Government Finance Practitioner at a senior level</li> </ul>	<p><b>Medium-Term Financial Strategy Financial Regs. And CPRs – See Appendix C Actions 1 &amp; 5 Budget Monitoring Reports CPR’s</b></p>	<p>A complete service review of Shared Financial Services including shared Management Accounts is in progress and will help align the work of the management account service to better support organisational development.</p> <p>As part of an audit review of Creditors a number of issues were identified in respect of payments processed for significantly more than order value and in excess of available budget, this identified a lack of significant controls within the Creditors system and the potential that management controls in regard to the ordering, receipting and payment of goods and services are not applied in accordance with the Council’s Financial Procedure Rules. In order to determine the extent of the issue, further work will be undertaken in respect of the creditors review and a review of budget monitoring / management will be undertaken to determine if any compensatory controls are in place thus mitigating risk..</p>

**Good governance means implementing good practices in transparency, reporting and audit to deliver effective accountability**

The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
<p><b>Implementing good practice in transparency</b></p>	<ul style="list-style-type: none"> <li>• The Transparency Code has generally speaking been complied with (but there have been some instances of failure in this regard – please see Section 5 of this AGS)</li> <li>• The council maintains a user friendly and up to date Website. Information on expenditure, performance and decision making is published and can be accessed quickly and easily.</li> <li>• The Corporate Plan is approved by full Council and communicated via our Website</li> <li>• The Corporate Plan is communicated to employees via Connect and Team Brief</li> <li>• The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble</li> <li>• My Neighbourhood forums are a key opportunity to communicate directly with the local community</li> </ul>	<p><b>Local Government Transparency Code 2014</b>  <b>Southribble.gov.uk website</b>  <b>Southribblepartnership.org.uk website</b>  <b>Schedule of Neighbourhood forum meetings (3 per annum)</b></p>	<p>There have been some instances of failure to comply with the Code – please see Section 5 of this AGS)</p>
<p><b>Implementing good practices in reporting</b></p>	<ul style="list-style-type: none"> <li>• The Corporate Plan and Annual Report are published on the Council's website and show detailed progress towards its vision and priorities</li> <li>• Annual financial statements are reported and published on the Council's website</li> <li>• Assessment of the Council's governance arrangements and the production and publication of An Annual Governance Statement including an action plan identifying the governance challenges it needs to address in the next financial year.</li> </ul>	<p><b>Corporate Plan and Annual report</b>  <b>Annual Financial Statement</b>  <b>Annual Governance Statement</b>  <b>Contracts Register</b>  <b>Transparency</b></p>	<p><b>Comments elsewhere in this table expose the weaknesses of this element</b></p>

	<ul style="list-style-type: none"> <li>• Role of Governance Committee and specified in their Terms of Reference within the Constitution.</li> </ul>		
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>• The Council were subject to a Corporate Peer challenge in March 2017, the findings from which were used in 2017 to inform further improvement work. A re-visit took place in late January and early February 2018. Overall the Peer Review Team found that the Council had made some progress in taking forward a number of the recommendations that the peer review team made in 2017, including the establishment of an Improvement Reference Group, the recruitment of a new Chief Executive and a new organisational structure, albeit that implementation of this was still in the early stages at that point. There was considerable member engagement in 2018/19 in developing a Corporate Plan for the borough. The work of the Improvement Reference Group was brought to an end. The Council though remains fully committed to improving further our governance arrangements wherever possible.</li> <li>• There was considerable consultation and member engagement in developing the new Corporate Plan for the borough following the change of administration after the elections in May 2019</li> <li>• All recommended corrective action by either External or Internal Audit is implemented. Assurance reports are presented to Governance Committee summarising the Council's performance in implementing recommendations.</li> </ul>	<p><b>Peer review findings and improvement plan and Report from 2018 re-visit.</b>  <b>AGS</b>  <b>All recommendations are tracked through Internal Audit follow up processes and progress reported to Governance Committee –An External Peer review of compliance with PSIAS standards was undertaken in 2018 and reported to Governance Committee.</b></p>	<p>Comments have already been made – and will be made further on – about the issues centred on the work of the Improvement Reference Group</p> <p>2018/19 – Internal Audit reviews identified issues in regard to the apparent circumvention of the Council's Financial Procedure Rules</p> <p>2019/20 Robust financial management procedures have been implemented and whilst there have been 3 different S151 Officers there has been a consistent approach by those officers which has improved controls and management in that area.</p> <p>A number of services are delivered by third party providers, there have been issues identified in a specific contract that could have resulted in significant financial loss to the Council. These issues highlighted a number of concerns in relation to contract management, effective delivery of the service and what assurance the Council has that the services delivered are still being delivered effectively, efficiently and economically. Third parties must provide assurance statements where appropriate.</p>

	<ul style="list-style-type: none"><li>• Assessment of the Council's governance arrangements as part of the AGS process</li><li>• Public Sector Internal Audit Standards (PSIS) set out the standards for internal audit and have been adopted by the Council.</li></ul>		
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## 4. How we review effectiveness

This section would usually identify the structures, committees and officer roles which serve to review the appropriateness of the governance arrangements and their application. Those identified are correct. However, it has to be acknowledged that there has been a significant breakdown in governance arrangements at this council. That is not to say that all the individual processes failed, but in order to have a robust system of corporate governance they must all operate complementary. This has not happened. This will be addressed in section 5.

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.

For the sake of clarity the commentary below relates to both the year 2018 – 2019 and 2019 – 2020.

### Council committees

A number of committees of the council have responsibilities that relate to the implementation and oversight of the council's governance framework:

**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. During the course of the year 2018 - 2019 the committee agreed recommendations arising from a report on its Terms of Reference and Development Plan. The committee is supported by Leadership Team and both contribute to the continuous improvement and strengthening of the governance environment. In 2018/19 and 2019/20 the committee received regular reports on governance, finance and risk. It continues to carry out a major review of the Constitution. In addition Governance Committee has, amongst other things, considered reports on:

- Internal Audit Plan 2018/2019 and Internal Audit Charter
- Risk Management Framework
- Closure of accounts
- Statement of Accounts for the 2017/2018 Financial Year
- Budget Out Turn 2017/2018
- Internal Audit Annual Report
- Treasury Management Annual Report 2017/2018
- Audited Statement of Accounts 2017/2018 and Letter of Representation
- The work of Internal Audit
- The work of External Audit
- Amended Investment Strategy Options 2018-2019
- Treasury Management Activity Mod Year Review 2018/2019

- GDPR Update

During the year 2019/2020 Governance Committee considered reports on:

- Internal Audit Plan 2019/2020
- Internal Audit Annual Report 2018/2019 – summary of the work carried out during that period
- A number of reports from External Audit
- A number of Internal Audit progress reports
- Treasury Management Annual Report 2018/2019
- Treasury Management Activity Mid Year Review 2019/2020
- Review of Contract Procedure Rules
- Consideration of two Internal Audit reports with assurance opinions of limited assurance – namely Performance Management and GDPR
- Further reports that are due to be presented where the assurance opinions are limited include Environmental Health – Food safety, Car Park Management/Enforcement, Tree Inspection and Maintenance, Commercial Properties Follow Up and Creditors

For reasons explained elsewhere in this report it was not possible to sign off the AGS and accounts for 2019.

**Shared Services Joint Committee** - The Joint Committee monitors service performance of the Shared Assurance and Finance 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. During the course of 2018/19, there were three meetings of the Standards Committee Initial Assessment Hearing Panel.

- In 2019/2020 (following on from the elections in May 2019) we had a number of new members – training on Code of Conduct and Standards issues was provided to new members. Bespoke training was also provided to new members on Standards Committee. Far fewer complaints were received about members during this period. For the year 1<sup>st</sup> of November 2018 to 31<sup>st</sup> of December 2019 7 formal complaints were made. By way of comparison for the year 1<sup>st</sup> of November 2017 to 31<sup>st</sup> of October 2018 23 such complaints were received. The previous 12 month period to that 23 complaints had also been received.

## Scrutiny Committee

### 2018/2019

- The Scrutiny Committee continued to successfully hold the Cabinet to account and proactively work to improve the quality of life of local people.
- The Committee played an active role in the development of the Corporate Plan and in scrutinising the medium-term financial strategy.
- In addition to holding individual Cabinet Members to account the Committee received quarterly performance and budget monitoring reports.
- The Chair of the Scrutiny Committee is the Council's representative on the County Council's Health Scrutiny Committee and the Committee looked at preventative health models and the Our Health, Our care review of services in central Lancashire.
- The committee considered three call-ins during the year:
  - Communicating with residents and businesses
  - Council tax support scheme
  - Campus programme
- Bringing the Worden Hall buildings back into use was a particular focus for the Committee.
- The Committee again undertook a skills audit, undertook training, held a workshop and was an active member of the North West Strategic Scrutiny Network.

### 2019/2020

- The new Scrutiny Committee following the all-out Council elections received an extensive induction programme including training from the LGA, North West Employers' and Dr Stephanie Snape.
- The Committee took an active part in the development a new re-freshed corporate plan following the elections.
- A new budget and performance scrutiny panel was created by the Scrutiny Committee to look in detail at the quarterly performance and budget monitoring information prior to it being considered by Cabinet, which has significantly strengthened our performance management framework.
- Scrutinising partners continues to be a strength with South Ribble Partnership, Leisure Partnership and Community Safety Partnership being scrutinised during the year.

- We retain close links with Lancashire County Council's Health Scrutiny Committee with South Ribble's Chair being the Council's representative.
- The committee has had a focus on bringing Worden Hall back into use, commercialisation and property investment and Our Health, Our Care review of healthcare in central Lancashire.
- There has been one call-in during the year on the cross-party strategic review of community involvement, including My Neighbourhoods.

### IMPROVEMENT REFERENCE GROUP/PEER REVIEW

On the 31<sup>st</sup> of January and 1<sup>st</sup> of February 2018 an LGA Corporate Peer Challenge follow up visit took place – the original Peer Review challenge had taken place in March 2017.

Overall the Peer Team found that the Council had made progress in taking forward a number of the recommendations that the peer review team made in 2017, including the establishment of an Improvement Reference Group, the recruitment of a new Chief Executive and a new organisational structure, albeit that implementation of this was still in the early stages at that point.

On the 31<sup>st</sup> of July 2018 External Audit issued a qualified value for money conclusion. Further External Audit considered it appropriate to use their statutory powers to make a recommendation under Section 24 of the Local Audit and Accountability Act 2014. External audit considered that slow progress had been made by the Council in respect of responding to the recommendations made by the Local Government Association (LGA) in their Corporate Peer Review 2017. It was considered that there were two recommendations in particular that needed to be implemented as a matter of urgency namely:

- Implementing the new senior management structure
- Developing the leadership potential of the new senior team.

On the 6<sup>th</sup> of February 2019 a report was taken to Council providing an update on the Corporate Peer Challenge Action Plan and the Response to the External Auditors' Statutory Recommendation. At that time, Council noted the significant improvement work that had been carried out. However – as a consequence of subsequent work carried out by the Internal Audit team – it has become apparent that the report that was considered by Council was inaccurate and some of the actions that had been reported as having been completed had not actually been finished. This is being addressed by Internal Audit who are reviewing the reporting undertaken.

### 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:

- Interim Chief Executive
- Deputy Chief Executive
- Director of Governance (Monitoring Officer)
- Shared Service Lead (Legal)
- S151 Officer
- Shared Service Lead (Transformation and Partnerships)
- Interim Head of Shared Assurance Services

The Corporate Governance Group have worked with the council's Leadership 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. There have been a number of significant changes over 2018/19 and 2019/20 which are summarise below to provide context to the AGS

### Internal Audit

Internal Audit is responsible for monitoring 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). The Report identified the following areas as having Limited Control.

1. *To be completed following receipt of IAAR*

**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. Significant Governance Failings

This section will be completed as follows

- Narrative outlining reasons for governance failings
- Actions completed in relation to the 2018 AGS
- Failings identified in May 2019
- Failings identified post May 2019
- Action plan

In order for the council to properly consider these failings it is important to address how they arose. External Audit have given a qualified value for money conclusion on the Statement of accounts since the year 2015/16. The basis for this conclusion initially related to findings connected to the operation of the Licensing Service. But in subsequent years this has qualification has been due to failures to implement an improvement plan agreed by the Council with the Local Government Association.

On 26 July 2018 external audit published their Audit Findings Report for the period ending 31 March 2018. This report made a statutory recommendation under section 24 of the Local Audit and Accountability Act 2014. This is effectively a form of sanction imposed upon Councils by external audit where they find that there has been a significant and unacceptable failure by the authority in the discharge of their statutory functions. In this instance the recommendation required the council to make demonstrable progress in the implementation of the 8 recommendations in the LGA peer review report, in particular the implementation of the senior leadership structure and the development of the leadership potential of those staff to ensure that the Council agendas relating to Place, Strategic Finance and Transformation were progressed. This step was not taken lightly by external audit but it was felt by them that as this was the third year of qualification of the accounts action was necessary and appropriate. To be clear, continued failing to implement such a recommendation can lead to the issuing of a public interest report as serious action against the council which could lead to intervention by the Secretary of State.

For the year end 2019 (last year) representations were made to external audit by the council as regards progression of the implementation of the section 24 report recommendation. Upon testing this information, external audit were unable to accept the representations and given these and other governance failings which are identified in this document declined to sign off the statement of accounts. As a result of this history this significant governance failings section of the report seeks to identify the governance failings over a number of years, recognise the improvements that have been undertaken but also provide an action plan to address those that remain outstanding.

When the history to this matter and the rest of this section is considered, it is apparent that the failings can be attributed to the following:-

## Leadership

South Ribble Council has, for a number of reasons had a period of instability at Leadership level. In the last 5 years there have been 2 Chief Executives and 2 Interim Chief Executives. There were at the start of this period existing governance issues which had led to LGA intervention.

In the more recent history this level of change at senior management level has been more acute.

In July 2017 a new Chief Executive commenced work in the council. The appointment had a remit to address identified governance and performance failings. On commencement in the role the CE undertook work to develop a management structure that would support a strong growth agenda and improve efficiency and performance. A new management structure was approved by Full Council in March 2018. Recruitment to the roles created was undertaken with appointments being made up to February 2019. This was a prolonged period although given the significant nature of the changes is not unexpected.

It must be recognised however, that the prolonged nature of the appointments will have contributed to uncertainty within the organisation, unclear decision-making lines due to the vacant posts and increased pressure placed on those in post. These must be recognised as factors that contribute to failings in governance arrangements. This is seen in relation to the statutory posts of Section 151 Officer and Monitoring Officer. These posts too have been recently occupied on an interim and temporary basis. These are key governance posts providing both advice and challenge on financial and decision-making issues.

This may have been resolved or the risks mitigated if clear and robust leadership structures had been put into place to manage the making of decisions. A new management structure was implemented which fed into a new “blended working” approach. The new management structure took a dispersed approach to decision making and responsibility. However, the absence of clear accountability, delegations or strong culture meant confusion arose over who was responsible or accountable for decisions and implementing the governance framework, as evidenced later in this section. This will be considered further in culture below.

## Culture

There have been longstanding governance issues at this authority which date back a number of years. This is demonstrated through the findings of Internal Audit, most seriously in relation to the taxi licensing issues that were identified and investigated in 2015/16. While this is an isolated example it is illustrative of a cultural approach to governance.

The Council recognised these failings in culture and sought to address them through changes to senior management and to approach. In accordance with the objectives set by the Council the organisation took actions to address the cultural ethos of the Council. A new way of “blended working” was developed and principles established within the organisation. The purpose of blended working was to empower staff, providing them with the opportunity to take responsibility and ownership of the issues before them.



It should be noted that this principle is sound. Staff work more effectively when they feel empowered and the quality of work improves. There are greater opportunities for individual development and team working.

However, if culture change is not implemented correctly then it can severely damage an organisation. In this instance this may have been exacerbated by the lack of clarity in relation to the leadership structures and ownership of decision making.

The culture changes were not embedded, as a result there was confusion over who “owned” issues with there being the opportunity to rely on a conflict between the old and new processes as a reason for no-one taking ownership. The changes to the statutory officer posts both in terms of holder and position within the leadership structure undermined their ability to challenge governance failings effectively or put them in a position where challenges raised were dismissed or not taken seriously. The impact of the absence of challenge was to reinforce the behaviours that contributed to governance failings. This was demonstrated by the completion of the service assurance statements last year. The service assurance statements are part of the Council’s process to assess compliance with the Governance Framework. The service assurance statements suggested a strong and robust approach to governance which was not supported by evidence. The culture of the organisation was unchanged.

### **Process**

These tensions between new and old ways of working and cultures could have been resolved by ensuring there were clear processes and policies established to support the new environment.

Evidence suggests that this did not happen. Reviews of policies have found that whilst some are maintained properly, others are not updated or reviewed and some were absent altogether. This is reflected in the findings of section 3 above. The 2019 AGS could not be approved at least in part because this framework of documents was not adequate.

### **Monitoring and Review**

The testing of a governance framework is the only way to ensure it is appropriate and being used. While there are processes in place for the testing of systems and the challenging of failings, this will only have value if the testing and challenge is considered appropriately.

Failings in relation to monitoring and review have also been identified.

**Narrative - Conclusion**

The themes identified above when they work complimentary to each other are the foundations of a strong governance framework. However, when any of them falters, then this impacts on all of them and the framework will fail.

It is against this context that the significant governance issues identified should be considered. The AGS is a corporate level document and should be used to consider not individual failings but themes and trends.

## 5a. Action Completed in respect of the 2018 Annual Governance Statement

A number of actions arising from the 2018 Annual Governance Statement (see Appendix B) were fully implemented by 31 March 2019. These include:

- Member & Officer Development – appropriate financial training was identified and delivered
- Contract Procedure Rules – an electronic waiver system was introduced;
- The terms of reference for Governance committee were reviewed, revised and agreed;
- Improved communication effected;
- Member/Officer protocol has been signed up to by all members;
- Cabinet's training needs were identified and delivered on
- There were regular briefings of Shadow Cabinet

## 5b. Issues identified in May 2019 at the time that the initial draft Annual Governance Statement was presented to Governance Committee

The following are matters that were identified as governance failings that prevented the 2019 AGS being approved.

Theme	Governance Failing	Actions undertaken	Actions Outstanding
Leadership /Culture	Updating Constitution	A great deal of work has been devoted to updating the Constitution in recent years. That was true of 2018/2019.	The principal areas that need to be updated are the Scheme of Delegation and Financial regulations.
	Ethical Governance	Internal audit undertaken	The principal outstanding action here is that a number of Governance policies need to be updated.  Training for officers is also required.
	Shared Services	During the year 2018/2019 very little progress was made on implementing the new Shared Services proposals.	During 2019/2020 great progress was made. Individuals were appointed to 6 of the 7 agreed senior posts. Shared services has now been greatly expanded.
	Increased Awareness      Fraud	A limited amount of progress has been made in this regard	Policies need to be updated in this area and alongside that training provided.

	Value for Money	Very little progress has been made here.	This is an issue that needs to be addressed. In the Action Plan that we propose there is reference to developing a corporate approach to benchmarking and use of comparative data.
Policies / Procedures	HR Policies	<b>Some updating of policies has taken place but this process has not been completed.</b>	A number of policies still need to be updated. This also needs to be seen in the context of shared services for Human Resources.
	Contract Procedure Rules	An electronic waiver system was introduced in 2018/2019	A review of CPRS took place in 2019/2020. The rules were brought up to date.
	Development Review Process	During 2018/2019 no staff PDRs were carried out.	During 2019/2020 a new PDR process has been introduced and implemented. This needs to be embedded now.
	Business Continuity Plans	Have been reviewed due to Covid-19 lockdown. Testing by the LRF has shown them to be adequate.	
Review / Monitoring	Asset Register	<b>Some progress has been made here. New staff have been appointed to the</b>	<b>However, there are outstanding actions. There is no evidence</b>

		Estates team within the last 12 months. Revised asset valuations have been carried out.	that all assets have been recorded.
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Actions identified as outstanding will be carried forward into the action plan to address all remaining governance failings.

## 5c. Issues which have subsequently come to light since May 2019

At the meeting of Governance Committee on 30 May 2019 queries were raised about whether all of the actions reported in Appendix B (Action Plan 2018 -2019) to that report had been carried out. This led to the Interim Chief Executive commissioning Internal Audit to carry out further work in this regard. At the same time other issues of concern emerged. This was the correct approach to respond to these concerns.

These investigations focused on failings to adhere to HR policies, failing to comply with procurement policies and procedures and specific outcomes relating to improvements recommended within the LGA Corporate Peer Challenge.

Further a number of other Internal Audit reports have been carried out in the last 12 months which are of particular significance and must be referred. A number of these reports were only given limited assurance. Some of these reports reveal long standing problems.

These audit reports relate to:

- GDPR Compliance – GDPR not fully implemented, required policies and procedures not in place, weaknesses in control and non-compliance in areas where policies had been implemented. Failure of management controls as LT / Information Asset owners had failed to take responsibility and own requirements of GDPR and ensure implementation of requirements within their service areas.
- Environmental Health – Food Safety – Adequate framework governance to manage inspections and interventions, however, timescales not complied with, continual backlog from the FSA inspection and further weaknesses in control in respect of management controls with little / no performance management undertaken / evidenced.
- Car Park Management/Enforcement – Effective governance in respect of off-street parking, however, in regard to car parks, lack of planned inspection and maintenance policy, despite previous agreed management actions, no evidence of a signed framework agreement to demonstrate contract / agreement is properly managed, car part fees not reviewed since 2017, in contravention of Financial Procedure Rules.
- Tree Inspection and Maintenance – no tree inspection and maintenance policy, therefore no effective governance framework is in place which the service is required to operate to, shortcomings identified in regard to systems utilised, backlog of outstanding work orders, budget pressures are an issue due to the lack of correlation between the delivery of the service and cost of delivery, this risk will increase in line with the increase in tree planting.
- Performance Management – significant issues in regard to the collections, calculation, definition and reporting of performance management information in respect of 2018/19 and the first quarter of 2019/20. Data collections procedures were ineffective and there was no evidence to

demonstrate senior officer sign off, further lack of compliance with principles of the policy including the lack of review of the policy since April 2014.

- Commercial Properties – Follow Up – Previous opinion was Limited, follow up identified a number of management actions not fully implemented relating to the asset register, revised asset valuations have been undertaken however, no single record is in place and no evidence to demonstrate all SRBC assets are recorded, inconsistent filing and retention of property management records, rent reviews and lease renewals have not been undertaken.
- Creditors – Review focuses on controls with the Creditors system itself and identified significant failure or lack of controls within the system, which constitute significant breaches in the governance framework that is the Council's Financial Procedure Rules. The weaknesses in control leave the council open to the risk of fraud, error, potential for officers to act beyond their delegated authority and could result in material misstatement.
- Procurement – Utilities Contract – Fundamental failure of Contract Procedure Rules and elements of the Council's Constitution, further issues identified in this report also constitute a failure of European Procurement Rules, in that, the contract was not contracted in accordance with any rules / regulations, there is no evidence of value for money and the contracts have not been agreed or signed off by Members in accordance with the appropriate rules



## 5d. Remedial action has been taken since May 2019

Since the challenges raised by Governance Committee in late May 2019 a great deal of work has been done to remedy the situation.

The approach to improvement has been risk based with areas of greatest risk being attended to first. The first priority was to move forward with Shared Services which would enable the organisation to establish a stable senior management environment and appoint to the statutory officer roles of section 151 officer and monitoring officer who are key to good governance. Shared Services also establishes shared Policy and Performance, HR and Communications teams. These are all areas identified as having governance failings and will play key roles in addressing cultural change in the organisation in addition to leading on reviews of policies and procedures as well as re-establishing systems for monitoring.

South Ribble and Chorley progressed the establishment of 7 new Senior Management posts in Shared Services. Those posts are:

- Deputy Chief Executive
- Director of Finance/Section 151 Officer
- Deputy Director of Finance (Deputy Section 151 Officer)
- Director of Governance/Monitoring Officer
- Shared Services Lead – Legal (Deputy Monitoring Officer)
- Shared Services Lead – Communication and Visitor Economy
- Shared Services Lead – Transformation and Partnerships

In November 2019 officers were appointed to 6 of the 7 roles. We were in the process of going through a recruitment process for the Director of Finance post when the Coronavirus crisis intervened. That recruitment process will be renewed in due course. In the meantime the Deputy Director of Finance has been appointed to fulfil the Section 151 officer role in both councils.

In this context Actions 4 (Review of Services) and 16 (Management Structure) which are shown in the Action Plan (Appendix B) as not being completed by the 31<sup>st</sup> of March 2019 were thus completed in the year 2019/2020 – hence there is no need to carry them over. They can come off the Action Plan moving forward.

One of the key aims of Shared Services is to introduce greater resilience by combining relatively small teams. There is also a conscious attempt to strengthen the corporate centre in South Ribble. The Monitoring Officer and Section 151 officer posts are both now Director roles. There was a recognition that the Corporate centre needed to be enhanced. A council needs to have robust checks and balances in place. Also bringing in a policy and performance team which will have oversight of the policy, transformation and strategy development should have a very beneficial impact in terms of introducing the further improvements that are required in this area.

One issue of real concern that had been highlighted was a failure on a number of occasions to follow the council's Contract Procedure Rules. In March 2020 extensive training was provided for approximately 50 senior managers and team leaders in this regard. Further during 2019/2020 the council's Contract Procedure Rules were reviewed and updated.

Another area of concern which had emerged related to recruitment processes. During the year 2018/2019 changes had been made to our recruitment processes. The HR team had not been fully involved in this and the new procedures were not properly documented. Since late May 2019 these processes were discontinued. The HR team is again fully involved in our recruitment processes. A new recruitment process was established and agreed – we are confident that these new procedures have been followed nevertheless Internal audit will be asked to test whether this is indeed the case. The processes that were adopted for the recruitment of the senior Shared Services posts were particularly robust involving senior members from both authorities.

During 2019/2020 standard updated Job Description and Personal Specifications were developed and provided to Directors for use.

A wide range of HR policies have been reviewed and updated.

Also in the area of HR a new Performance Development Review process was reviewed, agreed and implemented during the year 2019/2020. It is still early days and this needs to be embedded thoroughly but good progress is being made. Induction processes have also been developed during this period but more work is required.

Performance Management has been further developed as part of the Revised Corporate Plan (2019 – 2023) During the year 2018/2019 in a number of instances Performance Management information provided to members was found to be incorrect and inaccurate. During the year 2019/2020 a revised robust performance framework was developed and agreed including management options from audit reports. Further a revised Data Quality policy is now in place with processes developed to ensure the quality and accuracy of data.

Clearly for members to fulfil their roles properly they need to have access to accurate and reliable data. Further they need access to good quality training. During 2019/2020 a Training and Development plan was implemented ensuring all members can receive appropriate training for their respective roles and overall training in respect of issues relevant to all members such as GDPR.

During the year 2018/2019 there were some instances of external legal advice being acquired without involving the internal Legal Services team in the process. This is poor practice and can lead to difficulties and complications. All legal advice must be sought through the Monitoring Officer or the Shared Services Lead for Legal. Throughout 2019/2020 these issues have not recurred. More generally throughout 2019/2020 there has been an improvement in how the Monitoring Officer and the Section 151 officer have been involved in the decision making process. Advice has been readily sought and followed.

During the 2018/2019 there had been some instances of proper procedures not being followed for the making and publication of key decisions. During 2019/2020 all such issues have been eradicated.

It must be stated that the year 2019/2020 was a very challenging year for the council as a whole and the Internal Audit Team. Many issues of concern had to be addressed. Additional resources were identified for the Internal Audit team to enable them to carry out all the work they required.

## 5e. What remaining actions are required?

Having completed actions identified as high risk, the organisation are now in a position to move on to other identified actions and the following action plan has been prepared.

Action	By when	Lead
Undertake a review of the council's corporate governance policies: and Strategies <ul style="list-style-type: none"> <li>• Anti-Fraud and Corruption Policy</li> <li>• Anti-Bribery Policy</li> <li>• Whistleblowing Policy</li> <li>• Complaints Policy</li> <li>• Risk Management Policy / Strategy &amp; Framework</li> </ul>	August 2020	Chris Moister / Dave Whelan
Deliver governance and ethical awareness training to relevant staff and all members	August 2020	Chris Moister / Dave Whelan
Review the council's constitution, including financial regulations and scheme of delegation	July 2020	Chris Moister / Dave Whelan / James Thomson
Review the structures and processes of the new shared services to ensure they work efficiently, effectively and economically for the council		Chris Sinnott
Review and identify any necessary improvements in the council's compliances with the Transparency Code	August 2020	Chris Moister / Dave Whelan / James Thomson
Develop and agree a business planning process for services	Initial works – September 2020	Vicky Willett
Develop a new performance management framework and data quality policy	September 2020	Vicky Willett
Develop an Organisational Development Strategy	December 2020	Vicky Willett

Develop a Communications Strategy	tbc	Andrew Daniels
Develop a consultation framework and community engagement strategy	tbc	tbc
Agree an approach to monitoring and managing the implementation of management actions agreed in internal audit reports	tbc	Chris Moister/Dave Whelan
Review and update the council's HR policy framework	September 2020	Vicky Willett
Develop a partnerships framework	tbc	Vicky Willett

**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.

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Leader of the Council

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Chief Executive

Date: 22 December 2020

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.
LT	Leadership Team
SOLACE	Society of Local Authority Chief Executives

## APPENDIX B

## ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2018

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2019	Status
1. Member & Officer Development	To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.	A review of core finance activities are in place and an approach will be developed in the first quarter of the year. From this, training will be designed and developed and specifically tailored to meet specific needs, i.e. general budget and finance overview, budget monitoring etc. A programme of work will be communicated to staff and members. Member learning hours will also be used to provide training on specific issues as they arise during the year.	Complete
2. Constitution	To ensure that the Constitution is as clear as possible, completely up to date and fit for purpose	The review of the constitution will be finalised and will incorporate new financial regulations that support the new organisation structure. Review and updates to the Constitution have been undertaken during 2018/19, FPRs and Scheme of Delegation have been reviewed and the re-drafted documents are to be finalised to take into account the new management structure then formally agreed and implemented.	C/FWD to 2019
3. Ethical Governance	Greater priority, liaison and support be provided to the Scrutiny, Governance and Standards Committees in promoting high ethical, performance and governance standards.	Further training for members and officers is to be identified and undertaken.	C/FWD to 2019
4. Review of Services	The role, capability and capacity of the in-house legal and democratic services team and that of Shared Financial Services be reviewed to ensure they provide proactive advice to Members and Officers to ensure compliance with the constitution and governance frameworks.	A review of the shared service arrangement will be conducted during the 2018/19 financial year. Council approved the revised shared services structure in March 2018. Draft job descriptions have been co-created with existing staff. An action plan is being developed to test future shared services opportunities. External capacity is being sourced to strengthen the existing shared services legal agreement. Transformation of services is progressing, statutory S.151 and monitoring officer positions in place.	C/FWD to 2019



Themes	Recommended Improvements	Actions Taken & In Progress As At March 2019	Status
		Shared Services deferred until June 2019.	
5. Review of HR Policies	Undertake a review of the HR policies.	HR policies were to be reviewed as a key action in the new Transformation Strategy approved by the Cabinet on 27 <sup>th</sup> July 2017. A number of these policies have indeed been reviewed but more work is required. There are questions about how robust the reviews were.	C/FWD to 2019
6. Strong and effective political leadership	Review alternative models for Governance Committee.	Discuss outcome of the desktop review at the meeting of the Improvement Reference Group in May 2017 and develop an action plan to complete the review and to implement the recommendations. Governance Committee Terms of Reference have been reviewed, updated and approved.	Complete
7. Compliance with Contract Procedure Rules (CPRs)	To further embed procurement policies and procedures, and to strengthen the current CPRs.	Introduce an electronic CPR waiver process including authorisation by S151 Officer and Principal Procurement Officer Communicate agreed changes to CPRs to relevant officers and members	Complete
		Implement a simple central corporate contract management system to help prevent and mitigate the risk of lost contract documents, missed review and notice deadlines, loss of knowledge and information due to staff changes etc.	C/FWD to 2019
		ELT include provision on their agenda plan for a quarterly review of (1) the Procurement Plan referencing a forward look of not less than 12 months (2) the Contracts Transparency register.	C/FWD to 2019
		ELT review / implement a list of Authorised Officers including the extent of their delegated authority and applicable financial thresholds and ensure that this is appropriately communicated to the officers concerned as required by CPR 5.1	C/FWD to 2019
8. Fraud	Increased fraud awareness.	Fraud awareness training to be delivered to all relevant officers using MILO e-learning modules.	C/FWD to 2019
9. Data Management	Compliance with General Data Protection Regulations (GDPR)	Compliance delivery action plan in place, to be overseen by programme board and report into inphase.	C/FWD to 2019
10. Communication	To improve internal communication and clarity with staff about the vision and next steps for transformation	This will be addressed as part of our new Transformation and Organisational Strategy	Complete

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2019	Status
11. Strong and effective political leadership	To renew the focus of and commitment to the Improvement Reference Group (IRG)	The Group was stood down early in 2019. However, issues have subsequently emerged about the accuracy of reporting of actions taken.	<b>Not Completed satisfactorily</b>
12. Strong and effective political leadership	To resolve the ongoing political tensions. For example through robust implementation of the new officer/member protocol.	Protocol to be signed by all members and relevant officers.	<b>Complete</b>
		Impact of the protocol to be monitored by ELT through the quarterly performance report	<b>Complete</b>
		Joint Cabinet / Shadow Cabinet meetings to be held quarterly to review impact of the Protocol	<b>C/FWD to 2019</b>
		Member development programme to be developed and implemented.	<b>C/FWD to 2019</b>
13. Strong and effective leadership	Align political and officer processes to ensure decisions are implemented with no last minute changes	IRG to jointly develop an agreed approach to how much and when information is shared between political groups to ensure that all members have the information they need to make decisions in a timely way. Developed approach includes; Senior officer meetings programmed to clear all council reports. Portfolio holder discussions take place to confirm reports. Pre-cabinet briefings take place. Shadow cabinet briefings introduced on all cleared cabinet reports.	<b>C/FWD to 2019</b>
14. Strong and effective leadership	Support and develop the new Cabinet to be appointed in May 2018	The development and training needs of the new Cabinet to be identified and delivered	<b>Complete</b>
15. Strong and effective leadership	Greater support to the shadow Cabinet	Shadow Cabinet to be provided with briefings on all Cabinet reports (once published)	<b>Complete</b>
16. Management Structure	Implement the new senior management structure	New management structure approved by Council is largely in place with the exception of the shared services posts.	<b>C/FWD to 2019</b>

<p>17. Leadership development</p>	<p>Develop the leadership potential of the new senior team to take forward the place, strategic finance and transformation agendas</p>	<p>To develop a leadership development programme for the senior management team to ensure that senior managers have the necessary skills to take forward the transformation agendas.</p>	<p><b>C/FWD to 2019</b></p>
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## APPENDIX C

## ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2019

For the sake of clarity the recommended improvements within this action plan will be incorporated into the Corporate Improvement Plan. This plan will detail the key milestones with target completion dates and allocate responsibility for each action to Key Officers or groups of Officers. Progress of the Corporate Improvement Plan will be monitored by the Leadership Team and regularly reported to Governance Committee.

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Themes	Recommended Improvements	Proposed Actions	Source
1. Constitution	To ensure that the Constitution is as clear as possible, completely up to date and fit for purpose	The review of the constitution will be finalised and will incorporate new financial regulations that support the new organisation structure.	<b>B/FWD from 2018</b>
2. Ethical Governance	Greater priority, liaison and support be provided to the Scrutiny, Governance and Standards Committees in promoting high ethical, performance and governance standards.	Further training for members and officers is to be identified and undertaken.	<b>B/FWD from 2018</b>
		The development (with Chorley Borough Council) of a new Code of Conduct for members	<b>Corporate Assessment</b>
3. Ethical Governance	Updating of Policies	A review of the full suite of our Corporate Governance policies - this includes Anti-Fraud and Corruption Policy, Anti-Bribery policy, Whistleblowing policy and Complaints policy	<b>Corporate Assessment</b>
4. Review of HR Policies	Undertake a review of the HR policies.	A number of HR policies have been reviewed during the last 12 months, the remainder will be reviewed this year. There is now a commitment to review all our HR policies on an annual basis. Also the policy framework needs to be reviewed in the context of Shared Services.	<b>B/FWD from 2018</b>

5. Compliance with Contract Procedure Rules (CPRs)	To further embed procurement policies and procedures, and to strengthen the current CPRs.	<ul style="list-style-type: none"> <li>Implement a simple central corporate contract management system to help prevent and mitigate the risk of lost contract documents, missed review and notice deadlines, loss of knowledge and information due to staff changes etc.</li> <li>Leadership Team include provision on their agenda plan for a quarterly review of  the Procurement Plan referencing a forward look of not less than 12 months and the Contracts Transparency register.</li> <li>Leadership Team review / implement a list of Authorised Officers including the extent of their delegated authority and applicable financial thresholds and ensure that this is appropriately communicated to the officers concerned as required by CPR 5.1</li> </ul>	<b>B/FWD from 2018 / Spend Analysis</b>
6. Fraud	Increased Fraud awareness.	Fraud awareness training is to be delivered to all relevant officers	<b>B/FWD from 2018</b>
7. Strong and effective political leadership	To resolve the ongoing political tensions. For example through robust implementation of the new officer/member protocol.	Joint Cabinet /Shadow Cabinet meetings to be held quarterly to review impact of the protocol.	<b>B/FWD from 2018</b>
		Member development programme to be developed and implemented.	
8. Strong and effective leadership	Align political and officer processes to ensure decisions are implemented with no last minute changes	The developed approach on how much and when information is shared between political groups to ensure that all members have the information they need to make decisions in a timely way is to be formally agreed and implemented.	<b>B/FWD from 2018</b>
9. Strong and effective leadership	Develop the leadership potential of the new senior team to take forward the place, strategic finance and transformation agendas	To develop a leadership development programme for the senior management team to ensure that senior managers have the necessary skills to take forward the transformation agendas.	<b>B/FWD from 2018</b>

10. Strong and effective leadership	Support and develop the new Cabinet appointed in May 2019	The development and training needs of the new Cabinet to be identified and delivered on	<b>Chief Executive</b>
11. Business Continuity Plans	To review and update the business continuity arrangements	To review and update the business continuity arrangements	<b>Service Assurance Statement</b>
		BCP testing to be undertaken	
12. VFM	To develop a corporate approach to benchmarking and the use of comparative data	To develop a corporate approach to benchmarking and the use of comparative data	<b>Service Assurance Statement</b>
	To maximise VFM and social value from procurement	To continue to monitor the Council's supply chain with the desire to maximise VFM and social value from its procurement.	<b>External Audit challenge questions</b>
		To develop and implement a Social Value Policy	
13. Asset Register	To review and update the Council's Asset Register	To undertake a strategic review of all assets.	<b>Internal Audit Review</b>
14. Communications	Communications Strategy	The development and approval of up to date communications strategy	<b>Corporate Assessment</b>
15. Risk Management	Strategy and Framework	The development and approval of a Risk Management Strategy and Framework	<b>Corporate Assessment</b>
16. Partnership Working	Framework and Protocols	The development and approval of up to date Partnership framework together protocols for partnership working	<b>Corporate Assessment</b>
17. Transparency	Transparency	A review of how we are complying with the Transparency Code needs to be carried out – in particular we must ensure that our Transparency Register is fully populated with all relevant contract details and updated on a regular basis	<b>Corporate Assessment</b>
18. Shared Services		<ul style="list-style-type: none"> <li>• New Job descriptions and personal specifications will need to be drawn up for all posts within the expanded Shared Services team</li> <li>• Review the services in question and then restructure accordingly</li> </ul>	<b>Corporate Assessment</b>

19. Organisational Development		<ul style="list-style-type: none"> <li>• A formal process for the development of Service Delivery Plans needs to be introduced</li> <li>• A business planning process for services to be introduced</li> <li>• Further work is required to improve our Performance Management arrangements – this is to include a review of what benchmarking activities take place</li> <li>• The introduction of an up to date Organisational Development Plan</li> </ul>	<b>Corporate Assessment</b>
20. Ethical Governance	Complaints	<ul style="list-style-type: none"> <li>• Review and update Complaints Framework and Policy</li> </ul>	<b>Corporate Assessment</b>
21. Consultation	Consultation Strategy	<ul style="list-style-type: none"> <li>• Development and approval of a Consultation Framework and Strategy</li> </ul>	<b>Corporate Assessment</b>
22. Ethical Governance	Internal Audit reports	<ul style="list-style-type: none"> <li>• A review of how recommendations from Internal Audit reports are managed and monitored</li> </ul>	<b>Corporate Assessment</b>

## 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).



Date: 22 December 2020

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Your ref: Letter of Representation    Your ref: Letter of Representation

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Please ask for: James Thomson

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Extension: 5625                                  Extension: 5625

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Fax: 01772 622287                              Fax: 01772 622287

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Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
Birmingham B4 6AT

Dear Sirs,

### **South Ribble Borough Council: Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of South Ribble Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the 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 2018/19 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 2018/19 ("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. 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.
- 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 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 pension fund liability with regard to South Ribble Community Leisure Limited and are satisfied that it should be treated as a contingent liability.
- xii. We have considered the estimated liability with regard to Business rate appeals and consider that it has been made appropriately.
- xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv. 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 current and future sources of funding or support will be more than adequate for the Council's needs. 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

#### Information Provided

- xvi. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the 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.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.





- xix. 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.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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**

- xxv. 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.

### **Narrative Report**

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



**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 22 December 2020.

Yours faithfully

Name: James Thomson

Position: Deputy Chief Finance Officer and Section 151 Officer (with effect from 23<sup>rd</sup> March 2020)

Date: 22 December 2020

Name: Ian Watkinson

Position: Chair of the Governance Committee

Date: 22 December 2020

**Signed on behalf of the Council**

