

DRAFT STATEMENT OF ACCOUNTS

Year Ending
31 March 2020



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Narrative Report of the Chief Financial Officer

Introduction

I am pleased to introduce the Statement of Accounts for the 2019/20 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 2019/20 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. Similar to all organisations, the Council was affected by the Coronavirus outbreak from March 2020 and the measures taken by the Council have had a minimal effect on the 2019/20 financial year. This is referred to at various points in these accounts.

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

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

James Thomson CPFA
Deputy Chief Finance Officer/Section 151 Officer

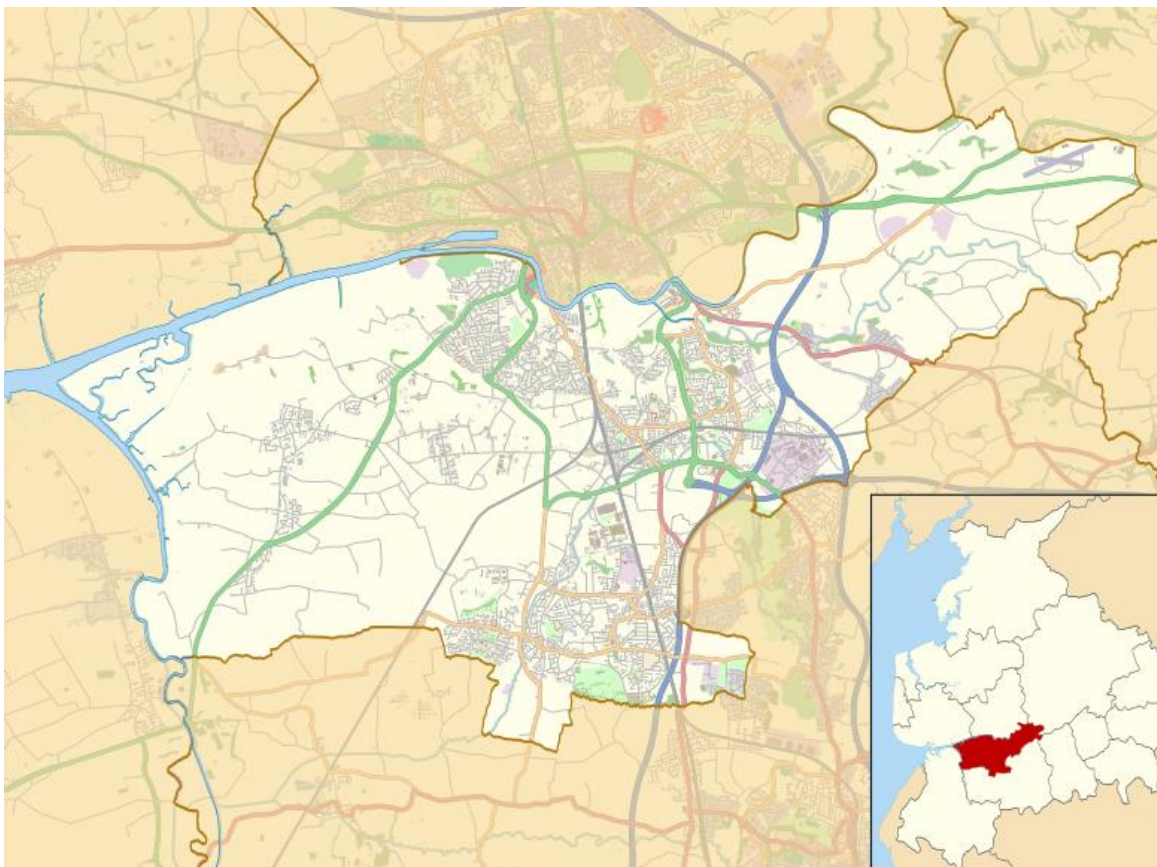
South Ribble

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 km² (approximately 44 square miles). The Borough is on the edge of the West Pennine Moors with beautiful scenery and countryside and is just a short drive from the Lancashire coastline. The latest available Office for National Statistics (ONS) figures estimate that the total population of the borough was estimated as 110,527 in 2018.

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

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

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

Location and map of South Ribble borough

South Ribble Borough Council

South Ribble Borough Council is part of a two tier system in Lancashire that consists of a County Council, two unitary councils and 12 district councils. South Ribble Borough Council works collaboratively with a wide range of partners to deliver its vision of 'Working together to make South Ribble and its communities, great places to live, work, visit and play'. The Council is committed to working across organisational boundaries to improve outcomes for local people and communities and to ensure that high-quality services are readily accessible to the people of the borough. During 2019/20, the Council underwent significant changes in its Senior Management structure as part of the sharing of services with Chorley Borough Council. The changes are not fully in place at the time of publication of these accounts.

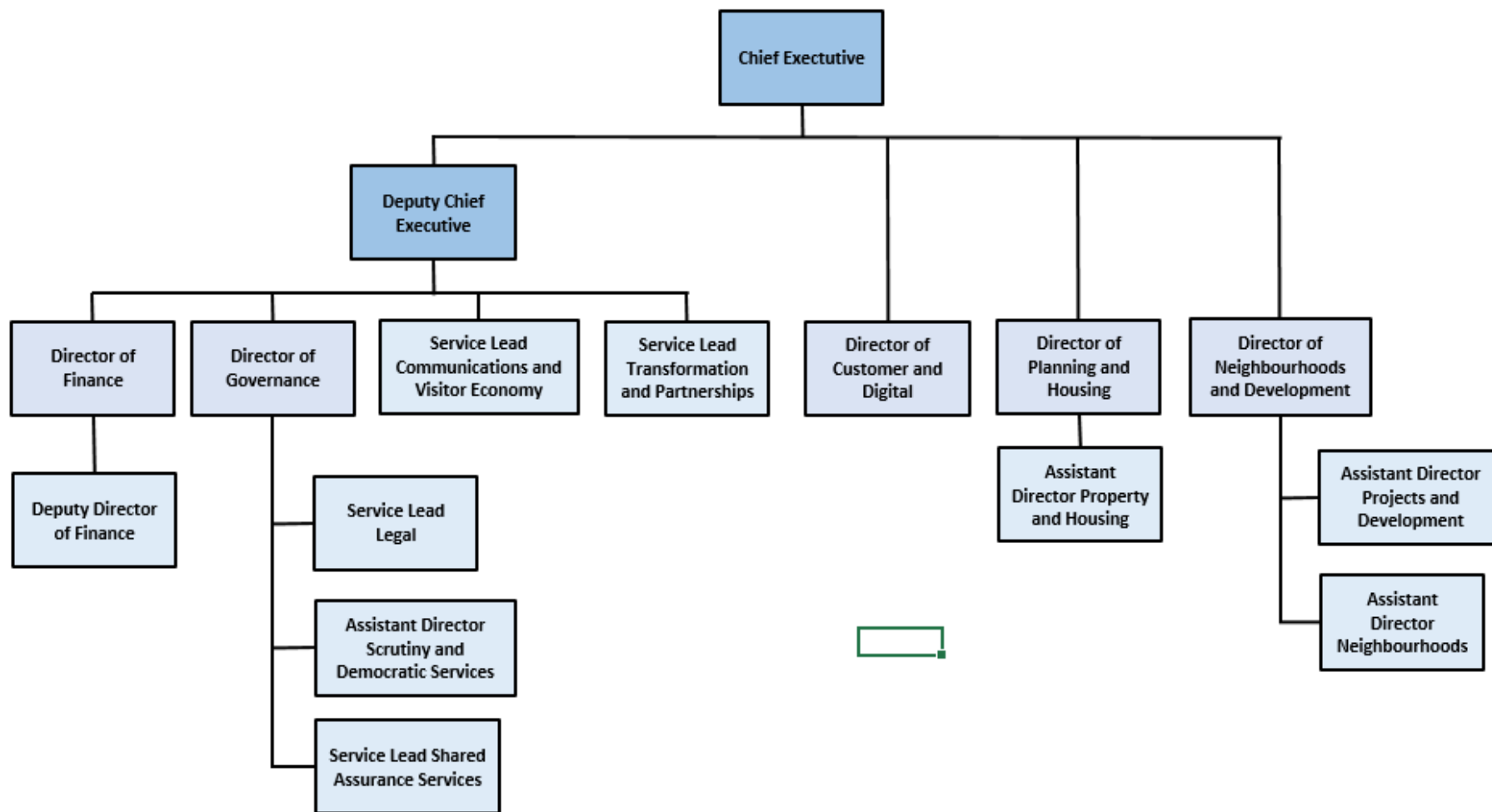
The Council has 50 district councillors elected to cover all the electoral wards across the borough. District councillors represent their communities and bring their views into the Council's decision making process. Council meetings are publicised on the Council's website alongside agendas, reports and 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 2019/20 year was as follows, with a Labour minority administration supported by the Liberal Democrat group on the basis of a supply and confidence agreement:

| Party | No. |
|------------------|-----------|
| Conservative | 23 |
| Labour | 21 |
| Liberal Democrat | 5 |
| Vacant | 1 |
| TOTAL | 50 |

Management Structure

The Senior Management Structure was reviewed during 2019/20 to enhance service sharing with Chorley Borough Council. A recruitment process was underway to recruit to the new structure during 2019/20 but was not yet fully concluded by the end of the year. The Council currently has interim arrangements in place to deliver the Corporate Plan priorities, which were refreshed in 2019/20. This in turn has informed the allocation of resources within the Medium Term Financial Strategy. The current structure is shown on the next page.



Our staff are the most important resource we have to help us achieve our goals. The Council employs 282 staff in full time and part time contracts. A breakdown of our workforce by age and gender is set out in the table below:

No. of Employees by Age and Gender.

| | Male | Female |
|--------------|-------------|---------------|
| Under 20 | 3 | 1 |
| 20-29 | 27 | 11 |
| 30-39 | 26 | 24 |
| 40-49 | 33 | 40 |
| 50-54 | 17 | 21 |
| 55-59 | 21 | 26 |
| 60+ | 16 | 16 |
| TOTAL | 143 | 139 |

Corporate Plan and Performance in 2019/20

The Annual Corporate Plan Performance report for 2019/20 will be presented to full Council at the end of September 2020. The report will provide an overview of how the Council performed against the identified deliverables for 2019/20, within the 2019 to 2023 Corporate Plan, which was reviewed and refreshed part way through the year, following an election and new administration. The refresh of the Corporate Plan was completed and approved by Council in September 2019. Reporting is based on the refreshed Corporate Plan and Objectives.

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

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

This vision is summarised as:

‘A healthy and happy community, flourishing together in a safer and fairer borough’.

And the ambition is to be:

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

To achieve this, the Council will use the following approach:

- We listen, we act and you have trust in us;
- We use technology to improve what we do and how we deliver services;
- We use your money in the right way to provide excellent services and invest in communities;
- The Council and residents share responsibility for South Ribble to be a great place;
- We do what we can to lessen the financial burden on residents;
- We have great relationships with our partners so we can do more together.

The approach will lead to the following outcomes:

Health, Wellbeing and Safety

Residents are happy, healthy and safe, active and independent.

Excellence, Investment & Financial Sustainability

Excellent services and a strong financial position that enables us to invest in the right way.

Our People & Communities

Strong and active communities where people are engaged and have a voice.

Place, Homes & Environment

Our green spaces are valued and development is well managed.





The areas of activity and the identified projects associated with each of these are identified below, together with examples of performance against them in 2019/20. A detailed performance report for the year will be presented to full Council in September 2020.

Performance was reported to the Scrutiny Budget and Performance Panel, Cabinet and Council on the progress at the end of 2019/20 against the Corporate Plan 2019-23. This reflects the changes to the Corporate Plan as approved September 2019 and outlines the performance broken down by four sections (Outcomes):




- Excellence, Investment and Financial Sustainability;
- Health, Wellbeing and Safety;
- Place, Homes and Environment;
- Our People and Communities

Within each section is a summary of all activities and their performance status at the end of the year.

Performance Key

| Symbol | Determination |
|---|--|
|  Succeeding | If we are doing well then it is Succeeding . Where a project or task has been achieved ahead of the due date set or a measure has achieved beyond its target. |
|  On-track | It is On-track where a project or task will be delivered on the due date set or a measure is within its agreed targets |
|  Off-track | It is Off-track where a project or task has not met its required due dates, or a measure has not met its targets |
|  | Completed: project has been completed, meeting milestones and actions. |

The Key Performance Indicators (KPI) for Period 2 display progress against the outcomes of the Corporate Plan on Health, Excellence, Communities and Environment.



| Trend | Determination | Note |
|---|---|--|
|  | This shows that the reported figure has increased since it was last reported. | <i>The trend key shows how a measure is performing against its previous reported figure. The colour of the item details whether the direction is negative, positive. These are the same colours as used on the performance key for succeeding and off track.</i> |
|  | This shows that the reported figure has decreased since it was last reported | |
|  | This shows that a measure has stayed the same and not moved | |









Excellence, Investment & Financial Sustainability
Excellent services and a strong financial position that enables us to invest in the right way

- 1 People tell us that we are value for money and satisfied with the way we do things
- 2 We have more people using our online services
- 3 More people using online self service channels
- 4 We buy from local businesses as suppliers and contractors where we can
- 5 Investment in communities by delivering our Capital Programme

Our Key Performance Indicators:

| Key Indicator | Performance | Baseline Target | / | Period 1 2019/20 | Period 2 2019/20 | Status |
|--|-------------|-----------------------|---|-----------------------------|------------------|---|
| % of self-service channels access vs phone/face to face | | 18% (2019/20) | | Not reported in this period | 22% |  |
| Increase in income from commercially operated assets: Business and Conference centre | | 10% Increase (Annual) | | 42% | 20% |  |

| | | | | |
|--|-----------------------|-----|-----|---|
| Increase in meeting hours in the Business and Conference Suite | 10% Increase (Annual) | 40% | 26% |  |
|--|-----------------------|-----|-----|---|

| Service Indicators | Level | Baseline Target | / | Period 1 2019/20 | Period 2 2019/20 | Status |
|---|-------|-----------------|---|------------------|------------------|---|
| % of telephone calls answered within 90 seconds | | 40% | | 77.6% | 61% |  |
| % of calls abandoned before being answered in a quarter | | 15% | | 5.6% | 11% |  |
| % of Business Rates collected (Annual) | | 98% | - | | 98.5% |  |
| % of Council Tax collected (Annual) | | 97.5% | - | | 97.5% |  |
| Average days to process a new Housing Benefit claim | | 19 days | - | | 16.6 days |  |

Key Projects

| What we will do | 2019-20 | |
|--|---|---|
| | Period 1 Oct-Dec | Period 2 Jan – Mar |
| EIFS01 – Customer Experience |  |  |
| EIFS02 – Shared Services |  |  |
| EIFS03 – Conference and Business Centre |  |  |
| EIFS04 – Leisure Management Options |  |  |
| EIFS05 – Implement first year of the Councils Digital Strategy |  |  |
| EIFS06 -Review of the Council’s Surplus Sites |  |  |



Health, Wellbeing and Safety

Residents are happy, healthy and safe, active and independent

1

More people telling us they feel safe at home and out and about

2

Fewer people homeless

3

More businesses and high streets are dementia friendly

4

More people engaged in physical activity

























5

Improvements and extensions of multi use pathways across our Green Links

Our Key Performance Indicators

| Key Performance Indicator | Baseline Target | / | Period 1 2019/20 | Period 2 2019/20 | Status |
|---|--|----|--|---|--------|
| South Ribble is recognised as a Dementia Friendly Community | Retention Status | of | Retained | - | |
| Number who are prevented from becoming homeless (this is taken from the number of people presenting as homeless or threatened with homelessness, but where it has been prevented) | Baseline | | 85 | 96 | |
| Total number of young people's physical activity courses delivered | Baseline | | 404 | 295 | |
| Improvements delivered to local infrastructure: Multi Use Pathways (Annual) | 7 KM | | 6.5km | 7km | |
| Improvements delivered to local infrastructure: Major Green Links Access Points (Annual) | 6 | | 6 | 6 | |
| Improvements delivered to local infrastructure: Improvements along pathways (Annual) | 17KM | | 16km | 17km | |
| An increase in the number of approved members of the South Ribble Dementia Charter Community (Annual) | 15 | | 13 | 15 | |
| % of children on free school dinners taking up pilot Holiday Hunger offer | No target is set as it is simply to monitor uptake | | 18.05% (The percentage of vouchers issued and then redeemed) | 14.7% (The percentage of vouchers issued and then redeemed) | - |

Key Projects

| What we will do | 2019-20 | |
|---|---|---|
| | Period 1 Oct-Dec | Period 2 Jan - Mar |
| HWS01 - South Ribble Dementia Action Alliance |  |  |
| HWS02 - Open Space Sports and Recreation |  |  |
| HWS03 - Green Links |  |  |
| HWS04 -Improving our Existing Leisure Centres |  |  |
| HWS05 - Activities and Events for People of All Ages |  |  |
| HWS06 - Interact with the Council Digitally |  |  |
| HWS07 - Community Safety to tackle Crime and Disorder |  |  |
| HWS08 - South Ribble Partnership |  |  |
| HWS09 - MH2K |  |  |
| HWS10 - Reduce the Number of Homeless |  |  |
| HWS11 - Mind the Gap |  |  |
| HWS12 - First Class Advice Services |  |  |



Our People & Communities
Strong and active communities where people are engaged and have a voice.

1

We have more people getting involved in their communities and with us as a Council as they have the right space and place to make their voice heard.


2

A Time Credits scheme is developed and piloted to encourage people to volunteer or engage who haven't done so before.

3


















People pay less to the Council in fees and charges such as the green waste charges and council tax support.

Our Key Performance Indicators

| Key Performance Indicator | Baseline / Target | Period 1 2019/20 | Period 2 2019/20 | Status |
|---|--------------------------------|------------------|------------------|---|
| Percentage of South Ribble Borough Council employees starting apprenticeships in any financial year | 2.3% of the Workforce (Annual) | 4% | 3.5% |  |

Key

Projects

| What we will do | 2019-20 | |
|---|---|---|
| | Period 1 Oct-Dec | Period 2 Jan - Mar |
| OPC01 - Review Community Involvement approach |  |  |
| OPC02 - My Neighbourhood Plans. |  |  |
| OPC03 - Revised Council Tax Support Scheme for 2020-21 |  |  |
| OPC04 - Community Bank/Credit Union |  | Not Started (July 2020) |
| OPC05 - Member Induction Programme and Member Development Programme |  |  |
| OPC06 - Develop a Youth Council |  |  |
| OPC07 - Gain Accreditation as a Living wage Employer |  |  |
| OPC08 - Council's Approach to Volunteering and Active Citizens |  |  |
| OPC09 - Apprentice Factory Phase 2 |  |  |



Place, Homes & Environment

Our green spaces are valued, and development is well managed.

1

We have more green spaces protected as Fields in Trust

2

Masterplans for Leyland, Penwortham and Lostock Hall all completed

3

We deliver affordable homes






4

We deliver the actions of our air quality plan























5

We have planted 110,000 trees

Our Key Performance Indicators

| Key Performance Indicator | Baseline / Target | Period 1 2019/20 | Period 2 2019/20 | Status |
|---|-------------------|-----------------------------|------------------|---|
| No. of green spaces protected as 'Fields in Trust' (Annual) | 3 | Not reported in this Period | 0 |  |
| 12 wildflower meadows 2019-20. (Annual) | 12 | Not reported in this Period | 0 |  |
| No. of Trees Planted (Annual) | 30,000 | 32,055 | 45,323 |  |
| Masterplans for Penwortham, Leyland and Lostock Hall are completed (Annual) | 1 completed | Not reported in this Period | 0 |  |
| Number of Affordable Homes delivered (Bi-Annual) | 30% | Not reported in this Period | 20% (81) |  |

Key Projects

| What we will do | 2019-20 | |
|--|--|---|
| | Period 1 Oct-Dec | Period 2 Jan - Mar |
| PHE01 - Develop a strategy and action plan to halt overall loss of England's biodiversity |  |  |
| PHE02 - Plant 110,000 trees in South Ribble |  |  |
| PHE03 - Carbon Neutral by 2030 |  |  |
| PHE04 - Single Use plastics |  |  |
| PHE05 - Borough's Air Quality Action Plan |  |  |
| PHE06 - Bring Worden Hall back in to use |  |  |
| PHE07 - Invest and develop our parks and play areas |  |  |
| PHE08 - Develop a Programme for festivals and events, with at least 1 music festival |  |  |
| PHE09 - Ensure our parks and existing cherished local open spaces can be protected |  |  |
| PHE10 - Manage the rate of delivery of new homes and commercial floor space |  |  |
| PHE11 - Scope and prepare masterplans for Leyland, Bamber Bridge and Penwortham town centres |  |  |
| PHE12 - Implement Phase 2 of the Employment and Skills Plan (Cuerden) |  |  |
| PHE13 - Prepare strategy for supporting new and small businesses |  |  |
| PHE14 - Review the projects listed in the City Deal Business and Delivery Plan 2017- 20 |  |  |
| PHE15 - Review the Local Plan |  |  |
| PHE16 - River Ribble Green Link |  |  |
| PHE17 - Prepare and implement a Central Lancashire Economic Strategy |  |  |
| PHE18 - Provide quality homes that people can afford to live in |  |  |
| PHE19 - Private Sector Stock Condition Survey |  |  |

Financial Performance

In 2019/20, the Council set a balanced annual budget of £14.484m which included efficiency savings of £0.150m and a budgeted contribution to capital reserve of £0.716m.

The outturn report for 2019/20, considered by Cabinet on 5th August 2020, showed a forecast net surplus of £0.431m and an outturn position of a net surplus of £1.400m, a difference of £0.939m compared to the budget. This was mainly due to income from business rates and additional section 31 grant funding being received in respect of in-year business rates reliefs.

The outturn position is summarised in the table below:

| | Current Budget £'000 | Outturn £'000 | Outturn Variance £'000 | Forecast at Quarter 3 £'000 |
|---|-------------------------|------------------|---------------------------|--------------------------------|
| Chief Executive | 943 | 880 | (62) | 905 |
| Neighbourhoods & Development | 6,482 | 6,430 | (52) | 6,432 |
| Planning and Property | 526 | 392 | (135) | 272 |
| Finance and Assurance | 1,370 | 1,630 | 259 | 1,455 |
| Legal, HR & Democratic Services | 1,701 | 1,632 | (69) | 1,703 |
| Customer and Digital | 2,126 | 2,054 | (72) | 2,094 |
| Pension Deficit Contributions | 414 | 519 | 105 | 521 |
| Net Cost of Services | 13,563 | 13,538 | (26) | 13,382 |
| Interest payable / (receivable) | (214) | (286) | (72) | (217) |
| Parish Precepts | 397 | 389 | (8) | 397 |
| Provision for repayment of debt | 835 | 761 | (74) | 831 |
| Funding Requirement | 14,581 | 14,401 | (180) | 14,393 |
| <u>Funding:</u> | | | | |
| New Homes Bonus – City Deal | (879) | (879) | - | (879) |
| New Homes Bonus – SRBC | (135) | (135) | - | (135) |
| Retained Business Rates | (3,950) | (4,169) | (219) | (3,939) |
| Section 31 grants (mainly business rates) | (1,750) | (2,289) | (540) | (2,041) |
| Council Tax | (8,329) | (8,329) | 0 | (8,329) |
| Total Funding | (15,042) | (15,801) | (759) | (15,322) |
| (Surplus) / Deficit | (461) | (1,400) | (938) | (930) |
| Ring-Fenced income | - | 270 | 270 | 162 |
| Underspends to be used in 20/21 | - | 166 | 166 | - |
| Net (Surplus) / Deficit | (461) | (964) | (502) | (768) |

Since the report was prepared, there has been a small number of additional transactions. As a result of these, the surplus for the year has been revised to £1.294m, a reduction of £0.104m compared to the outturn report, but still an increase of £0.836m compared to the revised budget £0.367m more than the Quarter 3 forecast. A table reconciling the final surplus figure with that which appeared in the outturn report is shown below.

| | £k |
|--|----------------|
| Surplus as per Outturn Report | (1,400) |
| Finalisation of NNDR3 | (62) |
| Income from CIL & S106 administration charge | (264) |
| Payments to Business Rates Pool (County Wide Fund) | 5 |
| Adjustment to Lease Interest | (24) |
| Budgeted contributions to capital | 451 |
| Surplus as per EFA | (1,294) |

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 business rates locally. 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 and South Ribble benefitted from retaining a higher proportion of any growth in business rates income. This increase in funding was included in the 2019/20 budget forecast.

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 was available for City Deal and the Council's element was expected to cease after 2019/20. However, NHB is receivable in 2020/21 as the funding reforms were delayed by government. The outlook for NHB remains uncertain as the government addresses the COVID 19 pandemic.

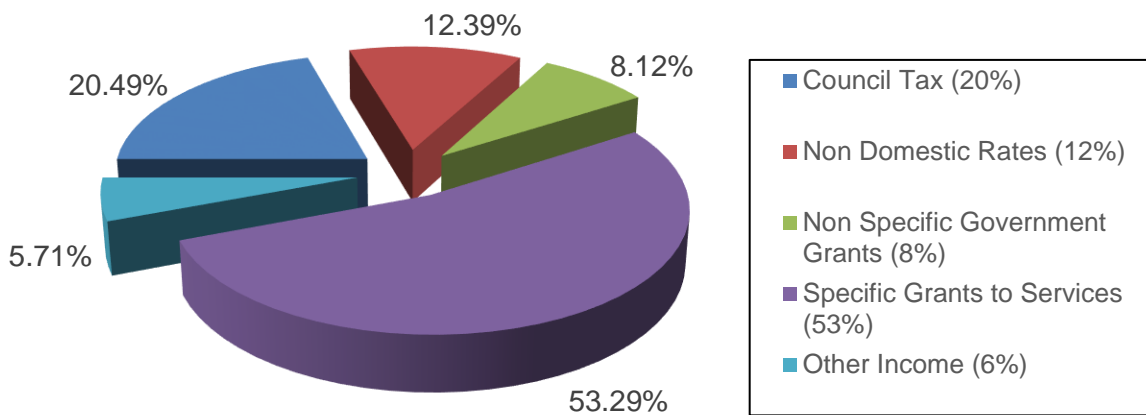
There is risk and uncertainty in relation to future years funding, not only because it is directly linked to growth in the borough, but also pending the outcome of Central Government's Fair Funding review and any potential reset to the business rates retention system. The implementation of these was delayed for 2020/21 due to government concentrating on BREXIT. The Fair Funding Review and change to 75% business rates retention was further delayed due to the corona virus pandemic. However, uncertainty remains regarding the implementation of the business rates baseline reset, which may have a major impact on the council's future income from business rates.

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. South Ribble continues to perform well in this area with collection rates of 97.48% for council tax and 98.50% for business rates in 2019/20.

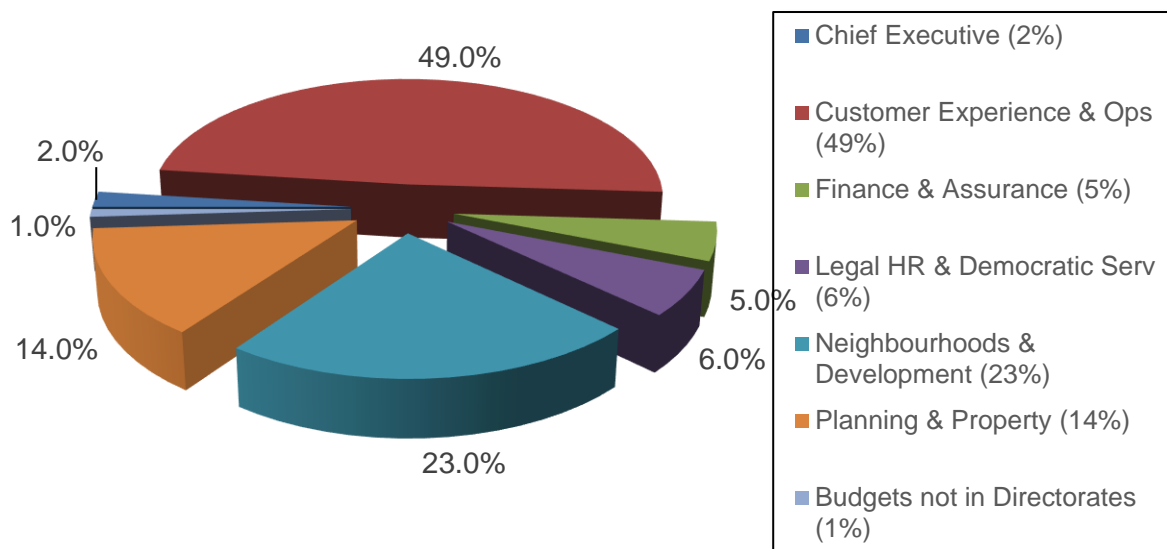
Total reserves for the Council were £20.813m by the end of 2019/20 of which £4.239m is held in a general reserve. The remaining reserves are earmarked for specific programmes of work or costs that are known to the Council. The plans within the Council's latest Medium Term Financial Strategy will see reserves reduce to an estimated £13.625m by the end of the 2023/2024 financial year. 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 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. This programme will deliver a number of key projects to the benefit of the residents of South Ribble:

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

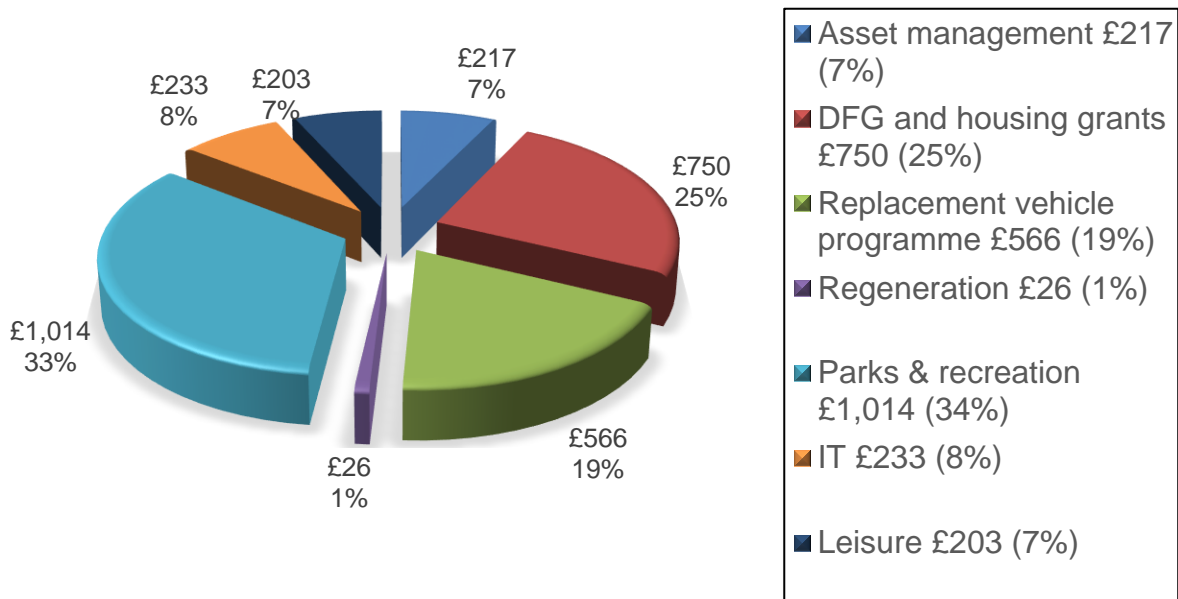
The original capital programme budget for 2019/20 was £12.908m. With approved slippage from 2018/19 and other subsequent changes, the final budget was £4.129m.

The position on the 2019/20 capital budget is set out in the following table.

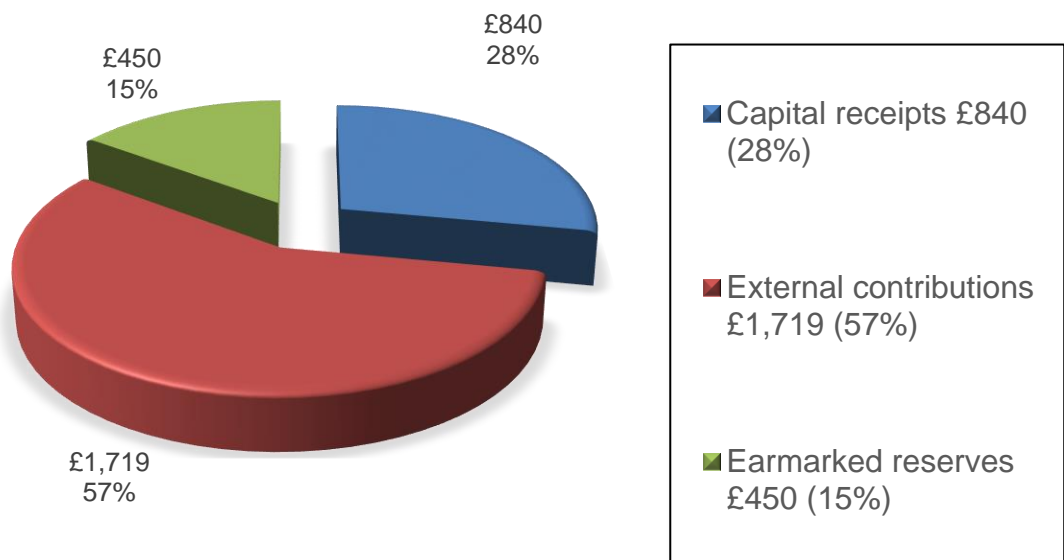
| Description | Budget £000 | Revised Budget (A) £000 | Expend- iture (B) £000 | Variance (B) – (A) £000 | Re-phased into 2020-21 £000 | Over / (Under) Spend £000 |
|--|----------------|----------------------------------|---------------------------------|-------------------------------|--------------------------------------|------------------------------------|
| Health, Leisure and Well Being | | | | | | |
| Green Links | 745 | 563 | 417 | (146) | (92) | (54) |
| Existing Built Assets | 496 | 835 | 591 | (244) | (170) | (74) |
| Sport and Leisure | 2,547 | 512 | 203 | (309) | (79) | (230) |
| Place | | | | | | |
| Affordable Housing | 300 | 35 | 45 | 10 | 10 | 0 |
| Land Acquisition – Croston Road | - | 77 | 0 | (77) | (77) | 0 |
| Disabled Facilities Grants | 723 | 750 | 696 | (54) | (54) | 0 |
| Master Planning and Regeneration | 575 | 18 | 18 | 0 | - | - |
| Private Sector Home Improvement Grants | 240 | 8 | 9 | 1 | 0 | 1 |
| Station Road, Bamber Bridge | 573 | - | - | 0 | - | - |
| St Mary's Penwortham – Churchyard Wall Repair | 105 | 20 | 0 | (20) | (20) | 0 |
| Compulsory Purchase | - | 19 | 36 | 17 | 0 | 17 |
| Bowling Green Acquisition | - | 12 | 12 | 0 | 0 | 0 |
| Excellence and Financial Sustainability | | | | | | |
| IT Programme – Digital Strategy | 200 | 366 | 242 | (124) | (115) | (9) |
| Vehicles and plant replacement | 1,450 | 604 | 566 | (38) | (38) | 0 |
| Corporate buildings/Asset Management Planning | 404 | 310 | 174 | (136) | 37 | (173) |
| Asset Investment Fund | 4,550 | - | - | 0 | - | - |
| TOTAL | 12,908 | 4,129 | 3,009 | (1,120) | (598) | (522) |

The Council spent £3.009m against the revised budget of £4.129m, which equates to 72.9% and gives an overall variance of £1.120m. Of this, £0.598m has been carried forward into 2020/21 to enable projects to be completed. The remaining £0.522m is a net underspend. A summary position of capital expenditure is set out below.

Capital Expenditure £'000



Capital Financing £'000



The significant areas of spend (over £20,000) and major schemes completed in the 2019/20 capital programme are as follows:

| Scheme Name | Spend £'000 |
|--|----------------|
| Green Infrastructure: | |
| Central Parks Network | 112 |
| Green Link – Penwortham to Bamber Bridge | 40 |
| Green Link – Shruggs Wood | 49 |
| Carwood Road Cross-Borough Link Road | 150 |
| Leyland Loop | 59 |
| Worden Park: | 123 |
| Other Parks and Open Spaces | |
| Hurst Grange Coach House Phase 1 | 38 |
| Open Spaces 2016/17 to 2019/20 | 30 |
| Playground – Worden Park | 151 |
| Playground – Leadale Green | 142 |
| Playground edging Worden and Farington Parks | 73 |
| A tree for every resident | 24 |
| Sports and Leisure: | |
| New Leisure Facility | 198 |
| | |
| Affordable Housing | 45 |
| Disabled Facilities Grants | 696 |
| Private Sector home improvement grants | 63 |
| Compulsory Purchase | 36 |
| | |
| ICT systems and technology: | |
| Capita Software Upgrade | 23 |
| Civic Centre Audio Visual Equipment | 80 |
| InPhase Upgrade | 32 |
| Telephony and Switchboard | 78 |
| | |
| Vehicles and plant replacement | 566 |
| Corporate Buildings: | |
| Depot | 48 |
| Civic Centre Solar Panels | 30 |
| Civic Centre Toilets | 66 |

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 has not been undertaken during 2019/20 and the register is confirmed as out of date in the Annual Governance Statement. It is acknowledged that the framework and management of risk requires review and update to ensure risks are being managed effectively and to ensure risk management is embedded.

Coronavirus Pandemic

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

As most restrictions were implemented in late March 2020, the financial effects for 2019/20 are minimal. However, for 2020/21 and future years the financial projections reported to Council in February 2020 will require review and adjustment. However, at the present time this cannot be undertaken with any confidence or accuracy. Officers will review the projections closely as part of the 2021/22 budget and MTFS preparation and make adjustments as appropriate.

It should be acknowledged that central government made significant funding allocations to local government in 2020 which are an assistance to the Council's financial position following the pandemic and in the recovery. However, it is unclear whether this welcome funding will offset the increased spending and reduced income during 2020/21.

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

Provision of Services

Because of the business continuity plans the Council has, front line service provision was largely unaffected by the lockdown instruction. Leisure facilities and some community facilities were temporarily closed and arrangements implemented for re-opening when allowed. All other services were maintained as a result of business continuity arrangements and where possible staff redeployment to high priority areas. Although reception areas were closed, public services were maintained by digital service provision and use of other communication means. The Council has fully implemented government schemes including offering business rates relief, providing council tax hardship support and providing grants to support business, protecting the economic stability of its area.

Workforce

In line with government instruction, the Council issued a 'stay at home' instruction to its staff from 23rd March 2020. All staff are still strongly encouraged to work from home where it is practical to do so and are only permitted to attend offices where unavoidable. This directive has maintained service provision at a satisfactory level and has greatly reduced the risk that Council staff become infected. As staff were protected, the Council was able to deploy its staff where suitably trained to other areas. Also, the pandemic did not have a material impact on sickness levels in the Council.

Supply Chains

The Council is aware of its responsibility for the economic wellbeing of its area and has taken all practical steps to protect supply chains. A policy was already in place for prompt payment of supplier invoices and all staff have been requested to pay undisputed invoices more promptly than before the pandemic. Where possible, arrangements have been made with suppliers offering financial support and maintaining their cashflow. This has been further progressed by the Council assisting with the government grant support for business, actively encouraging businesses to take advantage of the grants and support available.

Reserves, Financial Performance and Financial Position

At 31st March 2020, the Council's usable revenue reserves were £20.813m. Of these, £16.574m were earmarked for specific purposes, leaving £4.239m in general reserve. It is considered this level of reserves is sufficient for the Council at present. It is acknowledged that although government have provided funding this may not be sufficient to offset future increased expenditure and lost income. The Council will closely monitor its financial position and future budget planning to ensure it remains financially sustainable. In addition, the Council had £10.269m of capital grants in hand. The Council

will reassess its capital programme and funding throughout the year as by their nature capital projects are vulnerable to delay and cost overrun. It is possible these delays could be exacerbated by the pandemic. The pandemic did not directly affect non-current asset valuations in the balance sheet, although the council's valuer did, as the pandemic developed, issue a supplementary letter confirming that the valuations should be viewed as being subject to 'material valuation uncertainty' and that, consequently, less certainty, and a higher degree of caution, should be attached to them than would normally be the case.

The Council will also review its planned efficiencies and savings included in its MTFs to ensure these can be delivered within the anticipated timeframe. These will be assessed as part of the refresh of the 2021/22 Corporate Strategy and MTFs preparation.

Cash Flow Management

The Council closely manages its cash flows ensuring management costs are kept to a minimum while gaining the maximum return on surplus balances. The loss of income from rentals and fees and charges will be temporarily offset by the cash payments received from government for business grants. Cash balances will be managed in accordance with the approved treasury strategy. In the last few days of March 2020, the Council entered into £10m of temporary borrowing, in order to manage the cash flow implications of payments of support grants to businesses. All of this borrowing was repaid before the end of April 2020, following receipt of associated government funding.

Major Risks

The major risks to the Council are covered in the Corporate Risk Register. The pandemic has increased the risk of:

- Increased spending on services;
- Loss of service income;
- Delay in capital projects;
- Increase in sickness levels in staff.
- The monitoring and arrangements in place minimise these risks but cannot eliminate them.

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 facing challenges as a result of changes to the funding from Government through the Fair Funding Review which was due in the Autumn of 2019. This was postponed to 2020 due to BREXIT and postponed further as a result of the COVID 19 pandemic. 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. Council Tax and Business Rate reviews reflecting the changing nature of the strategic investment associated with the City Deal. 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 Medium Term Financial Strategy without the need for significant savings. The MTFs is however kept under constant review in order to take account of changes in demand or funding that may impact on the financial position going forward. This is especially important as the Council assists in the national recovery from Coronavirus.

Efficiencies identified and reported in previous years will continue to be developed and options for the delivery of more efficiency savings and investment returns are being created. The Council also has robust arrangements in place to ensure that plans for efficiencies are realistic and deliverable over agreed timescales. Updates are provided to Cabinet at regular intervals throughout the year. However, these all require review following the COVID 19 pandemic. This will be vital during 2020/21 and will have a major impact on the 2021/22 budget preparation and subsequent MTFs. The new corporate plan has been developed to set strategic projects to be delivered and a planned use of reserves on investment priorities has been agreed that will see them reduce to £13.6m by March 2024. The corporate plan sets the framework for the Council in enhancing its service offering and supporting the improvement plan based on consultation with residents and business through the community strategy.

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. 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 reserves on an invest to save or invest to earn basis to deliver its Corporate objectives informed by the Corporate Strategy. However, as already stated the progress of these could be affected by the financial impact of the COVID 19 pandemic. The effects of this will be reviewed as appropriate.

Treasury Management

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

The key facts for 2019/20 were:

- Investments were short-term, the maximum period permitted by the Council's Treasury Strategy being one year.
- The average cash balance invested was £43.018m at an average rate of 0.894% and generated £0.385m 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. However, £10m of short-term borrowing was entered into in the last few days of March 2020, to address cash flow issues arising from preparations for Covid 19 business support grant payments. The last of this borrowing was repaid before the end of April 2020.
- In 2019/20 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 has reduced during the year, by £3.021m, from £32.863m to £29.842m, 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 latest valuation was in 2019 which reported a funding level of just over 100%, the result of the Lancashire County Pension Fund being one of the most successful Local Authority funds in the country. The Council has a deficit recovery plan in place with the Administering Authority to maintain a 100% funding level by making additional Deficit Recovery Contributions over a 16 year period.

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 2019/20 include:

Amendments to IAS 40 Investment Property: Transfers of Investment Property

Annual Improvements to IFRS Standards 2014-2016 Cycle. The amendments that may apply to local authorities include:

IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard.

IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value.

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

IFRIC 23 Uncertainty over Income Tax Treatments.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes have no impact on the Authority's financial statements.

Going Concern

South Ribble Borough Council's MTFS outlines the strategies it will pursue to meet current and future funding shortfalls. The approval of a balanced budget for 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. It is accordingly considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Further Information

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

Introduction to the Statement of Accounts

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

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 30 **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 110 **Error! Bookmark not defined. 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 105 **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 1066 **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 Finance Officer/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

Deputy Chief Finance Officer/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 2019/20 (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 2020 and its Income and Expenditure for the year ended 31 March 2020.

James Thomson CPFA
Deputy Chief Finance Officer/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.

| 2018/19 | | | | Note | 2019/20 | | |
|-------------------|-----------------|-----------------|--|------|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | | £'000 | £'000 | £'000 |
| 873 | (2) | 871 | Chief Executive | | 949 | (59) | 890 |
| 9,791 | (2,645) | 7,146 | Neighbourhoods & Development | | 11,658 | (3,127) | 8,531 |
| 3,765 | (2,052) | 1,713 | Planning & Property | | 5,994 | (4,435) | 1,559 |
| 2,277 | (277) | 2,000 | Finance & Assurance | | 3,067 | (252) | 2,815 |
| 1,639 | (293) | 1,346 | Legal, HR & Democratic Services | | 2,356 | (677) | 1,679 |
| 22,247 | (20,414) | 1,833 | Customer Experience & Operations | | 20,346 | (18,004) | 2,342 |
| 464 | 0 | 464 | Budgets Not in Directorates | | 637 | 0 | 637 |
| 41,056 | (25,683) | 15,373 | Cost of Services | | 45,007 | (26,554) | 18,453 |
| 369 | 0 | 369 | Other operating expenditure | 12 | 389 | (13) | 376 |
| 4,349 | (3,512) | 837 | Financing and investment income and expenditure | 13 | 4,113 | (3,519) | 594 |
| 10,055 | (25,869) | (15,814) | Taxation and non-specific grant income | 14 | 15,154 | (34,592) | (19,438) |
| 55,829 | (55,064) | 765 | (Surplus) / deficit on provision of services | | 64,663 | (64,678) | (15) |
| | | (607) | (Surplus) / deficit on revaluation of Property, Plant and Equipment assets | | | | 0 |
| | | (1,318) | Re-measurement of the net defined benefit liability | 37d | | | (5,309) |
| | | (1,925) | Other Comprehensive (Income) and Expenditure | | | | (5,309) |
| | | (1,160) | Total Comprehensive (Income) and Expenditure | | | | (5,324) |

Movement in Reserves Statement

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

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

| | General Fund £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Reserves £'000 |
|--|-----------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-------------------------|
| Balance at 31 March 2018 | (18,988) | (1,932) | (8,113) | (29,033) | (2,279) | (31,312) |
| <u>Movements in 2018/19</u> | | | | | | |
| 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 |
| (Increase) / Decrease in year | (531) | 1,105 | (998) | (424) | (736) | (1,160) |
| Balance at 31 March 2019 | (19,519) | (827) | (9,111) | (29,457) | (3,015) | (32,472) |
| <u>Movements in 2019/20</u> | | | | | | |
| Total Comprehensive Income & Expenditure | (15) | 0 | 0 | (15) | (5,309) | (5,324) |
| Adjustments between accounting basis & funding basis (note 10) | (1,279) | 827 | (1,158) | (1,610) | 1,610 | 0 |
| (Increase) / Decrease in year | (1,294) | 827 | (1,158) | (1,625) | (3,699) | (5,324) |
| Balance at 31 March 2020 | (20,813) | 0 | (10,269) | (31,082) | (6,714) | (37,796) |

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 2019 £'000 | | Notes | 31 March 2020 £'000 |
|---------------------------|-------------------------------------|--------------|---------------------------|
| 28,461 | Property, Plant & Equipment | 15 | 28,265 |
| 10,679 | Investment Property | 16 | 10,056 |
| 150 | Intangible Assets | 17 | 140 |
| 47 | Long Term Debtors | 18 | 43 |
| 39,337 | Long Term Assets | | 38,504 |
| 31,071 | Short Term Investments | 18 | 38,071 |
| 88 | Inventories | 19 | 92 |
| 2,428 | Short Term Debtors | 20 | 3,190 |
| 3,126 | Cash and Cash Equivalents | 21 | 12,048 |
| 36,713 | Current Assets | | 53,401 |
| 0 | Short Term Borrowing | 18 | (10,000) |
| (8,054) | Short Term Creditors | 22 | (11,307) |
| (1,833) | Provisions | 23 | (2,686) |
| (9,887) | Current Liabilities | | (23,993) |
| (183) | Long Term Creditors | 18 | (167) |
| (259) | Other Long Term Liabilities | 18 | 0 |
| (32,814) | Net Pension Liability | 37 | (29,842) |
| (435) | Grant Receipts in Advance - Capital | 33 | (107) |
| (33,691) | Long Term Liabilities | | (30,116) |
| 32,472 | Net Assets | | 37,796 |
| (29,457) | Usable Reserves | 24 & MiRS | (31,082) |
| (3,015) | Unusable Reserves | 25 | (6,714) |
| (32,472) | Total Reserves | | (37,796) |

The unaudited accounts were authorised for issue on 28 August 2020 and the audited accounts were authorised for issue on 22 December 2020.

James Thomson CPFA
Deputy Chief Finance Officer/Section 151 Officer
Date: 28 August 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.

| 2018/19 £'000 | | Note | 2019/20 £'000 |
|------------------|---|-----------|------------------|
| (765) | Net surplus or (deficit) on the provision of services (CIES page 14) | | 15 |
| 3,432 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 26a | 8,262 |
| (1,886) | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 26b | (1,778) |
| 781 | Net cash flows from Operating Activities | 26 | 6,499 |
| (3,644) | Investing Activities | 27 | (7,202) |
| 1,319 | Financing Activities | 28 | 9,625 |
| (1,544) | Net (increase) or decrease in cash and cash equivalents | | 8,922 |
| 4,670 | Cash and cash equivalents at the beginning of the reporting period | | 3,126 |
| 3,126 | Cash and cash equivalents at the end of the reporting period | 21 | 12,048 |

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.

| 2018/19 | | | | 2019-20 | | |
|---|---|--------------------------------------|--|---|---|--------------------------------------|
| 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 |
| 867 | 4 | 871 | Chief Executive | 880 | 10 | 890 |
| 5,668 | 1,478 | 7,146 | Neighbourhoods & Development | 6,430 | 2,101 | 8,531 |
| 397 | 1,316 | 1,713 | Planning & Property | 392 | 1,167 | 1,559 |
| 1,686 | 314 | 2,000 | Finance & Assurance | 1,630 | 1,185 | 2,815 |
| 1,348 | (2) | 1,346 | Legal, HR & Democratic Services | 1,632 | 47 | 1,679 |
| 1,694 | 139 | 1,833 | Customer Experience & Operations | 2,054 | 288 | 2,342 |
| 554 | (90) | 464 | Budgets Not in Directorates | 519 | 118 | 637 |
| 12,214 | 3,159 | 15,373 | Net cost of Service | 13,537 | 4,916 | 18,453 |
| (12,745) | (1,863) | (14,608) | Other Income and Expenditure | (14,831) | (3,637) | (18,468) |
| (531) | 1,296 | 765 | (Surplus) / Deficit in year | (1,294) | 1,279 | (15) |
| (18,988) | | | Opening General Fund Balance at 1 April 2019 | (19,519) | | |
| (531) | | | Add (Surplus) / Less Deficit on General Fund Balance in Year | (1,294) | | |
| (19,519) | | | Closing General Fund Balance at 31 March 2020 | (20,813) | | |

2. Accounting Policies

General Principles

The Statement of Accounts summarises the council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 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 measured at amortised cost are initially measured at fair value and carried at amortised cost. The annual credit to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the Balance Sheet is the outstanding principal receivable plus interest accrued at 31 March.

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

Going Concern

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

Government Grants and Other Contributions

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

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

Community Infrastructure Levy

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

Intangible assets

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

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

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

Inventories and Long term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Properties

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

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

Leasing

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

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

The Authority as lessee**Finance leases**

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

Operating leases

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

The Authority as lessor**Finance leases**

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

Operating leases

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

Non-Current Assets Held for Sale

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

Overheads

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practice or if the change provides more reliable or relevant information about the effect of transactions on the council's financial position or financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. Material errors will also require a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

Property Plant and Equipment (PPE)

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

Measurement

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

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

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

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

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

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

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

Depreciation

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

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

Depreciation periods are as follows:

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

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

Impairment

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

Disposal and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use, it is reclassified as an Asset Held for Sale and shown within current assets. The asset is re-valued immediately and carried at the lower of this amount and current value less costs to sell. If assets subsequently fail to meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations) and their recoverable amount at the date of the decision not to sell.

On disposal the carrying amount of an asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. Receipts exceeding £10,000 from disposal are credited to the same line; lesser receipts are included as service income in cost of services. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Charges and Council Tax

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

Provisions

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

Reserves

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

Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

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

Value Added Tax

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

Fair Value Measurement

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

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

The 2019/20 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 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code are:

- amendments to IAS 1 Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: definition of material,
- amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures,
- annual improvements to IFRS Standards 2015-2017 Cycle,
- amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement, and
- amendments to references to the Conceptual Framework in IFRS Standards.

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

4. Critical judgements in applying accounting policies

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

Funding

There continues a high degree of uncertainty about future levels of funding for local government. This has been increased by the impacts of the Covid 19 pandemic, both in terms of the introduction of greater general uncertainty and, more specifically, the further postponement of the funding review, originally due for 2019/20 and subsequently delayed by a year to 2020/21, by another year to 2021/22. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and/or reduce levels of service expenditure.

Investment Properties

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

Commuted Sums

Commuted sums due from developers in order to fulfil obligations of S106 Agreements have been accrued and added to the appropriate reserves and balances. The commuted sums become receivable when trigger stages defined in the S106 Agreements have been reached. Judgement has been applied in deciding whether each development had reached the trigger stage by 31 March 2020.

Leases

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

Group Accounts

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

Fair Values

When measuring the fair value of a non-financial asset, the council uses judgement to ascertain a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. It also uses judgements regarding inputs to valuation techniques, particularly whether they are applicable and relevant to the assets or liabilities, either directly or indirectly, being valued. What is described here is the basis on which fair value is determined and this is not itself affected by the impacts of the Covid 19 pandemic. Please see references in Notes 5 and 18 below in respect of the potential effects on actual valuations.

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. |
| Pensions Assets | The scheme holds a varied portfolio of assets, details of which are shown at Note 37h. The valuations shown in this Statement are those assessed as at 31 March 2019. Beginning in March 2020, there have been significant fluctuations in equity markets around the world in relation to the Covid-19 pandemic. This has potentially far-reaching consequences in terms of funding and risk which will need to be kept under review. The actuary's stated view is that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. The Fund has a risk management framework in place and in particular the investment strategy is reviewed on a regular basis. The stated view is that employer contributions should not be revisited, but the position should be kept under review by the Administering Authority (Lancashire County Council) who will monitor the development of the situation and keep all stakeholders informed of any potential implications, so that the outcome can be managed effectively. For some employers this could mean a review of contributions prior to the next valuation depending on their financial covenant. | The council anticipates that it will spend £1.216m on current pension contributions in 2020/21 (see Note 37j). A 1% upward variation on this would produce an increased cost of £12k. |
| Debtors | <p>The most significant debtor issue for the council is its responsibility for collecting £104.505m 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 £0.713m for debtors which are classed as financial instruments. The gross total is £1.999m against which a bad debt provision of £1.286m has been made.</p> <p>This total debtors figure includes Housing benefit debtors of £1.058m (i.e. recovery of overpayments). Changes in the administration of</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&ES.</p> |

| Item | Uncertainty | Effect if actual results differ |
|------------------|--|---|
| | <p>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. The level of coverage on general debts is a little over 46%.</p> <p>No indication has been identified that the impacts of the Covid 19 pandemic will result in an increase in non-recoverability beyond that which is covered by the level of provision made.</p> | |
| Asset valuations | <p>Note 15e shows that fixed assets valued at £27.067m (£26.960m of Operational Land and Buildings and £0.107m of Community Assets) are carried at either current value (£9.665m) or depreciated replacement cost value (17.402m).</p> <p>Note 16 shows that investment properties valued at £10.055m 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>These valuations, and most specifically those that are based on current value, are subject to variations as a result of market fluctuations. The Covid 19 pandemic has introduced significantly greater uncertainty into this. The council's valuations were finalised in March 2020, immediately prior to the onset of the pandemic and the valuer has subsequently confirmed that, as a result, the valuations are therefore reported on the basis of 'material valuation uncertainty' and that, consequently, less certainty, and a higher degree of caution – should be attached to them than would normally be the case.</p> | <p>The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.</p> <p>The valuations in respect of Investment Properties are those most subject to market variations. A fall in the value of these would result in a charge to the CI&ES. Every 10% fall in the total value of the council's investment properties would result in a £1.006m charge to the CI&ES.</p> <p>Likewise, a 10% in the value of other assets valued at current cost would produce a variation of £967k. How much, if any, of this would be chargeable to the CIES would depend on the individual assets affected and whether or not there were associated balances in the Revaluation Reserve.</p> |
| Provisions | <p>A provision of £2.686m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2020. The estimate in respect of appeals against the rating lists prior to that for 2017 has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. In respect of the 2017 list, there have, as yet, been only a very limited number of appeals at a national level and so the appropriate level of provision is more difficult to gauge. The council's provision has been set at 4% of the net rates payable for each year. Benchmarking information indicates that this is a</p> | <p>If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority's services. Similarly, an increase in the provision to cover such appeals would be a charge to the Collection Fund which would also reduce the local share of business rates income available to fund the Authority's services. A 1% increase in the provision would result in an</p> |

| Item | Uncertainty | Effect if actual results differ |
|-------------------------|--|--|
| | little higher than the average for councils of this size and type. See Note 23. | additional charge to the Collection Fund of £0.048m, of which this Authority's share of the cost would be 56% or £0.027m. |
| Fair value measurements | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the council's Senior Valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in Notes 2, 16 and 18. | The council uses the market approach to value of some of its investment properties and financial assets. The unobservable inputs used in the fair value measurement include management assumptions regarding rent yield and growth, vacancy levels (for investment properties). Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement for the investment properties and financial assets. |

6. Material items of income and expense

All material items have been disclosed in the statement or in the notes to the main financial statements. For the purposes of this note the council considers material items to be those greater than £0.821m (2018/19 £0.864m). This equates to 2% of the council's gross service expenditure for the preceding financial year and matches the threshold typically adopted by the council's auditor, although the actual audit materiality level for 2019/20 remains subject to confirmation.

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 2020, 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, but reference is made to further comments at Note 39.

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.

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

| 2018/19 Comparative Figures | Adjustments for Capital Purposes (Note A) | Net change for the Pensions Adjustments (Note B) | Other Statutory Adjustments (Note C) | Total Statutory Adjustments | Non-Statutory Adjustments (Note D) | Total Adjustments |
|--|---|--|--------------------------------------|-----------------------------|------------------------------------|-------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive | 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) |
| Net Cost of Service | 2,279 | 362 | (20) | 2,621 | 538 | 3,159 |
| Other income and expenditure from the Expenditure and Funding Analysis | (2,073) | 809 | (61) | (1,325) | (538) | (1,863) |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 206 | 1,171 | (81) | 1,296 | 0 | 1,296 |

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:

| Expenditure/Income | 2018/19 £'000 | 2019/20 £'000 |
|--|--------------------------|--------------------------|
| Expenditure | | |
| Employee benefits expenses | 10,692 | 12,469 |
| Other service expenses | 28,278 | 29,783 |
| Depreciation, amortisation and impairment | 3,384 | 3,857 |
| Interest payments | 3,053 | 3,014 |
| Precepts and levies | 10,418 | 15,539 |
| Loss on the disposal of assets | 4 | 0 |
| Total Expenditure | 55,829 | 64,662 |
| Income | | |
| Fees, charges and other service income | (7,064) | (11,639) |
| Interest and investment income | (2,401) | (2,564) |
| Income from Council Tax and Non-Domestic Rates | (21,676) | (28,526) |
| Government grants and contributions | (23,923) | (21,935) |
| Gain on disposal of assets | 0 | (13) |
| Total Income | (55,064) | (64,677) |
| Surplus or Deficit on the Provision of Services | 765 | (15) |

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.

| 2019/20 | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 |
|---|-------------------------------------|---|---|
| Adjustments to the Revenue Resources | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e) | (2,337) | 0 | 0 |
| Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c) | (1) | 0 | 0 |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25f) | 815 | 0 | 0 |
| Holiday pay (transferred to the Accumulated Absences Reserve) (note 25g) | 0 | 0 | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 25b) | (2,140) | 0 | 0 |
| Total Adjustments to Revenue Resources | (3,663) | 0 | 0 |
| Adjustments between Revenue and Capital Resources | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS page 54) | 13 | (13) | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 25b) | 762 | 0 | 0 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b) | 451 | 0 | 0 |
| Total Adjustments between Revenue and Capital Resources | 1,226 | (13) | 0 |
| Adjustments to Capital Resources | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 15) | | 840 | |
| Application of capital grants to finance capital expenditure (MiRS page 15) | 1,158 | 0 | (1,158) |
| Total Capital Resources | 1,158 | 840 | (1,158) |
| Total Adjustments | (1,279) | 827 | (1,158) |

| 2018/19 | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 |
|---|-------------------------------|-----------------------------------|-----------------------------------|
| Adjustments to the Revenue Resources | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e) | (1,171) | | |
| 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) | | |
| Total Adjustments to Revenue Resources | (3,744) | 0 | 0 |
| Adjustments between Revenue and Capital Resources | | | |
| 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 | | |
| Total Adjustments between Revenue and Capital Resources | 1,404 | 0 | 0 |
| Adjustments to Capital Resources | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 54) | | 1,151 | |
| Application of capital grants to finance capital expenditure (MiRS page 54) | 1,044 | (46) | (998) |
| Total Capital Resources | 1,044 | 1,105 | (998) |
| Total Adjustments | (1,296) | 1,105 | (998) |

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 2018 £'000 | Transfers In 2018/19 £'000 | Transfers Out 2018/19 £'000 | Balance 31 March 2019 £'000 | Transfers In 2019/20 £'000 | Transfers Out 2019/20 £'000 | Balance 31 March 2020 £'000 |
|------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| My Neighbourhoods | (51) | (3) | | (54) | (13) | | (67) |
| Borough Council Elections | (112) | (30) | 28 | (114) | (222) | 176 | (160) |
| Housing Needs Survey | (97) | (20) | 34 | (83) | (17) | | (100) |
| Local Development Framework | (80) | (175) | | (255) | | | (255) |
| Performance Reward Grant | (48) | (24) | 26 | (46) | | 19 | (27) |
| Organisation Restructure Costs | (90) | | 63 | (27) | (173) | | (200) |
| Borough Investment Account | (3,824) | (770) | | (4,594) | | 17 | (4,577) |
| Business Rates Retention | (2,257) | (504) | 10 | (2,751) | (631) | 73 | (3,309) |
| City Deal Reserve | (1,671) | (40) | | (1,711) | (340) | 200 | (1,851) |
| Capital Funding Reserve | (3,460) | (177) | 564 | (3,073) | (734) | 293 | (3,514) |
| Repairs and Maintenance Fund | (500) | | | (500) | | | (500) |
| Transformation Fund | (500) | | | (500) | | 85 | (415) |
| Apprenticeship Reserve | (335) | (2) | 70 | (267) | | 267 | 0 |
| Climate Change | 0 | | | 0 | (250) | | (250) |
| Credit Union | 0 | | | 0 | (150) | | (150) |
| CIL Administration Fund | 0 | | | 0 | (248) | | (248) |
| Other Earmarked Reserves | (606) | (401) | 143 | (864) | (436) | 349 | (951) |
| Total Earmarked Reserves | (13,631) | (2,146) | 938 | (14,839) | (3,214) | 1,479 | (16,574) |
| General Reserve | (5,357) | (93) | 770 | (4,680) | (328) | 769 | (4,239) |
| Total General Fund Reserves | (18,988) | (2,239) | 1,708 | (19,519) | (3,542) | 2,248 | (20,813) |

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. |
| Elections Provision | An annual transfer from revenue is made to cover the four yearly Borough Elections. The next election is due to take place in May 2023. |
| Housing Needs Survey | Annual contribution made to fund the costs of carrying out detailed Housing Needs Surveys. |
| Local Development Framework | To fund one-off costs in relation to the production of planning policy documents in relation to the Local Development Framework. |
| Performance Reward Grant | External revenue funding held by the council on behalf of South Ribble Partnership set aside for spending on South Ribble Partnership projects in future years. |
| Organisation Restructure Costs | To be used to assist in funding the one-off costs of any service reviews designed to improve the efficiency of the council. |

| Earmarked Reserve | Reason / Use |
|------------------------------|--|
| Borough Investment Account | To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the council to bridge potential funding gaps. |
| Business Rates Retention | To mitigate the potential risk to the council's medium-term financial strategy by providing funds to smooth out the inherent fluctuations that occur in the Business Rates Retention System. |
| City Deal | To be used to fund additional costs in relation to the delivery of City Deal projects and outcomes. |
| Capital Funding Reserve | This is to fund capital expenditure in line with the council's Corporate Plan priorities, as set out in the approved Capital Strategy and Medium-Term Financial Strategy. |
| Repairs and Maintenance Fund | The revenue budget includes an annual provision for the costs of repairs and maintenance of the council's property assets. The purpose of the reserve is to meet the costs of any major repairs and maintenance works which cannot be met from this base budget. |
| Transformation Fund | In November 2017, Council approved the transfer of £500k from General Reserves to set up a Transformation Fund. The purpose of the reserve was to provide funding for projects which will generate a payback into the council's revenue budget through sustainable income generation and/or recurring cost savings. The fund has been allocated to the IT Digital Strategy capital costs in the capital programme. |
| Apprenticeship Reserve | This relates to funding set aside to fund Apprenticeship costs. The reserve is no longer required because the staffing costs for apprenticeship posts have been built into the base budget. Therefore the reserve has been transferred back to the general reserve. |
| Climate Change | The approved budget for 2020/21 included the creation of a Climate Change reserve of £250,000. This has been implemented using the surplus in 2019/20 |
| Credit Union | As part of the quarter 3 budget monitoring report, Cabinet approved the creation of a Credit Union reserve of £150,000 using the surplus in 2019/20. |
| CIL Administration Fund | This reserve has been created using the proportion of Community Infrastructure Levy which the council is entitled to retain in respect of administration costs. |
| Other | This reserve comprises 3 elements. Firstly, it includes unspent ring-fenced income that has been received but not yet spent and the revised expenditure plans mean it will fall in subsequent years. Secondly, it includes accumulated surplus income generated by the Sports development service. Thirdly, it includes carried forward unspent expenditure budgets that are planned to be used in future years. |

12. Other operating expenditure

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 365 | Parish Council precepts | 389 |
| 4 | (Gains) and losses on the disposal of non-current assets | (13) |
| 369 | Total | 376 |

13. Financing and investment income and expenditure

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 137 | Interest payable and similar charges | 96 |
| 809 | Net interest on the net defined benefit liability (note 37d) | 760 |
| (312) | Interest receivable and similar income | (406) |
| 702 | Income and Expenditure in relation to investment properties and changes in their fair value (note 16) | 641 |
| 269 | Allowance for impairment of outstanding debts | 2 |
| (768) | Losses or (surplus) on trading accounts (note 29) | (499) |
| 837 | Total | 594 |

14. Taxation and non-specific grant income and expenditure

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| (8,119) | Council tax income | (8,335) |
| (3,504) | Non-domestic rates income and expenditure | (5,037) |
| (2,689) | Non-ring fenced government grants | (3,302) |
| (1,502) | Capital grants and developer contributions | (2,764) |
| (15,814) | Total | (19,438) |

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

In 2016/17, 2017/18 and 2018/19 this council was part of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

In 2019/20 the council, along with 15 other authorities in Lancashire, submitted a successful bid to become a 75% Business Rate Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

A comparison of the business rates income allocations in 2018/19 and 2019/20 are shown in the table below:

| | 2018/19 | 2019/20 |
|------------------------------------|-------------|-------------|
| District Authorities | 40% | 56% |
| Lancashire County Council | 9% | 17.5% |
| Lancashire Combined Fire Authority | 1% | 1.5% |
| | 50% | 75% |
| Central Government | 50% | 25% |
| Total | 100% | 100% |
| Unitary Authorities | 49% | 73.5% |

| Lancashire Business Rates Pilot Pool Members 2019/20 | Authority Type | Tariffs and Top-Ups in Respect of 2019/20 £ | Total Growth above Baseline Under 75% Scheme £ | Additional Retained Growth above that under the 50% Scheme £ |
|--|----------------|--|---|---|
| Blackburn with Darwen Unitary Authority | Top-Up | -27,209,155 | 6,290,545 | 2,096,849 |
| Blackpool Unitary Authority | Top-Up | -27,136,666 | 965,342 | 321,780 |
| Burnley Borough Council | Tariff | 8,389,841 | 3,894,421 | 1,112,691 |
| Chorley Borough Council | Tariff | 10,116,103 | 2,888,454 | 825,273 |
| Fylde Borough Council | Tariff | 11,921,669 | 3,971,482 | 1,134,710 |
| Hyndburn Borough Council | Tariff | 5,350,206 | 644,806 | 184,230 |
| Pendle Borough Council | Tariff | 5,125,168 | 2,363,324 | 675,236 |
| Preston Borough Council | Tariff | 27,181,715 | 1,627,197 | 464,913 |
| Ribble Valley Borough Council | Tariff | 6,364,376 | 2,331,874 | 666,250 |
| Rossendale Borough Council | Tariff | 4,595,868 | 1,820,769 | 520,220 |
| South Ribble Borough Council | Tariff | 15,149,823 | 4,667,725 | 1,333,636 |
| West Lancashire Borough Council | Tariff | 13,287,104 | 2,905,817 | 830,233 |
| Wyre Borough Council | Tariff | 10,760,888 | 2,011,984 | 574,853 |
| Lancashire County Council | Top-Up | -164,645,542 | 9,362,315 | 4,448,284 |
| Lancashire Combined Fire Authority | Top-Up | -17,656,850 | 957,163 | 311,393 |
| Central Government | - | 118,405,452 | - | - |
| Total | | 0 | 46,703,218 | 15,500,551 |

In 2019/20 the governance arrangements for the pilot pool were approved such that any retained growth above that which would have been received under the previous 50% scheme was to be split on the following basis:

- Risk Resilience Reserve: The first 5% of any additional growth was to be used to create a new risk resilience reserve to mitigate against any extra loss arising from being a pilot member.
- Strategic Economic Growth and Financial Sustainability Fund: A further 25% of the additional growth was to be set aside to create a Lancashire wide fund to be used to target strategic economic growth and improve financial sustainability and allocated based on unanimous decisions of the Pilot Pool Governing Body after the closure of the financial year.

The position on the Pilot Pool for 2019/20, based upon the final submitted NNDR3 returns, is detailed below:

| Lancashire Business Rates Pilot Pool Members 2019/20 | Additional Retained Growth above that under the 50% Scheme £ | 5% Due to Risk Resilience Reserve £ | 25% Due to Strategic Economic Growth and Financial Sustainability Fund £ |
|--|---|--|---|
| Blackburn with Darwen Unitary Authority | 2,096,849 | 104,842 | 524,212 |
| Blackpool Unitary Authority | 321,780 | 16,089 | 80,445 |
| Burnley Borough Council | 1,112,691 | 55,635 | 278,173 |
| Chorley Borough Council | 825,273 | 41,264 | 206,318 |
| Fylde Borough Council | 1,134,710 | 56,736 | 283,678 |
| Hyndburn Borough Council | 184,230 | 9,212 | 46,058 |
| Pendle Borough Council | 675,236 | 33,762 | 168,809 |
| Preston Borough Council | 464,913 | 23,246 | 116,228 |
| Ribble Valley Borough Council | 666,250 | 33,313 | 166,563 |
| Rossendale Borough Council | 520,220 | 26,011 | 130,055 |
| South Ribble Borough Council | 1,333,636 | 66,682 | 333,409 |
| West Lancashire Borough Council | 830,233 | 41,512 | 207,558 |
| Wyre Borough Council | 574,853 | 28,743 | 143,713 |
| Lancashire County Council | 4,448,284 | 222,414 | 1,112,071 |
| Lancashire Combined Fire Authority | 311,393 | 15,570 | 77,848 |
| Total | 15,500,551 | 775,028 | 3,875,138 |

During the year an advance request for use of the Strategic Economic Growth and Financial Sustainability Fund was considered and agreed by the Governing Body in respect of expenditure to be incurred by Lancashire County Council in the creation of the Greater Lancashire Plan. This was to be capped at £400,000.

At a later point in the year, and in light of the Covid-19 pandemic financial pressures, it was decided by the Governing Body that the expenditure on the Great Lancashire Plan would instead only be funded up to the £50,000 that had been defrayed at that point. It was also agreed that all authorities would retain any remaining balance on the Strategic Economic Growth and Financial Sustainability Fund to help them meet their own financial resilience pressures under the pandemic.

In accordance with the Memorandum of Understanding for the Pilot Pool, the Risk Resilience Reserve would be retained by each Pool member, unless it was evidenced at the end of the financial year through the completion of the NNDR3 returns that such funds were needed.

The outturn position showed that the Risk Resilience Reserve was not needed and that the only payment due to the Strategic Economic Growth and Financial Sustainability Fund was the £50,000 in total towards the Greater Lancashire Plan. The overall position is shown in the table below:

| Lancashire Business Rates Pilot Pool Members 2019/20 | Total Growth above Baseline Under 75% Scheme £ | Actual Payments Due to the Strategic Economic Growth and Financial Sustainability Fund £ | Net Business Rates Growth Above the Baseline Retained by Local Authority £ |
|--|---|---|---|
| Blackburn with Darwen Unitary Authority | 6,290,545 | 6,764 | 6,283,781 |
| Blackpool Unitary Authority | 965,342 | 1,038 | 964,304 |
| Burnley Borough Council | 3,894,421 | 3,589 | 3,890,832 |
| Chorley Borough Council | 2,888,454 | 2,662 | 2,885,792 |
| Fylde Borough Council | 3,971,482 | 3,660 | 3,967,822 |
| Hyndburn Borough Council | 644,806 | 594 | 644,212 |
| Pendle Borough Council | 2,363,324 | 2,178 | 2,361,146 |
| Preston Borough Council | 1,627,197 | 1,500 | 1,625,697 |
| Ribble Valley Borough Council | 2,331,874 | 2,149 | 2,329,725 |
| Rossendale Borough Council | 1,820,769 | 1,678 | 1,819,091 |
| South Ribble Borough Council | 4,667,725 | 4,302 | 4,663,423 |
| West Lancashire Borough Council | 2,905,817 | 2,678 | 2,903,139 |
| Wyre Borough Council | 2,011,984 | 1,854 | 2,010,130 |
| Lancashire County Council | 9,362,315 | 14,349 | 9,347,966 |
| Lancashire Combined Fire Authority | 957,163 | 1,005 | 956,158 |
| Total | 46,703,218 | 50,000 | 46,653,218 |

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pilot Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £30,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

15. Property, plant and equipment

15a Movements in Property Plant and Equipment

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

Please see Note 5 in respect of the potential impact of the Covid 19 pandemic on asset valuations.

| 2018/19 | Other Land & Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total £'000 |
|---|---------------------------------|---|-------------------------|---------------------------|------------------------------------|-----------------|
| Cost or valuation | | | | | | |
| At 1 April 2018 | 27,162 | 12,226 | 2,529 | 106 | 262 | 42,285 |
| 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 |
| At 31 March 2019 | 28,209 | 12,625 | 2,896 | 106 | 457 | 44,293 |
| Depreciation and Impairment | | | | | | |
| At 1 April 2018 | (2,984) | (10,316) | (838) | 0 | 0 | (14,138) |
| 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 |
| At 31 March 2019 | (3,663) | (11,107) | (1,062) | 0 | 0 | (15,832) |
| Net Book Value | | | | | | |
| At 31 March 2019 | 24,546 | 1,518 | 1,834 | 106 | 457 | 28,461 |
| At 1 April 2018 | 24,178 | 1,910 | 1,691 | 106 | 262 | 28,147 |

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 2020 there were 7 significant contractual commitments, totalling £1.347m, relating to capital expenditure, as listed in the table below.

| Value (£) | Description |
|-----------|---------------------------------------|
| 632,300 | Purchase 4 refuse collection vehicles |
| 200,000 | Purchase 1 refuse collection vehicle |
| 182,500 | Purchase 1 refuse collection vehicle |
| 175,000 | Refurbishment of a playground |
| 50,000 | Design and build a new playground |
| 57,000 | Purchase 2 vehicles |
| 50,100 | Purchase 1 tractor with accessories |

15d Effects of Changes in Estimates

There were no material changes in accounting estimates for Property, Plant and Equipment in 2019/20.

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 2019/20 the valuations were carried out on behalf of the council by Sanderson Weatherall LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis of valuation is set out in Note 2 Accounting Policies.

| | Other land & Buildings £'000 | Vehicles Plant Furniture & Equipment £'000 | Infrastructure £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total £'000 |
|-----------------------------------|---------------------------------|---|-------------------------|---------------------------|------------------------------------|----------------|
| Carried at historical cost | 1,751 | 13,291 | 3,262 | 24 | 702 | 19,030 |
| Valued at current value as at: | | | | | | |
| 31 March 2020 | 214 | 0 | 0 | 0 | 0 | 214 |
| 31 March 2019 | 2,040 | 0 | 0 | 12 | 0 | 2,052 |
| 31 March 2018 | 4,766 | 0 | 0 | 65 | 0 | 4,831 |
| 31 March 2017 | 3,605 | 0 | 0 | 30 | 0 | 3,635 |
| 31 March 2016 | 16,335 | 0 | 0 | 0 | 0 | 16,335 |
| Total cost or valuation | 28,711 | 13,291 | 3,262 | 131 | 702 | 46,097 |

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 2020, 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.

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Fair Value 1 April | 11,332 | 10,679 |
| Additions – Subsequent expenditure | 49 | 17 |
| Disposals | (19) | 0 |
| Net gains / (losses) from fair value adjustments | (683) | (641) |
| Transfers (to) / from Property Plant and Equipment | 0 | 0 |
| TOTAL | 10,679 | 10,055 |

Please see Note 5 in respect of the potential impact of the Covid 19 pandemic on asset valuations.

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 2019/20 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 2019/20 amortisation of £0.081m was charged to the following lines in the Comprehensive Income and Expenditure Statement.

| | 2018/19 £'000 | 2019/20 £'000 |
|----------------------------|------------------|------------------|
| Customer Experience & Ops | 60 | 59 |
| Finance & Assurance | 4 | 4 |
| Legal HR & Democratic Serv | 18 | 18 |
| Total | 82 | 81 |

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Cost at start of year | 1,374 | 1,418 |
| Additions in year | 44 | 72 |
| Reclassifications in year | 0 | 0 |
| Gross cost at end of year | 1,418 | 1,490 |
| Accumulated amortisation at start of year | (1,186) | (1,268) |
| Amortised in year | (82) | (81) |
| Accumulated amortisation | (1,268) | (1,349) |
| Net carrying amount at the start of the year | 168 | 150 |
| Net carrying amount at the year end | 150 | 141 |

At 31 March 2020, 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 2019 £'000 | Current 31 March 2019 £'000 | | Long Term 31 March 2020 £'000 | Current 31 March 2020 £'000 |
|--|--------------------------------------|---|--|--------------------------------------|
| | | Financial Assets | | |
| | | <i>Carried at Amortised Cost</i> | | |
| 0 | 31,071 | Short Term Investments | 0 | 38,071 |
| 47 | 597 | Debtors | 42 | 486 |
| 47 | 31,668 | Total Financial Assets | 42 | 38,557 |
| | | Financial Liabilities | | |
| | | <i>Carried at Amortised Cost</i> | | |
| 0 | 0 | Short Term Borrowing | 0 | (10,000) |
| (259) | 0 | Long Term Creditors - Finance lease liabilities | 0 | 0 |
| 0 | (344) | Creditors - Finance lease (due within 12 months) | 0 | (283) |
| (183) | (1,577) | Creditors | (167) | (2,057) |
| (442) | (1,921) | Total Creditors | (167) | (12,340) |
| | | <i>Memo: Items that are not Financial Instruments</i> | | |
| 0 | 3,126 | Cash & cash equivalents (note 21) net of bank overdraft | 0 | 12,048 |
| 0 | 1,830 | Debtors | 0 | 2,477 |
| 0 | (6,134) | Creditors | 0 | (8,967) |

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

In March 2020, with the onset of the Covid 19 pandemic and the implementation of measures to support local businesses, and the need for this to be done promptly, the possibility arose that the council would make substantial payments of grants shortly before receipt of the associated financial support from Central Government. The council's investments, which had been made in accordance with the approved Investment Policy, were mostly committed for longer periods and so the funds were not immediately available without incurring financial penalties. Given that the costs of short term borrowing were less than those potential penalties, short term loans of £10m were taken out to support immediate cash flow requirements.

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

18b Income, Expense, Gains and Losses

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

| | 2018/19 | | | 2019/20 | | |
|---|--|---|----------------|--|---|----------------|
| | 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 | (312) | (312) | 0 | (406) | (406) |
| Interest expense | 0 | 137 | 137 | 0 | 96 | 96 |
| Net (gain) / cost for the year | | | (175) | | | (310) |

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 2019 | | 31 March 2020 | |
|-------------------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Short Term Borrowing | 0 | 0 | (10,000) | (10,000) |
| Finance Lease (short and long-term) | (602) | (592) | (283) | (279) |
| Short Term Creditors | (1,577) | (1,577) | (2,057) | (2,057) |
| Long Term Creditors | (183) | (183) | (167) | (167) |
| Total Liabilities | (2,362) | (2,352) | (12,507) | (12,503) |

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. Given the nature of the calculation of the fair value for this type of asset, it is not affected by potential market fluctuations as a result of the Covid 19 pandemic.

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 2019 | | 31 March 2020 | |
|---------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Cash and Cash Equivalents | 3,126 | 3,126 | 12,048 | 12,048 |
| Investments - Loans | 31,071 | 31,071 | 38,071 | 38,071 |
| Short Term Debtors | 597 | 597 | 713 | 713 |
| Long Term Debtors | 47 | 47 | 42 | 42 |
| Total Assets | 34,841 | 34,841 | 50,874 | 50,874 |

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

18d Nature and extent of risks arising from financial instruments**Key risks**

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

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

Overall procedures for managing risk

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

Prudential indicators specifying:

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

An Investment Strategy specifying:

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

Credit risk

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

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

Credit Risk Management Practices

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

The Annual Investment Strategy:

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

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

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

The full Investment Strategy for 2019/20 was approved by Full Council on 27th February 2019 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 2020 it had deposits totalling £50.118m (£34.197m at 31 March 2019) 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 2020, including consideration of the uncertainties resulted from the Covid 19 pandemic, has indicated that there is no material risk of credit loss.

Assessment of the expected credit loss on the outstanding balance of trade receivables is made using a provision matrix based on the age of the outstanding debt and previous experience of recovery rates. At 31 March 2020, the outstanding gross amount was £1.773m (£1.859m at 31 March 2019) and the maximum exposure to credit loss was assessed as £0.486m (£0.597m at 31 March 2019). 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 | 430 |
| Gain - Impact on the Surplus or Deficit on the Provision of Service | 430 |

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

| | 2018/19 | | | 2019/20 | | |
|----------------------------|----------------------------|--------------------------------|----------------|----------------------------|--------------------------------|----------------|
| | Consumable Stores £'000 | Maintenance Materials £'000 | Total £'000 | Consumable Stores £'000 | Maintenance Materials £'000 | Total £'000 |
| Balance at 1 April | 65 | 22 | 87 | 66 | 22 | 88 |
| Purchases | 439 | 169 | 608 | 679 | 236 | 915 |
| Issued in year | (429) | (170) | (599) | (652) | (234) | (886) |
| Written off in year | (9) | 1 | (8) | (25) | 0 | (25) |
| Balance at year end | 66 | 22 | 88 | 68 | 24 | 92 |

20. Short term debtors

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|------------------------|------------------------|
| Trade receivables | 261 | 286 |
| Prepayments | 529 | 638 |
| Other receivable amount | 3,640 | 4,392 |
| Gross carrying amount at the year end | 4,430 | 5,316 |
| Less provision for bad debts | (2,002) | (2,127) |
| Net carrying amount at the year end | 2,428 | 3,189 |

21. Cash and cash equivalents

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

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|------------------------|------------------------|
| Cash held by the Authority | 1 | 1 |
| Bank current and call accounts | 3,125 | 12,047 |
| Total cash and cash equivalents | 3,126 | 12,048 |

22. Short term creditors

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|------------------------|------------------------|
| Trade payables | (1,843) | (2,014) |
| Other payables | (6,211) | (9,293) |
| Total cash and cash equivalents | (8,054) | (11,307) |

23. Provisions

The movements in provisions during the year were as follows:

| | Business Rates Appeals £'000 |
|---|------------------------------------|
| Balance at 1 April 2018 | (1,700) |
| Additional provisions made in 2018/19 | (995) |
| Amounts used in 2018/19 | 862 |
| Balance at 31 March 2019 | (1,833) |
| Re-apportionment of opening balance on move from 50% to 75% local retention | (733) |
| Additional provisions made in 2019/20 | (165) |
| Amounts used in 2019/20 | 46 |
| Balance at 31 March 2020 | (2,685) |

The council has only one class of provision, this relates entirely to Business Rates Appeals. Due to the localisation of Business Rates, which became effective from the 1st April 2013, the council now bears part of the risk for future appeals against rateable valuations of business premises. Therefore, the council has set aside a provision for any potential liabilities as a result of appeals. At the end of 2019-20, the council is responsible for a 56% share of this liability along with the Ministry for Housing, Communities and Local Government (25%), Lancashire County Council (17.5%) and the Lancashire Fire Authority (1.5%). 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 2020 is £4.796m (£4.583m at 31 March 2019). The council has made a provision for 56% of this figure totalling £2.686m (£1.833m at 31 March 2019). Appeals are assessed and decided by the Valuation Office Agency, an executive agency of HM Revenue & Customs, rather than by the council and as such the timing of the settlement of any successful appeals is uncertain.

The respective shares shown above reflect the fact that in 2019/20 the council was in a Pilot Area for 75% local retention of Business Rates income. This compares to the 50% local retention that was applicable for 2018/19, when the council's share was 40% and the respective shares for the other bodies were Ministry for Housing, Communities and Local Government 50%, Lancashire County Council 9% and the Lancashire Fire Authority 1%. Had these percentages remained in place at the end of 2019/20, then the council's share of the provision would have been £1.918m. For 2020/21, the council has reverted to percentages applicable in 2018/19.

24. Usable reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 37).

25. Unusable reserves

| | Note | 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|------|---------------------------|---------------------------|
| Revaluation Reserve | 25a | (6,275) | (6,172) |
| Capital Adjustment Account | 25b | (29,266) | (29,283) |
| Financial Instruments Adjustment Account | 25c | (1) | 0 |
| Deferred Capital Receipts Reserve | 25d | (20) | (20) |
| Pensions Reserve | 25e | 32,814 | 29,842 |
| Collection Fund Adjustment Account | 25f | (413) | (1,226) |
| Accumulated Absences Account | 25g | 146 | 146 |
| Total Unusable Reserves | | (3,015) | (6,713) |

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.

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at 1 April | (5,780) | (6,275) |
| Upward revaluation of assets | (608) | 0 |
| Downward revaluation & impairment not charged to the Comprehensive Income and Expenditure Statement | 1 | 0 |
| Difference between fair value and historic cost depreciation | 112 | 103 |
| Balance at 31 March | (6,275) | (6,172) |

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.

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | (29,254) | (29,266) |
| <i>Reversal of items relating to capital expenditure debited or credited to the CIES:</i> | | |
| Charges for depreciation of non-current assets | 2,132 | 2,284 |
| Revaluation (gains)/losses on property, plant & equipment | (196) | (7) |
| Amortisation of intangible assets | 82 | 81 |
| Revenue expenditure funded from capital under statute | 685 | 859 |
| Net cost of disposal of assets | 23 | 0 |
| | 2,726 | 3,217 |
| Adjusting amounts written out of the Revaluation Reserve | (112) | (104) |
| Net written out amount of the cost of non-current assets consumed in the year | 2,614 | 3,113 |
| <i>Capital financing applied in the year:</i> | | |
| Capital receipts used to finance new capital expenditure | (1,151) | (839) |
| Grants and contributions used in the year to fund capital expenditure | (753) | (1,719) |
| Statutory & voluntary provision for the financing of capital investment charged against the General Fund | (886) | (762) |
| Capital expenditure charged to the General Fund Balance | (518) | (451) |
| | (3,308) | (3,771) |
| Movements in the market value of Investment Properties | 682 | 641 |
| Balance at 31 March | (29,266) | (29,283) |

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.

| | 2018/19 £'000 | 2019/20 £'000 |
|------------------------------------|------------------|------------------|
| Balance at 1 April | (3) | (1) |
| Premiums on early debt redemption | (5) | (2) |
| Discounts on early debt redemption | 7 | 3 |
| Balance at 31 March | (1) | 0 |

25d Deferred Capital Receipts Reserve

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at 1 April | (20) | (20) |
| Transfer to Capital Receipts Reserve on receipt of cash | 0 | 0 |
| Balance at 31 March | (20) | (20) |

25e Pensions Reserve

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 32,961 | 32,814 |
| Re-measurements of the net defined benefit liability. | (1,318) | (5,309) |
| Reversal of charges posted to the Comprehensive Income and Expenditure Statement. | 3,400 | 4,233 |
| Employer contributions and direct payments to pensioners payable in the year. | (2,229) | (1,896) |
| Balance at 31 March | 32,814 | 29,842 |

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.

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | (348) | (413) |
| Amount by which Council Tax and Business Rate income credited to the Comprehensive Income and Expenditure Statement differs from the amount required by statute. | (65) | (813) |
| Balance at 31 March | (413) | (1,226) |

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Amounts in respect of Council Tax | (215) | (435) |
| Amounts in respect of Business Rates | (135) | (752) |
| Additional amount in respect of element for Renewable Energy Schemes in Business Rates | (63) | (39) |
| Balance at 31 March | (413) | (1,226) |

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.

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 165 | 146 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements | (19) | 0 |
| Balance at 31 March | 146 | 146 |

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:

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Depreciation | 2,132 | 2,285 |
| Impairment and downward valuations | (197) | (7) |
| Amortisation | 82 | 81 |
| (Increase) / decrease in impairment for bad debts | 223 | 223 |
| Increase / (decrease) in debtors | 997 | (981) |
| (Increase) / decrease in creditors | (1,814) | 2,834 |
| Increase / (decrease) in inventories | (1) | (4) |
| Movement in pension liability | 1,171 | 2,337 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 23 | 0 |
| Contributions (to) / from Provisions | 133 | 853 |
| Movement in investment property values | 683 | 641 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 0 | 0 |
| Net adjustment | 3,432 | 8,262 |

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:

| | 2018/19 £'000 | 2019/20 £'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 | (13) |
| Capital Grants credited to surplus or deficit on the provision of services | (1,886) | (1,765) |
| Net adjustment | (1,886) | (1,778) |

26c Interest received and interest paid

The cash flows for operating activities include the following items:

| | 2018/19 £'000 | 2019/20 £'000 |
|---------------------------------|------------------|------------------|
| Interest received | 312 | 406 |
| Interest paid | (137) | (95) |
| Net cash flow in / (out) | 175 | 311 |

27. Cash Flow Statement – investing activities

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Purchase of property, plant & equipment, investment property & intangible assets | (1,579) | (1,980) |
| Purchase of short and long term investments | (36,811) | (45,026) |
| Other payments for investing activities | 0 | 0 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 0 | 13 |
| Proceeds from short and long term investments | 32,784 | 38,026 |
| Other receipts relating to investing activity (government grants) | 1,962 | 1,765 |
| Total cash flows from investing activities | (3,644) | (7,202) |

28. Cash Flow Statement – financing activities

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Cash Receipts from Short and Long Term Borrowing | 0 | 10,000 |
| Cash paid to reduce lease liabilities. | (274) | (340) |
| Other Payments for financing activities - change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors). | 1,593 | (35) |
| Total cash flows from financing activities | 1,319 | 9,625 |

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).

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---------------------------------|------------------|
| (1,112) | Turnover | (955) |
| 306 | Direct costs | 423 |
| 38 | Capital charges | 34 |
| (768) | Net (surplus) or deficit | (498) |

30. Members allowances

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

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------|------------------|
| 357 | Allowances | 363 |
| 351 | Total | 363 |

31. Officers remuneration

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

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

The comparative information for 2018/19 is shown below.

| 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 5th November 2018.

B) The Deputy Chief Executive – Resources and Transformation was appointed on 3rd 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 1st April and 30th 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 10th September 2018.
- E) The *Assistant Director of Projects and Development* was appointed on 7th January 2019.
- F) The *Assistant Director of Housing and Environmental Services* was appointed on 2nd January 2019. The post was filled on a temporary basis between 30th April and 30th November 2018.
- G) The *Head of Shared Assurance Services* retired on 2nd 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 15th 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 31st May 2018.
- I) The *Interim HR & OD Consultant* ceased employment on 30th September 2018.
- J) The *Interim Improvement Manager* was paid via a consultancy arrangement that ended on 29th 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 13th May 2018. The member of staff was a Chorley Borough Council employee but ceased employment at that date.

Authorities are required to disclose the number of other employees receiving more than £50,000 remuneration, excluding pension contributions. In both 2018/19 and 2019/20 no other employees had a salary of more than £50,000. However, in 2018/19 only there were additional payments regarding compensation for loss of office which took the total remuneration of some employees above that threshold. The following table shows the bandings into which their total remuneration fell.

| Total Remuneration Banding | Number of employees 2018/19 | Number of employees 2019/20 |
|----------------------------|-----------------------------|-----------------------------|
| £50,000 to £55,000 | 0 | 0 |
| £55,001 to £60,000 | 1 | 0 |
| £60,001 to £65,000 | 0 | 0 |
| £65,001 to £70,000 | 0 | 0 |
| £70,001 to £75,000 | 0 | 0 |
| Total | 1 | 0 |

The following table gives details of employee exit packages in the current and preceding years. The information for 2018-19 has been restated due to an adjustment in the way payments in lieu of notice (PILON) have been treated. In the Statement of Accounts 2018-19 PILON costs were not included in the total exit package costs whereas they are now included in the figures below.

| Exit Package cost banding | Number of compulsory redundancies | | Number of other agreed departures | | Total number of exit packages | | Total cost of exit packages | |
|---------------------------|-----------------------------------|----------|-----------------------------------|----------|-------------------------------|----------|-----------------------------|-----------------|
| | 18-19 | 19-20 | 18-19 | 19-20 | 18-19 | 19-20 | 18-19 | 19-20 |
| £0 to £20,000 | 0 | 0 | 4 | 1 | 4 | 4 | £69,058 | £19,433 |
| £20,001 to £40,000 | 2 | 0 | 1 | 3 | 3 | 0 | £80,932 | £100,432 |
| £40,001 to £60,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £60,001 to £80,000 | 0 | 0 | 1 | 1 | 1 | 1 | £71,565 | £74,099 |
| £80,001 to £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £100,001 to £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £150,001 to £200,000 | 0 | 0 | 1 | 0 | 1 | 0 | £150,935 | £0 |
| Total | 2 | 0 | 7 | 5 | 9 | 5 | £372,490 | £193,964 |

32. External audit costs

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Fees for statutory inspection and audit | 38 | 34 |
| Fees for the certification of grant claims and returns | 7 | 10 |
| Balance at 31 March | 45 | 44 |

33. Grant income

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Credited to Taxation and Non-Specific Grant Income | | |
| National non-domestic rates | (1,290) | (2,267) |
| Grants – New Homes Bonus | (1,399) | (1,014) |
| Community Infrastructure Levy & Other Developer Contributions | (990) | (2,404) |
| Grants & Contributions - Other | (512) | (381) |
| Total | (4,191) | (6,066) |
| Credited to Services | | |
| Grants – benefits related | (19,539) | (17,238) |
| Grants & Contributions – other | (2,038) | (2,300) |
| Developer's Contributions payable to City Deal | 0 | (2,224) |
| Total | (21,577) | (21,762) |
| Grand Total | (25,768) | (27,828) |

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:

| | 2018/19 £'000 | 2019/20 £'000 |
|-----------------------|------------------|------------------|
| Various contributions | 435 | 107 |
| Total | 435 | 107 |

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 2019/20, the council did not pay grants to any of these bodies (2018/19 £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. From inception to 31st March 2020 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.

The partnership will be expanded from April 2020 to also include legal and democratic services, communications and visitor economy and transformation and partnerships.

In 2019/20 gross expenditure of £1.825m (2018/19 £1.736m) 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 2020 amounts to £0.308m.

◆ **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 | £0.023m |
| Leisure Services Fee | £0.246m |
| Creditor/Debtor | There were no outstanding creditor balances at 31 March 2020 |

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.

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 4,626 | 3,740 |
| <i>Capital investment:</i> | | |
| Property, Plant and Equipment | 1,645 | 2,083 |
| Investment property | 48 | 17 |
| Intangible Assets | 44 | 72 |
| Revenue Expenditure Funded from Capital under Statute | 685 | 859 |
| | | |
| <i>Sources of finance:</i> | | |
| Capital Receipts | (1,151) | (840) |
| Government Grants and Other Contributions | (753) | (1,720) |
| <i>Sums set aside from revenue:</i> | | |
| Earmarked Reserves | (518) | (450) |
| Revenue Financing | 0 | 0 |
| Minimum Revenue provision | (640) | (516) |
| Voluntary Revenue Provision | (246) | (246) |
| Closing Capital Financing Requirement | 3,740 | 2,999 |
| <i>Explanation of movements in year:</i> | | |
| Assets financed by prudential borrowing | 0 | 0 |
| Assets acquired under deferred purchase arrangement | 0 | 21 |
| Provision made for debt repayment | (886) | (762) |
| Increase / (Decrease) in Capital Financing Requirement | (886) | (741) |

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 2019 £'000 | 31 March 2020 £'000 |
|--------------------------|------------------------|------------------------|
| Works to Leisure Centres | 602 | 390 |

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 2020 £4.711m had been spent (£4.691m to 31 March 2019). The minimum payments under the lease total £6.638m of which, £0.436m is still to be paid. Payments in 2019/20 totalled £0.436m and the same amount is due in 2020/21.

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2019 £'000 | 31 March 2020 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
| Not later than one year | 436 | 436 | 344 | 390 |
| Later than one and not later than five years | 296 | 0 | 258 | 0 |
| Total | 732 | 436 | 602 | 390 |

Operating leases

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

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|---------------------------|---------------------------|
| Not later than one year | 20 | 1 |
| Later than one and not later than five years | 1 | 0 |
| Total | 21 | 1 |

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

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|------------------------|---------------------------|---------------------------|
| Minimum lease payments | 20 | 1 |
| Total | 20 | 1 |

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 2019 £'000 | 31 March 2020 £'000 |
|--|---------------------------|---------------------------|
| Finance lease debtor (present value of minimum lease payments) | 20 | 20 |
| Unearned finance income | 88 | 87 |
| Total | 108 | 107 |

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 2019 £'000 | 31 March 2020 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
| Not later than one year | 1 | 1 | 1 | 1 |
| Later than one and not later than five years | 4 | 4 | 4 | 4 |
| Later than five years | 103 | 102 | 103 | 102 |
| Total | 108 | 107 | 108 | 107 |

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 2019 £'000 | 31 March 2020 £'000 |
|--|---------------------------|---------------------------|
| Not later than one year | 569 | 795 |
| Later than one and not later than five years | 1,343 | 1,265 |
| Later than five years | 14,102 | 14,015 |
| Total | 16,014 | 16,075 |

37. Defined benefit pension scheme

37a Governance

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

37b Funding the liabilities

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

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

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

37c Risks

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

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

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

Sensitivity to these risks is estimated in paragraph 37i.

37d Transactions relating to retirement benefits

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| <i>Comprehensive Income and Expenditure Statement</i> | | |
| <i>Cost of Services:</i> | | |
| Administration | 31 | 40 |
| Current service cost | 1,968 | 2,275 |
| Past service cost | 0 | 1,158 |
| Effect of curtailments | 592 | 0 |
| <i>Net interest on the net defined benefit liability:</i> | | |
| Interest costs | 2,916 | 2,918 |
| Expected return on scheme assets | (2,107) | (2,158) |
| Total post-employment benefit charged to the (Surplus) / Deficit on the Provision of Service | 3,400 | 4,233 |
| <i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i> | | |
| Re-measurement of the net defined benefit liability | | |
| Return on plan assets, excluding amount included in interest expense | (7,144) | (61) |
| Experience gain & loss | 0 | 783 |
| Actuarial gains & losses from changes in demographic assumptions | 0 | (1,922) |
| Actuarial gains & losses from changes in financial assumptions | 5,826 | (4,109) |
| Total re-measurements recognised in Other Comprehensive Income | (1,318) | (5,309) |
| Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement | 2,082 | (1,076) |
| <i>Movement in Reserves Statement</i> | | |
| Reversal of net charges made to the (Surplus) / Deficit on the Provision of Services | (3,400) | (4,233) |
| Actual amount charged against the General Fund Balance for pensions in the year | 2,229 | 1,896 |

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 | |
|--|--|------------------|
| | 2018/19 £'000 | 2019/20 £'000 |
| Present value of the defined benefit obligation | (121,700) | (121,302) |
| Fair value of plan assets | 88,837 | 91,264 |
| Net liability arising from defined benefit obligation | (32,863) | (30,038) |

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

| | Scheme Assets Local Government Pension Scheme | |
|--|---|------------------|
| | 2018/19 £'000 | 2019/20 £'000 |
| 1 April | 80,942 | 88,837 |
| Interest on plan assets | 2,107 | 2,158 |
| Re-measurement gain/(loss) | | |
| Return on plan assets, excluding amount included in interest expense | 7,144 | 61 |
| Employer contributions | 2,135 | 1,749 |
| Employee contributions | 408 | 439 |
| Benefits paid | (3,868) | (1,940) |
| Other | (31) | (40) |
| 31 March | 88,837 | 91,264 |

The actual return on the plan assets was £0.733m in 2019/20 (£9.251m 2018/19).

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

| | Scheme Liabilities Local Government | |
|--|--|------------------|
| | 2018/19 £'000 | 2019/20 £'000 |
| 1 April | (113,858) | (121,700) |
| Current service cost | (1,968) | (2,275) |
| Past Service Cost | 0 | (1,158) |
| Interest cost | (2,916) | (2,918) |
| Contributions by scheme participants | (408) | (439) |
| Re-measurement gains and (losses) | | |
| Changes in financial assumptions | (5,826) | 1,922 |
| Experience gains & losses | 0 | (783) |
| Gains & losses from changes in demographic assumptions | 0 | 4,109 |
| Curtailments | (592) | 0 |
| Benefits paid | 3,868 | 1,940 |
| 31 March | (121,700) | (121,302) |

37h Local Government Pension Scheme assets comprised

| | Fair value of scheme assets | | | |
|---------------------------|-----------------------------|---------------------------------|------------------|---------------------------------|
| | 2018/19 £'000 | Percentage total of asset | 2019/20 £'000 | Percentage total of asset |
| Cash | | | | |
| Cash and cash equivalents | 0 | 0.0% | 0 | 0.0% |
| Cash accounts | 453 | 0.5% | 2,555 | 2.8% |
| Net Current Assets | 63 | 0.1% | (1,551) | (1.7%) |
| Subtotal Cash | 516 | 0.6% | 1,004 | 1.1% |
| Bonds | | | | |
| UK corporate | 603 | 0.7% | 1,096 | 1.2% |
| Overseas corporate | 439 | 0.5% | 1,186 | 1.3% |
| Government | 3,123 | 3.5% | 0 | 0.0% |
| Overseas fixed interest | 0 | 0.0% | 0 | 0.0% |
| Subtotal bonds | 4,165 | 4.7% | 2,282 | 2.5% |
| Property | | | | |
| Retail | 2,138 | 2.4% | 91 | 0.1% |
| Commercial | 6,142 | 6.9% | 1,186 | 1.3% |
| Subtotal property | 8,280 | 9.3% | 1,277 | 1.4% |
| Private equity | | | | |
| UK | 0 | 0.0% | 0 | 0.0% |
| Overseas | 45,987 | 51.8% | 48,370 | 53.0% |
| Subtotal private equity | 45,987 | 51.8% | 48,370 | 53.0% |
| Other | | | | |
| Infrastructure | 12,558 | 14.1% | 12,594 | 13.8% |
| Property funds | 1,360 | 1.5% | 6,480 | 7.1% |
| Credit funds | 6,308 | 7.1% | 14,420 | 15.8% |
| Pooled income fund | 9,663 | 10.9% | 4,837 | 5.3% |
| Subtotal alternatives | 29,889 | 33.6% | 38,331 | 42.0% |
| Total | 88,837 | 100.0% | 91,264 | 100.0% |

37i Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2020.

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

| | Local Government Pension | |
|---|--------------------------|-----------|
| | 2018/19 | 2019/20 |
| Mortality assumptions | | |
| Longevity at 65 for current pensioners | | |
| Men | 22.8 yrs. | 22.3 yrs. |
| Women | 25.5 yrs. | 25 yrs. |
| Longevity at 65 for future pensioners | | |
| Men | 25.1 yrs. | 23.8 yrs. |
| Women | 28.2 yrs. | 26.8 yrs. |
| Rate of inflation (CPI) | 2.20% | 2.10% |
| Rate of increase in salaries | 3.70% | 3.60% |
| Rate of increase in pensions | 2.30% | 2.20% |
| Rate for discounting scheme liabilities | 2.40% | 2.40% |

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) | 3,327 |
| Rate of inflation (increase of 0.1% p.a.) | 1,943 |
| Salary inflation (increase of 0.1% p.a.) | 229 |
| Rate for discounting scheme liabilities (increase of 0.1%) | (1,912) |
| Change in 2019/20 investment returns (increase of 1.0%) | (923) |

37j Impact on the Authority's Future Cash Flows

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

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

The authority anticipates paying £1.216m expected contributions to the scheme in 2020/21.

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

38. Contingent liabilities

At 31 March 2020, the council had no identified contingent liabilities. At the end of 2018/19, one such liability was disclosed, that in respect of claims made, against councils throughout the country, for mandatory charitable business rates relief by NHS Trusts and NHS Foundation Trusts. 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.

39. Covid 19 pandemic and events after the reporting period

The Code requires that, where relevant to a proper understanding of the financial statements, an authority must make disclosures in respect of events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the financial statements are authorised for issue.

These events are divided into two types:

- a) **'Adjusting Events'**. If an authority receives information after the reporting period, but before the financial statements are authorised for issue, about conditions that existed at the end of the reporting period, the authority is required to update any disclosures that relate to these conditions, in the light of the new information.
- b) **'Non-Adjusting Events'**. These are those that are indicative of conditions that have relevance to the disclosures made in the financial statements, but which arose after the end of reporting period. In such cases, appropriate additional information should be supplied, but the disclosures themselves will not be updated.

No general events of either category have been identified, but there have, since the end of the reporting period, been continuous and significant developments in respect of the Covid 19 pandemic, including those with implications for the council's operations and finances. However, no Covid 19 related adjusting event has been identified. Likewise, no specific Covid related non-adjusting event has been identified, but the following are developments with implications for the council.

- Increased volatility in property valuations, beyond that inherent to market-based valuations in the normal course of events.
- Effects on income generation and the recoverability of outstanding debt.
- New responsibilities for the provision of support to businesses.
- New sources of financial support from Central Government.

- The prolongation of general uncertainties around the future of local government funding.
- Changes to the operation of services, with the more extensive use of home working and the redeployment of staff to new and additional key tasks associated with the pandemic.
- Supply chain disruptions.

None of these developments has been assessed as requiring changes to the disclosures made for the end of the reporting period. Where appropriate, reference is made throughout this Statement to the impacts of the pandemic, most specifically in Notes 4 and 5.

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).

| 2018/19 Business Rates £'000 | 2018/19 Council Tax £'000 | | 2019/20 Business Rates £'000 | 2019/20 Council Tax £'000 |
|---------------------------------------|------------------------------------|--|---------------------------------------|------------------------------------|
| | | Income | | |
| 0 | 63,837 | Council Tax Receivable | 0 | 67,382 |
| 35,733 | 0 | Business Rates Receivable | 37,123 | 0 |
| 35,733 | 63,837 | Total Income | 37,123 | 67,382 |
| | | Expenditure | | |
| | | Apportionment of Previous Year Surplus/(Deficit) | | |
| (68) | 0 | Central Government | 231 | 0 |
| (54) | 61 | South Ribble Borough Council (note 14 page 41) | 185 | 98 |
| (12) | 342 | Lancashire County Council | 42 | 566 |
| | 46 | Police & Crime Commissioner for Lancashire | 0 | 78 |
| (1) | 18 | Lancashire Combined Fire Authority | 5 | 29 |
| | | Precepts, Demands and Shares | | |
| 16,983 | | Central Government | 8,525 | 0 |
| 13,586 | 7,992 | South Ribble Borough Council (note 14 page 41) | 19,095 | 8,230 |
| 3,057 | 46,022 | Lancashire County Council | 5,967 | 48,191 |
| | 6,307 | Police & Crime Commissioner for Lancashire | 0 | 7,209 |
| 340 | 2,398 | Lancashire Combined Fire Authority | 511 | 2,487 |
| 33,831 | 63,186 | Total Expenditure | 34,561 | 66,888 |
| | | Charges to Collection Fund | | |
| 59 | 175 | Write offs of uncollectable amounts | 59 | 122 |
| 110 | (69) | Increase / (Decrease) in Bad Debt Provision | 560 | 290 |
| 333 | | Increase / (Decrease) in Provision for Appeals | 0 | 0 |
| 124 | | Cost of Collection Allowance | 127 | 0 |
| | | Disregarded Amounts | | |
| 78 | | Renewable Energy Schemes | 190 | 0 |
| 418 | | Enterprise Zone | 0 | 0 |
| 913 | | Transitional Protection Payments | 271 | 0 |
| 2,035 | 106 | Total Charges to the Collection Fund | 1,207 | 412 |
| (133) | 545 | Surplus / (deficit) arising during the year | 1,355 | 82 |
| | | Collection Fund Balance | | |
| 470 | 1,164 | Surplus / (deficit) brought forward at 1 April | 338 | 1,709 |
| (133) | 545 | Surplus / (deficit) arising during the year | 1,355 | 82 |
| 337 | 1,709 | Surplus / (deficit) carried forward at 31 March | 1,693 | 1,791 |
| | | Allocated to | | |
| 135 | 215 | Transfer to / (from) Collection Fund Adjustment Account (Note 25f page 57) | 968 | 221 |
| 169 | | Central Government | 392 | 0 |
| 30 | 1,249 | Lancashire County Council | 307 | 1,307 |
| 3 | 65 | Lancashire Combined Fire Authority | 26 | 196 |
| | 180 | Police & Crime Commissioner for Lancashire | 0 | 67 |
| 337 | 1,709 | Surplus / (deficit) carried forward at 31 March | 1,693 | 1,791 |

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 2019/20 was calculated as follows: -

| Band | No. Dwellings | Total No. Equivalent dwellings | Proportion of Band D Charge | Band D Equivalent |
|--|---------------|--------------------------------|-----------------------------|-------------------|
| A (disabled) | 20 | 19.00 | 5:9 | 10.6 |
| A | 10,025 | 8,286.00 | 6:9 | 5,524.0 |
| B | 13,107 | 11,471.00 | 7:9 | 8,921.8 |
| C | 12,221 | 10,988.80 | 8:9 | 9,767.8 |
| D | 7,951 | 7,355.00 | 9:9 | 7,355.0 |
| E | 3,999 | 3,764.00 | 11:9 | 4,600.4 |
| F | 1,605 | 1,531.00 | 13:9 | 2,211.5 |
| G | 521 | 487.00 | 15:9 | 811.7 |
| H | 22 | 21.00 | 18:9 | 42.0 |
| Total | 49,471 | 43,922.80 | | 39,244.8 |
| Less local Council Tax Support Scheme discounts | | | | (2,838.5) |
| Less adjustments for losses on collection | | | | (728.1) |
| Addition for anticipated changes in the base, reduced discount on second homes and other technical changes | | | | 109.2 |
| Band D Equivalent Number of Properties | | | | 35,787.4 |

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 £1,836.40 for 2019/20 (£1,754.44 for 2018/19). 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 | |
|------|-----------------------------|--|--------------|
| | | 2018/19 £ | 2019/20 £ |
| A | 0.67 | 1,169.62 | 1,224.27 |
| B | 0.78 | 1,364.57 | 1,428.31 |
| C | 0.89 | 1,559.49 | 1,632.36 |
| D | 1.00 | 1,754.44 | 1,836.40 |
| E | 1.22 | 2,144.31 | 2,244.49 |
| F | 1.44 | 2,534.19 | 2,652.57 |
| G | 1.67 | 2,924.03 | 3,060.67 |
| H | 2.00 | 3,508.88 | 3,672.80 |

3. Accounting for business rates

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

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

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

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

Regulations require that only the deficit or surplus estimated in the annual National Non Domestic Rates (NNDR) 1 Return before the year-end be recovered from or shared with preceptors. Therefore, a surplus of £0.463m was shared between preceptors during 2019/20, being the estimate included in NNDR1 2019/20, whereas the actual amount for 2018/19 was a surplus of £0.338m.

Note 14 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2018/19 to be £5.307m (2017/18 £3.504m). This can be reconciled to South Ribble Borough Council's share of Business Rates Income in the Collection Fund statement in the following table:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 13,586 | South Ribble Borough Council's share of Business Rates | 19,095 |
| (9,934) | Tariff Payable to the Lancashire Business Rates Pool | (15,150) |
| (119) | Levy Payable to the Lancashire Business Rates Pool | 0 |
| 0 | Amount Payable to County Wide Fund | (5) |
| 15 | Amounts retained by South Ribble Borough Council in respect of Renewable Energy Schemes | 39 |
| 10 | South Ribble Borough Council share of accumulated surplus or deficit for year (transferred to Collection Fund Adjustment Account - Note 25f) | 873 |
| (54) | South Ribble Borough Council share of previous year's estimated surplus or (deficit) as per NNDR1 under regulation | 185 |
| 3,504 | NNDR Net Income per Note 14 | 5,037 |

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. Up until 2018/19, the Pool was based on 50% local retention of income, of which 40% was attributed to this council, 9% to Lancashire County Council and 1% to the Lancashire Fire and Rescue Authority. For 2019/20, the Pool was based on 75% local retention, with shares of 56%, 17.5% and 1.5% respectively, giving rise to the proportionately higher amounts shown in the table above. For 2020/21, the position has reverted to 50% local retention.

4. Business rates details of charge

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 49.1p in 2019/20 (48.0p in 2018/19) and one for larger businesses at 50.4p in 2019/20 (49.3p in 2018/19).

The Business Rates income for 2019/20, after reliefs and provisions, was £36.503m (£35.231m in 2018/19).

The rateable value for the council's area at the end of the financial year 2019/20 was £89.183m (£88.204m in 2018/19).

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 Framework¹
².

The Council are legally obliged to prepare an Annual Governance Statement which demonstrates how we have complied with the requirements of our code³. 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.

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

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

³ 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:

| Good governance means behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | | | |
|---|---|---|--|
| The Council’s commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action | Comments |
| Behaving with integrity | <ul style="list-style-type: none"> The council has a set of Core Values in place which inform everything we do 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 We communicate our shared values with members, staff, the community and partners Our Core Values are incorporated into role profiles for senior managers and are embedded into our induction programmes for new officers and members. | <p>Local Code of Governance Transformation Strategy Corporate Plan Suite of policies available through intranet – See Appendix C Action 6. Member and officer protocol</p> | <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> |

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| | <ul style="list-style-type: none"> 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 Contracts and service specifications for the main partnerships are informed by our values | | <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>Demonstrating strong commitment to ethical values</p> | <ul style="list-style-type: none"> We have a robust Members' Code of Conduct in place which was refreshed in 2017 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. We have a robust Employee Code of Conduct in place We are committed to raising the profile of our Standards Committee –the Chair of Standards reports to full Council on an annual basis The Protocol for the Independent Person was formalised and is included in the Constitution We strengthened our standards arrangements by appointing a second Independent Person We have an Investigation and Hearing policy which sets out how we deal with complaints against Members – this was updated and strengthened in 2017 We have Member learning hours as well as tailored training for members on particular committees | <p>Members Code of Conduct Constitution (Part 5A) – See Appendix C Action 2.2</p> <p>Code of Conduct for employees Constitution (Part 5B)</p> <p>Standards Committee Terms of Reference.</p> <p>Independent Person Protocol - Constitution (Part 4J)</p> <p>Member and officer protocol</p> <p>Member learning hours – Schedule in place</p> <p>Register of interests</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> |

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| | <ul style="list-style-type: none"> • 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. • 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 • We have a robust Scrutiny Committee | | |
| <p>Respecting the rule of law</p> | <ul style="list-style-type: none"> • Appointment of statutory officers including; Head of Paid Service, Monitoring Officer and S.151 Officer who fulfil their responsibilities within legislative and regulatory requirements • Compliance with CIPFA's statement on the Role of the Chief Finance Officer in Local Government (2016) • We have an induction programme for new Officers and members • We have Financial Regulations and Contract Procedure Rules in place • Substantial work has been completed on reviewing and updating our Constitution, this is undertaken on an on-going basis. • Legal Officers provide advice on all committee reports and delegated decisions | <p>Constitution Review of compliance with statement on role of CFO. Financial Regulations and Contract Procedure Rules – See Appendix C Actions 1 & 5 Effective Anti-fraud and corruption policies and procedures Local Assurance testing</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 & corruption risks for Council require assessment Service Assurance Statements require testing to determine effectiveness of controls</p> |

| Good governance means ensuring openness and comprehensive stakeholder engagement | | | |
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| The Council's Commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action | Comments |
| Ensuring openness | <ul style="list-style-type: none"> • Our Local Code of Governance, Constitution and Annual Governance Statement show the Council's commitment to openness • 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 • 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. • Council and Committee agendas and decisions are available to the public through our website except where confidential matters are being disclosed • The culture in the council is that wherever possible all reports should be open to the public; we minimise the number of exempt reports • Wherever possible exempt reports are made public following a six month period upon request • Public participation is encouraged at our council and committee meetings – for | <p>Local Code of Governance Constitution</p> <p>Annual Governance Statement</p> <p>Corporate Plan 2018-2023</p> <p>New Corporate Plan 2019 - 2023</p> <p>Compliance with Transparency Code</p> <p>Freedom of Information publication scheme</p> <p>All agendas and minutes are available through the website.</p> <p>Scrutiny Committee Terms of Reference</p> <p>Results of employee survey</p> <p>Results of member survey</p> <p>Results of cultural mapping review</p> <p>Community Engagement Strategy</p> <p>Community Engagement</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> |

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| | <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"> • Requirements of the Code of Transparency are generally being complied with but there have been some instances where this has not occurred • 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 • Scrutiny Committee report to every Council meeting – it meets 6 times a year – Scrutiny Committee have clear terms of reference • Every two years we have an Employee survey • 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 • The Transformation Strategy and Transformation Programme, progress was reviewed and reported to Cabinet in the year 2018/2019. • 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. | | <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 & 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>Engaging comprehensively with institutional stakeholders</p> | <ul style="list-style-type: none"> • 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 • There is significant consultation with voluntary, community and faith sector groups via the South Ribble VCFS Network, Neighbourhood Forums and through Partnerships • 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. • The Council has close links with Disability Equality Northwest • Safer Chorley and South Ribble Community Safety Partnership • My Neighbourhoods surveys and My Neighbourhood forums provide opportunities for public involvement, 3 meetings per area are undertaken • Public involvement with any current consultation through website e.g Greenlinks consultation • Collaborative working with a wide range of public sector agencies and businesses to improve outcomes for local people and | <p>Communications Strategy 2017-19 Customer Feedback Policy Community Strategy 2019-24 My Neighbourhood Plans Schedule of Neighbourhood forum meetings (3 per annum) Greenlinks consultation Corporate Plan 2019-2024 Updated Corporate Plan 2019 – 2023. Equality Impact Assessment</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"> • South Ribble Partnership • South Ribble Community Leisure Trust • Central Lancashire health and wellbeing partnership • Lancashire Enterprise Partnership • Preston, South Ribble and Lancashire City Deal • Lancashire County Council • Chorley Borough Council <ul style="list-style-type: none"> • 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. • 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. • 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 | | |
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| <p>Engaging with individual citizens and service users effectively</p> | <ul style="list-style-type: none"> • 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 • The Council's website was developed to improve citizen engagement • 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 • All council/committee agendas, reports and minutes are openly available and can be viewed through the council's website • 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 • 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. • 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. | <p>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.)</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 | | | |
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| The Council's Commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action | Comments |
| Defining outcomes | <ul style="list-style-type: none"> 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. 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. 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 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 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 Contract Procedure Rules and the guidance accompanying them contains advice on the social value dimension of | <p>Quarterly performance reports Corporate plan 2018-2023 Corporate Plan 2019 - 2023 Transformation Strategy 2017-18 Community Strategy Medium-Term Financial Strategy CPRs – See Appendix C Action 5 AGS action plan Improvement Reference Group Quarterly Performance Reports</p> <p>Risk Management Framework Agreed set of quality standard measures Treasury Management update Capital Strategy update</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> |

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| | <p>procurement – this is backed up by advice from the council’s legal and procurement officers</p> <ul style="list-style-type: none"> • 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. • Contracts are in place for our major partnerships covering in particular Waste, Leisure, City Deal, Payroll, Shared Services (the latter with Chorley BC). • Quarterly performance and financial reports are produced and presented to Cabinet and Scrutiny • We have a risk management system (Grace) in place | | |
| <p>Sustainable Economic, Social and Environmental Benefits</p> | <ul style="list-style-type: none"> • 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 • The council sets out the factors it has taken into consideration when making decisions in reports which are available on our website • We have in place a Disaster Recovery Plan, an Emergency Plan and a Business Continuity Plan • There is an annual review process resulting in a Governance improvement action plan • 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 | <p>Transformation Strategy and transformation programme Business Continuity Plan and Disaster Recovery Plan – See Appendix C Action 8 AGS action plan Customer Feedback Policy Quarterly Performance Reports Corporate Plan and priorities MTFS Capital Programme Capital Strategy Record of decision making and supporting materials</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 | | |
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| Good Governance means determining the interventions necessary to optimise the achievement of the intended outcomes | | | |
| The Council's Commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action | Comment |
| Determining interventions | <ul style="list-style-type: none"> The Council's constitution governs the way we conduct our business and is based on the principles of accountability, transparency, efficiency and openness The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations Our delegated decisions are published and are subject to call in The Monitoring Officer regularly advises on the correct interpretation of the Scheme of Delegation 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 The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern. Regular meetings of the cross-party improvement reference group took place in 2018/19, to consider the actions set out in the Peer review Minutes of Council and Committee minutes are published and available on | <p>Constitution Scheme of delegation, Financial Regulations and CPRs – See Appendix C Actions 1 &57 Scrutiny Committee Terms of Reference IRG- Record of decisions, supporting materials, minutes of meetings are all published on website. Performance Management Framework Corporate Plan MTFS</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> |

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| | <p>the Council's website wherever possible the Monitoring Officer discourages exempt committee reports</p> <ul style="list-style-type: none"> • Reports set out alternative courses of action (to what is proposed) in all appropriate circumstances • We have Neighbourhood Area meetings | | |
| <p>Planning interventions</p> | <ul style="list-style-type: none"> • 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. • 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. • 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. • 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. • Codes of Conduct and protocols help to ensure effective communication between members and Officers | <p>Corporate Plan 2019-2024 (September 2019) Corporate Plan 2019 - 2023 Quarterly Performance Report Code of Conduct for elected members Code of Conduct for Officers Member / Officer protocol – Community Strategy Communication Strategy 2017-18 Council Calendar of meetings Local Plan Use of InPhase for Project Management Project Management Toolkit</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> |

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| | <ul style="list-style-type: none"> 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. | | |
| Optimising achievement of intended outcomes | <ul style="list-style-type: none"> 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 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 Budget alignment with key priority areas provides capacity and investment A new Capital programme and MTFS for 2019-23 is closely aligned to the Corporate Plan for 2019-24. | <p>Medium-term Financial Strategy Contract Procedure Rules and Financial Procedures (Constitution) – See Appendix C Actions 1 & 5 Budgeting guidance and protocols Resident Consultation Capital Programme Project Management Toolkit Use of InPhase for project management Budget setting process links to Corporate Plan, Service Plans; engages with officers and members (administration and opposition) MTFS Draft Budget Quarterly budget monitoring reports Review of corporate outcomes and associated capital and revenue projects</p> | |
| Good governance means developing the council's capacity, including the capability of its leadership and the individuals within it | | | |
| The Council's Commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action | Comments |
| Developing the organisation's capacity | <ul style="list-style-type: none"> 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 | <p>Transformation Strategy Strong and effective leadership Shared Services – See Appendix C Action 3 Investors in People Medium-Term Financial Strategy</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> |

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| | <p>skills they need for the future. The transformation aims were;</p> <ul style="list-style-type: none"> • To develop and embed an organisational culture that encourages, empowers and recognises ambition and innovation • A highly motivated and flexible workforce • Developing a performance culture • Encouraging and nurturing talent • To reduce the cost of service delivery <ul style="list-style-type: none"> • 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 • 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. • Members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire • Budget alignment with key priority areas provides capacity and investment ensuring the correct reserve allocation to deliver outcomes. • 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 • Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services • A long term partnership with Chorley BC to deliver Financial and Assurance | <p>Community Strategy</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"> • Our values and integrated approach to financial and risk management are key to sustained progress against priorities • 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 • Success in leadership and workforce related governance has been recognised in the achievement of Investors in People | | |
| <p>Developing the capability of the organisation's leadership and other individuals</p> | <ul style="list-style-type: none"> • The Council Leader and Chief Executive have clearly defined roles and maintain a shared understanding of roles and objectives. • The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations. • The Council maintains a Scheme of Delegation setting out which decisions and powers have been delegated to various Committees and Officers. • Protocols ensure that communication between elected members and officers is both effective and appropriate • The role of the section 151 officer is supported by the shared financial and assurance services team – this is a | <p>Constitution Scheme of delegation, Financial regulations and CPRs – See Appendix C Actions 1 & 5 Codes of Conduct; Member / Officer protocols – See Appendix C Action 2.2 Shared Services – See Appendix C Action 3 Role of Monitoring Officer as detailed in the constitution Committee membership Leadership Team – Compliance with CIPFA statement on the roles of CFO Public Sector Internal Audit Standards Transformation Strategy 2017- 18 – See Appendix C Actions 1 & 3</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> |

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| | <p>service that we share with Chorley Borough Council</p> <ul style="list-style-type: none"> • The Monitoring Officer is supported by the council’s legal services team • The Chief Executive is the Head of Paid Service – the role is supported by the Leadership Team • Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and initiatives • Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities. • 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 • The Transformation Strategy incorporated Member Development & identified the priority areas for officer development. Monitoring is undertaken by the Leadership Team and the Scrutiny Committee. • 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. | <p>Performance and Development Reviews – See Appendix C Action 7</p> <p>Cultural Mapping Review – Access to update courses and information briefings for Members</p> <p>Training & Development Plan for Members 2019/20</p> <p>Residents Panel</p> <p>Stakeholder Forums</p> <p>Cabinet in the Community</p> <p>Youth Council</p> <p>Neighbourhood Area meetings</p> <p>Public Consultation</p> <p>Review Individual Member performance regularly</p> <p>Peer reviews</p> <p>Training and PDR’s for Staff</p> <p>HR Policies</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 | | | |
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| The Council's Commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action | Comments |
| Managing Risk | <ul style="list-style-type: none"> • The Council has a Risk Management Framework that outlines the responsibilities for risk • 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 & 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. • 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 • Legal and Finance review all Committee reports and delegated decisions • A quarterly review of the Corporate Risk Register is reported to both Scrutiny Committee and Cabinet alongside the quarterly performance reports • The council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's Anti-Fraud & Corruption Strategy, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases. | <p>Risk Management Framework Constitution GRACE InPhase Corporate Risk Register Corporate Plan Risk Register Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019 Customer Feedback Policy Whistle-Blowing Policy Suite of Anti-fraud policies – See Appendix C Action 6</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> |

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| | <ul style="list-style-type: none"> • 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 | | |
| <p>Managing Performance</p> | <ul style="list-style-type: none"> • 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 • 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 • 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 • The Monitoring Officer is responsible for keeping abreast of all legal requirements and informing relevant officers • 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., | <p>Quarterly Performance Report Role of Monitoring Officer as detailed in Constitution. Role of S.151 Officer as detailed in Constitution Internal Audit Plan Governance Committee Terms of Reference - Monthly Programme Board meetings Financial Standards and Guidance Financial Regulations and CPR's</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> |

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| <p>Effective overview and scrutiny</p> | <ul style="list-style-type: none"> 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 | <p>Scrutiny Terms of Reference and workplan The Role and responsibility for Scrutiny has been established and is clear Training for Members Evidence of improvements as a result of scrutiny</p> | |
| <p>Robust Internal Control</p> | <ul style="list-style-type: none"> 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 The Audit Plan is compiled following consultation with Directors and Heads of Service 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 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) | <p>Internal Audit Annual Plan, Internal Audit Strategic Plan Internal Audit Charter Internal Audit Reports</p> <p>Constitution Anti-fraud and corruption strategy - See Appendix C Action 6 AGS process Risk Management Framework Compliance with Code of Practice on Managing the risk of fraud and corruption Compliance with Fighting Fraud locally Effective Internal Audit Service Effective Governance Committee</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>Managing Data</p> | <ul style="list-style-type: none"> The council has a suite of policies, protocols and/or strategies in place dealing with the issue of data | <p>IT Strategy Information Security Policy Records Management Guidance</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> |

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| | <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"> • The Data Protection Act 2018 • The Freedom of Information Act 2000 • The Transparency Code 2015 • GDPR • We launched a dedicated GDPR section on Connect (Intranet) providing regular blogs, information and tips, update of procedures • The GDPR officer group met on a fortnightly basis to monitor and review progress of the action plan | <p>Compliance with DPA and FOI Acceptable Use Policy –</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>Strong Public Financial Management</p> | <ul style="list-style-type: none"> • 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 • Financial regulations and CPRs are detailed within the constitution • Legal and Finance review all Committee reports and delegated decisions • The Section 151 Officer is an experienced Local Government Finance Practitioner at a senior level | <p>Medium-Term Financial Strategy Financial Regs. And CPRs – See Appendix C Actions 1 & 5 Budget Monitoring Reports CPR’s</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 | | | |
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| The Council's Commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action | Comments |
| Implementing good practice in transparency | <ul style="list-style-type: none"> 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) 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. The Corporate Plan is approved by full Council and communicated via our Website The Corporate Plan is communicated to employees via Connect and Team Brief The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble My Neighbourhood forums are a key opportunity to communicate directly with the local community | Local Government Transparency Code 2014 Southribble.gov.uk website Southribblepartnership.org.uk website Schedule of Neighbourhood forum meetings (3 per annum) | There have been some instances of failure to comply with the Code – please see Section 5 of this AGS) |
| Implementing good practices in reporting | <ul style="list-style-type: none"> The Corporate Plan and Annual Report are published on the Council's website and show detailed progress towards its vision and priorities Annual financial statements are reported and published on the Council's website 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. | Corporate Plan and Annual report Annual Financial Statement Annual Governance Statement Contracts Register Transparency | Comments elsewhere in this table expose the weaknesses of this element |

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| | <ul style="list-style-type: none"> • Role of Governance Committee and specified in their Terms of Reference within the Constitution. | | |
| <p>Assurance and effective accountability</p> | <ul style="list-style-type: none"> • 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. • 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 • 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. | <p>Peer review findings and improvement plan and Report from 2018 re-visit. AGS 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.</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> |

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| | <ul style="list-style-type: none">• Assessment of the Council's governance arrangements as part of the AGS process• Public Sector Internal Audit Standards (PSIS) set out the standards for internal audit and have been adopted by the Council. | | |
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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 1st of November 2018 to 31st of December 2019 7 formal complaints were made. By way of comparison for the year 1st of November 2017 to 31st 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 31st of January and 1st 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 31st 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 6th 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. |

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| | 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 | Some updating of policies has taken place but this process has not been completed. | 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 | Some progress has been made here. New staff have been appointed to the | However, there are outstanding actions. There is no evidence |

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| | | 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 31st 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"> • Anti-Fraud and Corruption Policy • Anti-Bribery Policy • Whistleblowing Policy • Complaints Policy • Risk Management Policy / Strategy & Framework | 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 Willet |

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 th 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. | Not Completed satisfactorily |
| 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. | Complete |
| | | Impact of the protocol to be monitored by ELT through the quarterly performance report | Complete |
| | | Joint Cabinet / Shadow Cabinet meetings to be held quarterly to review impact of the Protocol | C/FWD to 2019 |
| | | Member development programme to be developed and implemented. | C/FWD to 2019 |
| 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. | C/FWD to 2019 |
| 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 | Complete |
| 15. Strong and effective leadership | Greater support to the shadow Cabinet | Shadow Cabinet to be provided with briefings on all Cabinet reports (once published) | Complete |
| 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. | C/FWD to 2019 |

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| 17. Leadership development | 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. | C/FWD to 2019 |
|----------------------------|---|---|----------------------|

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.

| 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/FWD from 2018 |
| 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/FWD from 2018 |
| | | The development (with Chorley Borough Council) of a new Code of Conduct for members | Corporate Assessment |
| 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 | Corporate Assessment |
| 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/FWD from 2018 |

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|--|---|--|---|
| 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"> 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. 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. 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 | B/FWD from 2018 / Spend Analysis |
| 6. Fraud | Increased Fraud awareness. | Fraud awareness training is to be delivered to all relevant officers | B/FWD from 2018 |
| 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/FWD from 2018 |
| | | 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/FWD from 2018 |
| 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/FWD from 2018 |

APPENDIX A

| | | | |
|-------------------------------------|---|--|---|
| 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 | Chief Executive |
| 11. Business Continuity Plans | To review and update the business continuity arrangements | To review and update the business continuity arrangements | Service Assurance Statement |
| | | 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 | Service Assurance Statement |
| | 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. | External Audit challenge questions |
| | | 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. | Internal Audit Review |
| 14. Communications | Communications Strategy | The development and approval of up to date communications strategy | Corporate Assessment |
| 15. Risk Management | Strategy and Framework | The development and approval of a Risk Management Strategy and Framework | Corporate Assessment |
| 16. Partnership Working | Framework and Protocols | The development and approval of up to date Partnership framework together protocols for partnership working | Corporate Assessment |
| 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 | Corporate Assessment |
| 18. Shared Services | | <ul style="list-style-type: none"> • New Job descriptions and personal specifications will need to be drawn up for all posts within the expanded Shared Services team • Review the services in question and then restructure accordingly | Corporate Assessment |

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

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).