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**Statement of Accounts**

Year Ending 31 March 2021

Year Ending 31 March 2021

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# Narrative Report of the Chief Financial Officer

### Introduction

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

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

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

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

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

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

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

Louise Mattinson ACA

Director of Finance/Section 151 Officer

### South Ribble

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

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

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

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

### Location and map of South Ribble borough

|  |
| --- |
| K:\Closure\2.9 Close 15-16\Statement of Accounts\SRBC map.png |

### South Ribble Borough Council

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

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

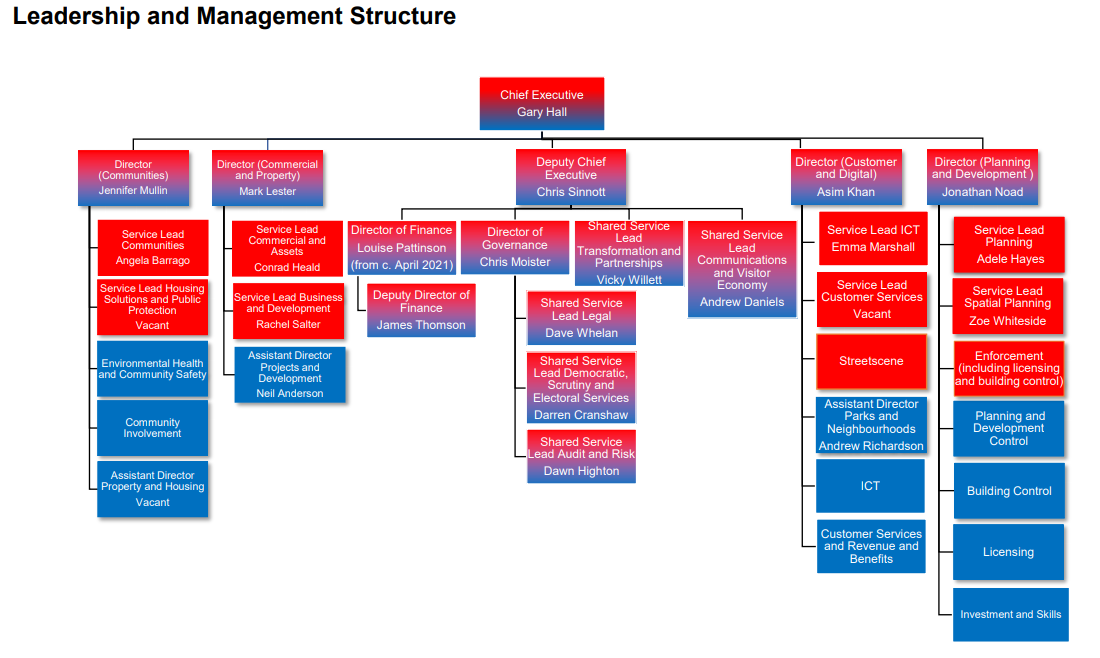
The political structure of the Council in the 2020/21 year was as follows, with a Labour minority administration supported by the Liberal Democrat group on the basis of a supply and confidence agreement:

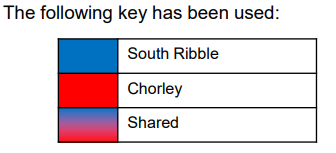
|  |  |
| --- | --- |
| **Party** | **No.** |
| Conservative | 22 |
| Labour | 22 |
| Liberal Democrat | 5 |
| Vacant | 1 |
| **TOTAL** | **50** |

### Management Structure

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

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





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

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

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

### Corporate Plan and Performance in 2020/21

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

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

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

This refreshed vision and priorities are outlined below.

**2020/21 - 2022/23**

##### **An exemplary council** **Thriving communities**

A council that: Places where:

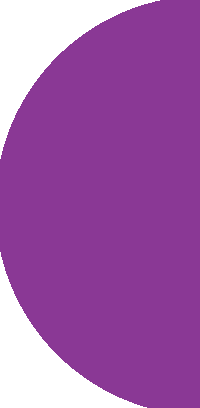
* Delivers high performing services that represent value for money
* Understands the community and works with partners to make things better
* Is open and transparent in its activities
* Residents have positive mental health
* People get involved and have a sense

of belonging

* Communities can access services and support when they need them

**Good homes, green spaces, healthy places**

**A fair local economy that works for everyone**

A borough with: A council that:

* A choice of decent, affordable housing
* Commitment to protecting the local environment
* A choice of quality recreational activities
* Increases access to training and jobs
  + Grows and supports sustainable

businesses

* Invests in improving the borough

**Our vision:**

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

The areas of activity and the identified projects associated with each of these are identified below, together with examples of performance against them in 2020/21. A detailed report regarding performance was taken to Budget and Performance Scrutiny on 14 June 2021 and was approved by Executive Cabinet on 16 June 2021, the report can be found [here](https://southribble.moderngov.co.uk/ieListDocuments.aspx?CId=140&MId=2140&Ver=4).



**Achievements:**

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

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

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

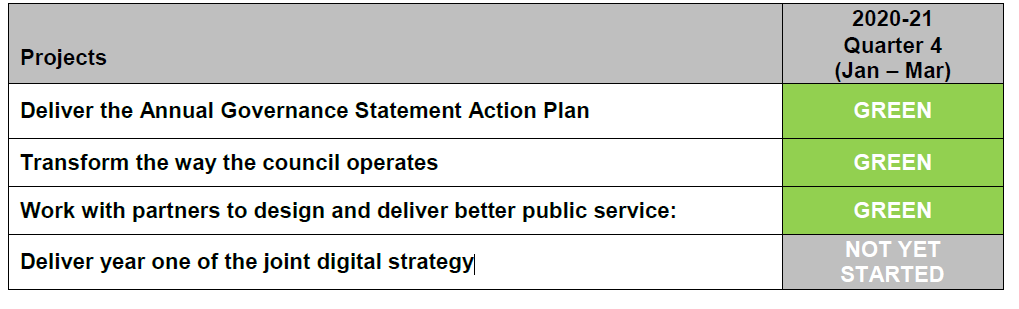
appropriate.

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

Governance Committee for their approval.

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

yet started.





**Achievements**

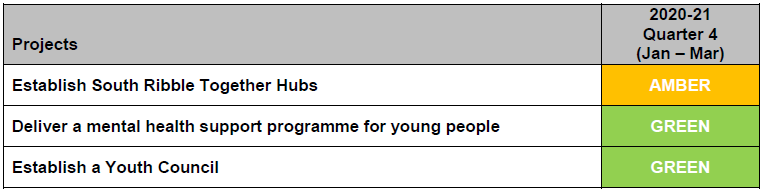
The project to deliver a mental health support programme for young people has progressed. Work has been focused on building of relationships with mental health support services available in South Ribble. A directory of mental health services for young people has been developed and published on the Council’s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

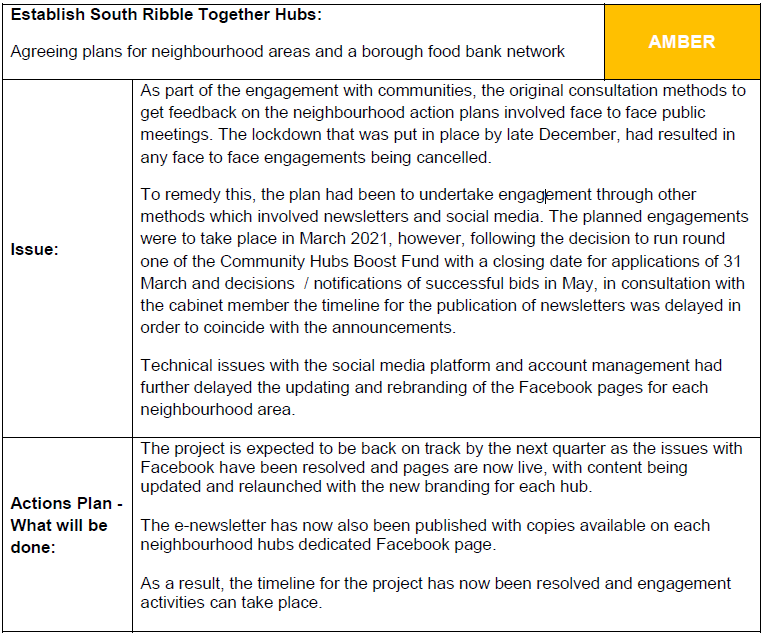
The focus of the Youth Council project has been to develop the contacts with key stakeholders, which includes Lancashire County Council Youth Services, all South Ribble high schools, young people groups and organisations. Best practice research has been undertaken via membership of the British Youth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

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

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

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







**Achievements**

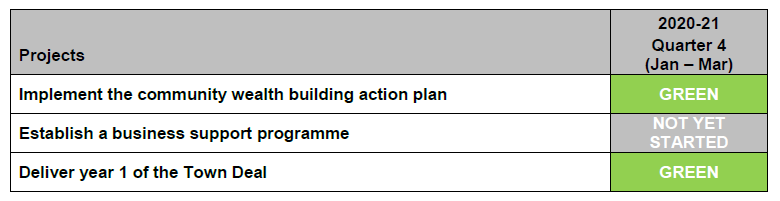
As the national support programmes for businesses begin to reduce, a South Ribble business support programme will begin in quarter one 2021/22. Planned delivery will include a desktop research activity and a borough wide business survey to identify the local needs and objectives which will then define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

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

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

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

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





**Achievements:**

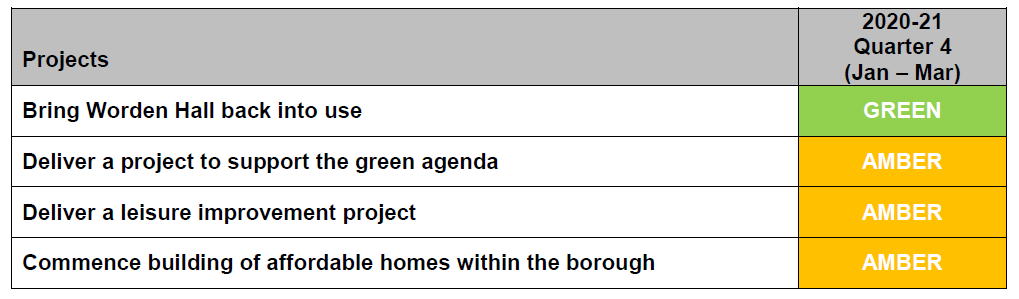
As part of the project to support the green agenda, the ‘Reduce, Reuse, Recycle’ campaign, which finished in March 2021 has resulted in a significant reduction of contaminated bins, a total of 2,636, which represents overall a 75% reduction. Work has also progressed to finalise location plans for the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

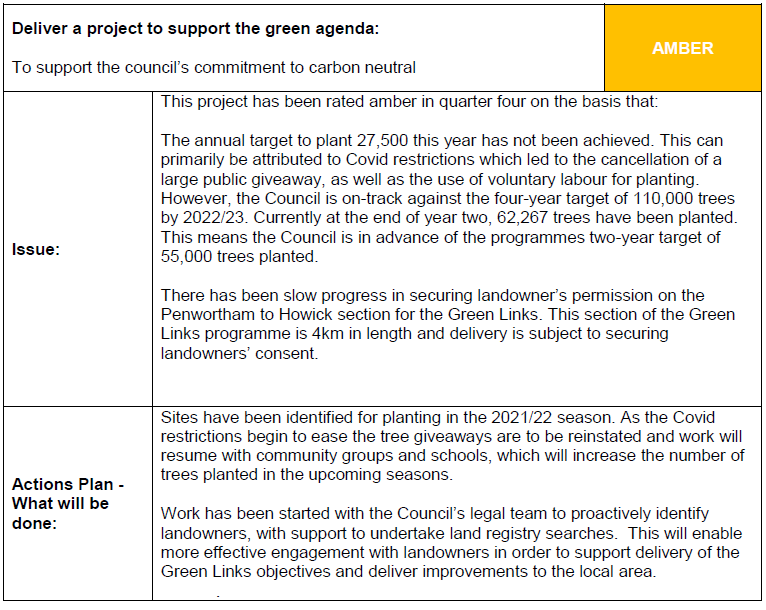
The project to improve leisure facilities has made good progress. Work undertaken across the leisure centre estates includes completion of a number of improvements to the leisure centre estate. These works include a number of works that are part of compliance/health and safety works; but also addressing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

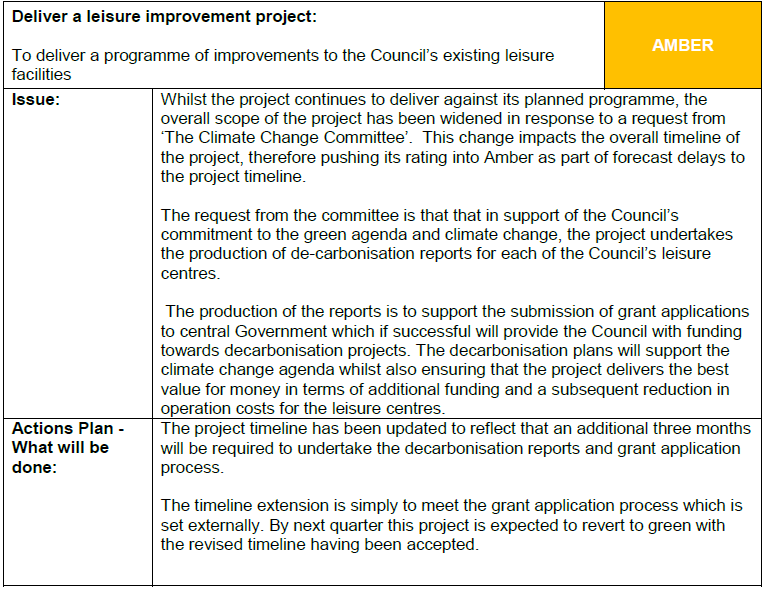
The project to commence building affordable homes has focussed on progressing design works at the McKenzie Arms site to allow a tender to be issued for the appointment of a contractor to deliver the scheme. The Tom Hanson House development on Station Road, which will provide nine new affordable flats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

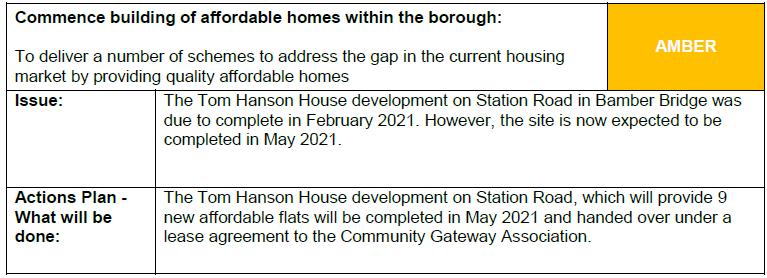
The bring Worden Hall back into use project has begun following planning approval, the exciting project will see a range of refurbishment work to the site. Work that has begun includes, intrusive survey work to inform the progressing design activities; the development of Interior design and branding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

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

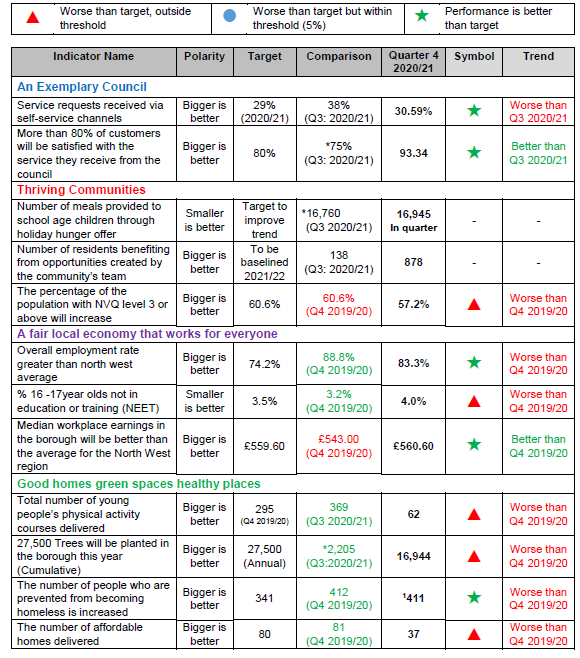




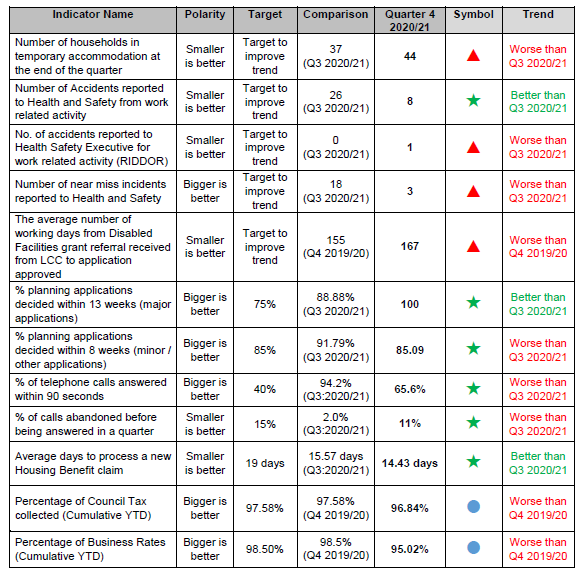




**Performance of the Corporate Strategy Measures**



**Key Organisational Performance Measures**



**Financial Performance**

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

The draft outturn report for 2020/21, approved by Cabinet on 16 June 2021, showed a forecast net surplus of £0.570m. The report and appendices can be found [here](https://southribble.moderngov.co.uk/ieListDocuments.aspx?CId=140&MId=2140&Ver=4).

The outturn position is summarised in the table below:

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

It was approved to utilise the underspend as follows:

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

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

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

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

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

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

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



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

***Capital Programme***

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

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

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

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

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

The draft outturn position of the 2020/21 capital progamme is set out in the following table and outlined further in appendix C of the outturn report approved Cabinet on 16 June 2021. The report and appendices can be found [here](https://southribble.moderngov.co.uk/ieListDocuments.aspx?CId=140&MId=2140&Ver=4).

Capital Programme Outturn 2020/21

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

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

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

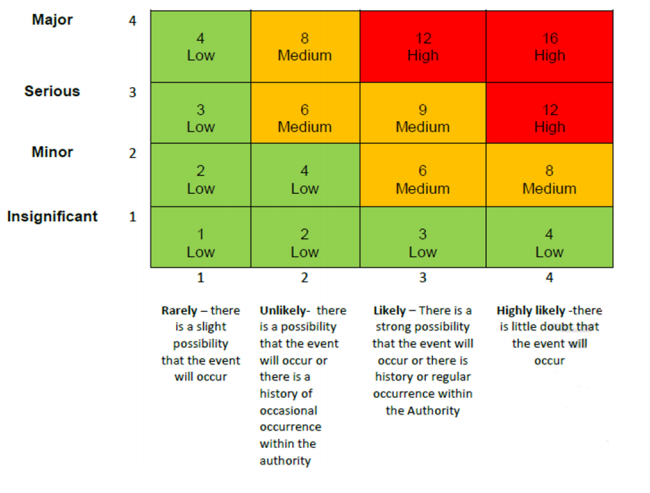
|  |  |
| --- | --- |
| **Project** | **2020/21 Outturn**  **£m** |
| **Good homes, green spaces and healthy places** |  |
| Green Link – Shruggs Wood | 58 |
| Leyland Loop | 60 |
| Worden Park - Overflow Car Park | 117 |
| Worden Hall Refurbishment | 122 |
| Hurst Grange Coach House Phase 2 | 189 |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

**The Corporate Risk Register**

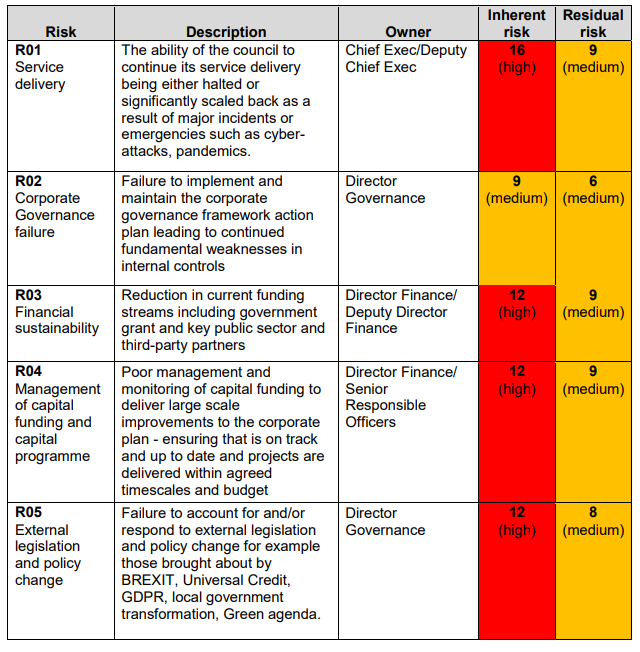
Strategic Risk Register Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels. Compiling the Strategic Risk Register requires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

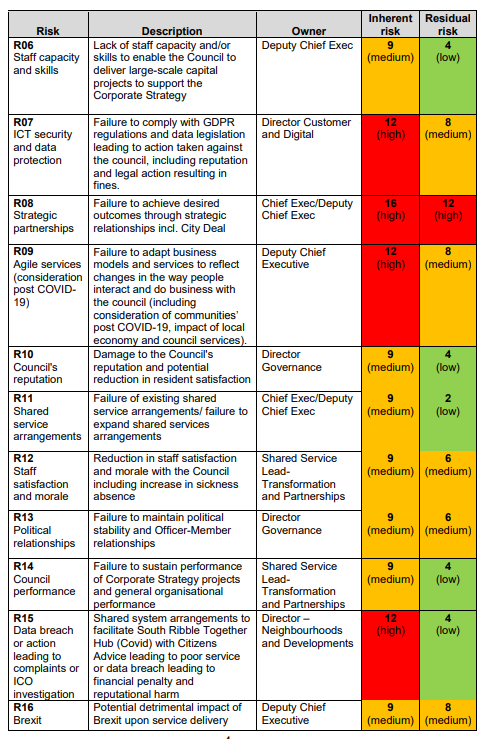
The Strategic Risk Register is stored and managed within the Council’s risk management system GRACE. SLT are responsible for identifying, owning monitoring and mitigating strategic risk including ensuring that any actions against each risk are completed.

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



The latest Corporate Risk Register was reported to Governance Committee on 19 January 2021, the full report can be found [here](https://southribbleintranet.moderngov.co.uk/ieListDocuments.aspx?CId=153&MId=1819&Ver=4). A summary of the risks (ordered highest to lowest risk) for 2021 can be found below.





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

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

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

Two of the highest rated risks facing the Council are financial. These risks involve the management of capital funding and the capital programme (R04) and financial sustainability (R03). With regards to financial sustainability, this risk has been rated highly due to probability of reduction in current funding streams including Central Government grants, key public sector and third party partners following as a result of the COVID – 19 pandemic in an environment where cuts where already ongoing. Risk RO4 involves the management of capital funding to deliver large scale improvements within the Corporate Plan. The Corporate Plan is a significant document which determines the direction of the Council and key projects to be delivered over the next three years and therefore the impact of any poor management of capital funding to deliver the plan would be high. Although both rated highly – strong, well established controls and monitoring are in place to manage both risks and therefore the residual and target risks are lower, at medium.

Risk R05 and RO7 relate to external policy and legislation and the potential failure of the Council in complying with/ responding effectively to them. Risk R05 specifically relates to policy change such as Brexit and GDPR and the risk should the council fail to comply with existing regulations (in the case of GDPR) or any new regulations arising (Brexit). There is also a separate Brexit risk at R16 which is rated at a medium level due to the need for awareness of potential changes in council policies and procedure following Brexit.

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

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

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

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

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

**Coronavirus Pandemic**

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

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

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

Provision of Services

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

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

Workforce

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

Supply Chains

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

Reserves, Financial Performance and Financial Position

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

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

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

Cash Flow Management

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

Plans for Recovery

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

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

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

**Outlook for the Future**

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

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

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

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

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

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

**Treasury Management**

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

The key facts for 2020/21 were:

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

**Pension Fund Liability**

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

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

**Main Accounting Changes**

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

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

* Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

* Amendments to References to the Conceptual Framework in IFRS Standards

**Going Concern**

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

**Further Information**

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

# Introduction to the Statement of Accounts

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

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

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

### STATEMENTS TO THE ACCOUNTS

Page 36 **The Independent Auditor’s Report** – This gives the auditor’s opinion of the financial statements and of the council’s arrangements for securing economy, efficiency and effectiveness in the use of its resources.

Page 41 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the council and the Responsible Financial Officer in relation to the Statement of Accounts.

Page 113 **The Annual Governance Statement** – The council is required to conduct an annual review of the effectiveness of its system of corporate governance and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS). The AGS explains our governance arrangements, the review of the governance framework against the Local Code of Governance and future plans to improve and strengthen the governance environment.

### CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

Page 42 **Comprehensive Income and Expenditure Statement –** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Page 43 **Movement in Reserves Statement –** Levels of reserves, and movements therein, are indicators of the financial strength of the organisation. This statement distinguishes usable from unusable reserves. The distinction is explained in the Balance Sheet comment below.

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

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

Reserves are categorised into “Usable”, i.e. available to fund expenditure or reduce local taxation, and “Unusable”. The latter includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and statutory basis prescribed for taxation purposes.

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

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

### SUPPLEMENTARY FINANCIAL STATEMENTS

Page 109 **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.

Page110 **Notes to the Collection Fund –** these add to and interpret the Collection Fund statement.

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# The Independent Auditor’s Report

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# Statement of Responsibilities

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

### The council’s Responsibilities

The council shall:

* Make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance/S151.
* Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
* Approve the Statement of Accounts.

### The Chief Financial Officer’s Responsibilities

The Director of Finance/S151 Officer. is responsible for the preparation of the Authority’s Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

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

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

### Further Information

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

### Certification

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

Louise Mattinson

Chief Finance Officer/Section 151 Officer

Date: 31 July 2021

# CORE FINANCIAL STATEMENTS

# Comprehensive Income and Expenditure Statement

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



# 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.



# 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).



The unaudited accounts were authorised for issue on 31 July 2021.

Louise Mattinson

Director of Finance/Section 151 Officer

Date: 31 July 2021

# Cash Flow Statement

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



# 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.

## 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.



## Accounting Policies

**General Principles**

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

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

**Accruals of Income and Expenditure (Revenue Recognition)**

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

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

**Cash and Cash Equivalents**

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

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

**Charges to Revenue for Non-Current Assets**

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

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

**Council Tax and Non-Domestic Rates**

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

**Accounting for Council Tax and National Non-Domestic Rates**

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

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

**Contingent Assets and Liabilities**

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

**Exceptional Items**

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

**Employee Benefits**

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

Post-Employment Benefits

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

The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

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

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

quoted securities – current bid price

unquoted securities – professional estimate

unitised securities – current bid price

property – market value

The change in net pension liability is analysed into the following components:

Service cost comprising:

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

Re-measurement comprising:

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

Contributions paid to the pension fund:

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

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities thus arising are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

**Events after the Reporting Period**

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

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

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

**Financial Instruments**

Financial Liabilities

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

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

Financial Assets

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

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

**Going Concern**

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

**Government Grants and Other Contributions**

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

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

Community Infrastructure Levy

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

**Intangible assets**

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

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

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

**Inventories and Long term Contracts**

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

**Investment Properties**

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

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

**Leasing**

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

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

**The Authority as lessee**

Finance leases

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

Operating leases

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

**The Authority as lessor**

Finance leases

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

Operating leases

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

**Non-Current Assets Held for Sale**

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

**Overheads**

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

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

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

**Property Plant and Equipment (PPE)**

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

Measurement

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

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

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

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

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

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

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

Depreciation

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

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

|  |  |
| --- | --- |
| Depreciation periods are as follows: |  |
|  | years |
| 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.

## Accounting standards that have been issued but have not yet been adopted

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

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

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

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

## Critical judgements in applying accounting policies

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

**Funding**

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

**Investment Properties**

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

**Leases**

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

**Group Accounts**

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

**Fair Values**

When measuring the fair value of a non-financial asset, the council uses judgement to ascertain a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. It also uses judgements regarding inputs to valuation techniques, particularly whether they are applicable and relevant to the assets or liabilities, either directly or indirectly, being valued.

**Business Rates Appeals**

With business rates, ratepayers who consider the rateable values of their properties to be too high can lodge an appeal with the Valuation Office to have it reviewed. Any resulting reduction in bills can be backdated, perhaps over several years. This creates an uncertainty, because it means that the amount of income for the year from business rates, which has been included by the council in this Statement of Accounts, may later be reduced. Given that the gross income (before reliefs) in each financial year is over £40m and that the provision is required to cover several years, even a relatively low percentage allowance produces a material amount, so the council must acknowledge this in its Statement.

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

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

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

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

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

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

## Assumptions about the future and other major sources of estimation uncertainty

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

| **Item** | **Uncertainty** | **Effect if actual results differ** |
| --- | --- | --- |
| Pensions liability and assets | 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.  The scheme holds a varied portfolio of assets, details of which are shown at Note 37h. The valuations shown in this Statement are those assessed as at 31 March 2021 and again these are provided by a firm of consulting actuaries. | Sensitivity to the factors contributing to this estimate is shown in Note 37i. Small changes have major impacts on the pension deficit. At 31 March 2021, a 1% increase in the council’s pensions obligations would increase the net liability by £1.392m, while a 1% increase in the scheme’s asset would reduce the net liability by £0.992m.  The council anticipates that it will spend £1.144m on current pension contributions in 2021/22 (see Note 37j). A 1% upward variation on this would produce an increased cost of £11k. |
| 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 2021 and again these are provided by a firm of consulting actuaries. | A 1% variation in asset values would increase or decrease the estimated net pensions liability by |
| Debtors | The most significant debtor issue for the council is its responsibility for collecting £93.345m in business rates and council tax. It is however mainly an agent for government and major preceptors. The major recovery risk resulting from shortfalls in collection falls to these bodies. Various notes present debtor information. Note 18a and 18c shows net total of £2.083m for debtors which are classed as financial instruments. The gross total is £3.403m against which a bad debt provision of £1.320m has been made.  This total debtors figure includes Housing benefit debtors of £0.974m (i.e. recovery of overpayments). Changes in the administration of benefits are pending which may affect recovery in future years. The provision made for these debts has therefore been maintained at over 90% to reflect this.  In assessing the appropriate level of provision against general debts, then as well as the usual factors such as the age of the debt, consideration has been given to the circumstances of the Covid-19 pandemic and their implications for debt recovery. With this done, the level of coverage on general debts has been set at just under 62%. | Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement.  A 1% increase in the impairment of doubtful debts would result in an additional charge of £0.034m to the CI&ES. |
| Asset valuations | Note 15e shows that fixed assets valued at £27.557m (£27.450m of Operational Land and Buildings and £0.107m of Community Assets) are carried at either current value (£10.281m) or depreciated replacement cost value (£17.276m).  Note 16 shows that investment properties valued at £10.144m are carried at current value.  The valuations have been carried out by qualified valuers in accordance with Royal Institution of Chartered Surveyors Guidance. | The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.  The valuations in respect of Investment Properties are those most subject to market variations. A fall in the value of these would result in a charge to the CI&ES. Every 10% fall in the total value of the council’s investment properties would result in a £1.014m charge to the CI&ES.  Likewise, a 10% in the value of other assets valued at current cost would produce a variation of £1.208m. How much, if any, of this would be chargeable to the CIES would depend on the individual assets affected and on whether or not there were associated balances in the Revaluation Reserve. |
| Provisions | A provision of £2.081m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2021. The estimate in respect of appeals against the rating lists prior to that for 2017 has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. In respect of the 2017 list, there have, as yet, been only a very limited number of appeals at a national level and so the appropriate level of provision is more difficult to gauge. The council’s provision has been set at 4% of the net rates payable for each year, after making allowance for reductions in rateable values at the ‘Check’ and ‘Challenge’ stages of the 2017 List appeals process. Benchmarking information indicates that this is a little higher than the average for councils of this size and type. See Note 23. | If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority’s services. Similarly, an increase in the provision to cover such appeals would be a charge to the Collection Fund which would also reduce the local share of business rates income available to fund the Authority’s services. A 1% increase in the provision would result in an additional charge to the Collection Fund of £0.052m, of which this Authority's share of the cost would be 40% or £0.021m. |
| Fair value measure-ments | 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. |

## 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 £0.620m (2019/20 £0.675m). This equates to 1.5% of the council’s gross service expenditure for the preceding financial year and matches the level threshold applied by the council’s auditor for the preceding year’s audit, although the actual audit materiality level for 2020/21 remains subject to confirmation.

## Events after the reporting period

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

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

## Note to the Expenditure and Funding Analysis

The Expenditure and Funding Analysis, which forms Note 1 to the Accounts, can be found on page 46.





**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.

## Expenditure and Income Analysed By Nature

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



## 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.





## Transfers to / from earmarked reserves

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



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

| **Earmarked Reserve** | **Reason / Use** |
| --- | --- |
| Community Hubs | An accumulation of unspent core funding allocated to be spent in accordance with the local priorities determined by each of the Community Hub forums. |
| Elections Provision | An annual transfer from revenue is made to cover the four yearly Borough Elections. The next election is due to take place in May 2023. |
| Housing Needs Survey | Annual contribution made to fund the costs of carrying out detailed Housing Needs Surveys. |
| Local Development Framework | To fund one-off costs in relation to the production of planning policy documents in relation to the Local Development Framework. |
| Performance Reward Grant | External revenue funding held by the council on behalf of South Ribble Partnership set aside for spending on South Ribble Partnership projects in future years. |
| Organisation Restructure Costs | To be used to assist in funding the one-off costs of any service reviews designed to improve the efficiency of the council. |
| Borough Investment Account | To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the council to bridge potential funding gaps. |
| Business Rates Retention | To mitigate the potential risk to the council’s medium-term financial strategy by providing funds to smooth out the inherent fluctuations that occur in the Business Rates Retention System. |
| City Deal | To be used to fund additional costs in relation to the delivery of City Deal projects and outcomes. |
| Capital Funding Reserve | This is to fund capital expenditure in line with the council’s Corporate Plan priorities, as set out in the approved Capital Strategy and Medium-Term Financial Strategy. |
| Repairs and Maintenance Fund | The revenue budget includes an annual provision for the costs of repairs and maintenance of the council’s property assets. The purpose of the reserve is to meet the costs of any major repairs and maintenance works which cannot be met from this base budget. |
| Transformation Fund | The purpose of the reserve was to provide funding for projects which will generate a payback into the council’s revenue budget through sustainable income generation and/or recurring cost savings. The fund has been allocated to the IT Digital Strategy capital costs in the capital programme. |
| Apprenticeship Reserve | This relates to funding set aside to fund Apprenticeship costs. The reserve is no longer required because the staffing costs for apprenticeship posts have been built into the base budget. Therefore the reserve has been transferred back to the general reserve. |
| Climate Change | To facilitate spending on initiatives that will reduce the council or the borough’s impact on climate change. |
| Credit Union | To support the creation of a Credit Union within the borough. |
| CIL Administration Fund | This reserve was created in 2019-20 using the proportion of Community Infrastructure Levy (CIL) which the council is entitled to retain in respect of administration costs. The reserve was released in 2020-21 to reflect the funding of historic costs in administering CIL. |
| Asset Management | To fund potential future maintenance costs and part-fund future capital expenditure on short-life assets such as ICT and vehicles. |
| Business Grants Reserve | To deliver an extended programme of support for businesses beyond government grants to ensure that the council is doing as much as possible to help businesses get back on their feet. |
| Community Wealth Building | To implement a plan to retain wealth and grow the local economy through a progressive procurement framework and social value policies. |
| Mental Health for Young People | To support positive mental health for young people through officer resource to deliver a programme of early intervention activity. |
| Covid Recovery Fund | To support the borough’s recovery from covid-19 |
| Covid Commitments | To cover existing Covid-19 commitments which will only be incurred in 21/22. |
| Income Equalisation | To cover any potential temporary reliefs and losses on investment income over the recovery period from Covid-19. |
| Leisure Reserve | To fund one-off costs associated with bringing the leisure service in-house and then transferring it to a newly created trading company, and to offset expected deficits in the first year of operation. |
| Income Investment Reserve | To fund the costs of developing new income generation projects which may not be able to be capitalised. |
| Collection Fund Deficit Distribution Fund | In 2020-21, because of the Government support measures in respect of the Covid 19 pandemic, the balance of income relating the Business Rates, between actual rates income and government grants, shifted significantly towards grants. The result was a surplus of £5.107m in grant income, offset by a corresponding deficit on the Collection Fund. But whereas the surplus falls immediately into 2020-21, the impact of the Council’s share of the deficit will not be felt until 2021-22 and later years. The surplus has therefore been set aside to meet this. There are also smaller deficits, in respect of both Council Tax and Business Rates, which have arisen from the more general effects of the pandemic. Further grants, totalling £136k, have been received to cover a part of these. (See also under Note 14.) |
| Other | This reserve comprises three elements: approved carry forwards of underspends that have not yet been allocated, surplus income relating to Sports Development service, and miscellaneous ring-fenced grant income specific to certain service areas. |

## Other operating expenditure



## Financing and investment income and expenditure



## Taxation and non-specific grant income and expenditure



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

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

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

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

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

In respect of the third, the amount of additional grant received was £5.107m. The reverse side of this is the reduction shown in business rates income which, after deducting the tariff payable to the government, produced a net cost to the council of £1.808m (for more detail see Collection Fund Note 3 on page 111), although it should be noted that part of the reduction is attributable to the reversion from a 56% share of income in 2020/21 to 40% in 2020/21 (see below). The Collection Fund deficit resulting from reduced rating income will be distributed in 2021/22 and future years. The council’s share of the deficit is £5.478m.

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

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

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

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

In 2019/20 the council, along with 14 other authorities in Lancashire, submitted a successful bid to become a 75% Business Rate Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%. The Pilot was for one year only and, for 2020/21, the local share reverted to 50%.

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

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

**[FURTHER TEXT AND TABLES TO BE RECEIVED FROM POOL LEAD AUTHORITY TO BE INSERTED HERE]**

## Property, plant and equipment

**15a Movements in Property Plant and Equipment**





**15b Depreciation**

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

|  |  |
| --- | --- |
| **Type of Asset** | **Years** |
| Other Land & Buildings | 5-60 |
| Vehicles, Plant, Furniture & Equipment | 3-15 |
| Infrastructure | 5-60 |

**15c Capital Commitments**

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

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

**15d Effects of Changes in Estimates**

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

**15e Property, Plant and Equipment Valuations**

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



## Investment properties

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

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

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

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



**Fair Value Hierarchy – Investment Properties**

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

**Transfers between Levels of the Fair Value Hierarchy**

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

**Valuation techniques used to determine Level 2 and 3 Fair Values for Investment**

**Properties**

Significant Observable Inputs - Level 2

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

**Highest and Best Use of Investment Properties**

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

**Valuation Techniques**

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

**Valuation Process for Investment Properties**

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

## Intangible assets

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

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

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

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



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



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

## Financial instruments

**18a Categories of Financial Instrument**

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



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

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

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

**18b Income, Expense, Gains and Losses**

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



**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**



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

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

**Financial Assets**



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

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

**Key risks**

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

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

**Overall procedures for managing risk**

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

Prudential indicators specifying:

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

An Investment Strategy specifying:

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

**Credit risk**

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

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

**Credit Risk Management Practices**

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

The Annual Investment Strategy:

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

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

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

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

**Expected Credit Loss**

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

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

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

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

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

**Liquidity risk**

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

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

**Market risk**

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

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

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

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

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

**Price risk**

The council has no material exposure to this risk.

**Foreign Exchange Risk**

The council has no material exposure to this risk.

## Inventories



## Short term debtors



## Cash and cash equivalents

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



## Short term creditors



## Provisions

The movements in provisions during the year were as follows:



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

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

## Usable reserves

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

## Unusable reserves



**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.



**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.



**25c Financial Instruments Adjustment Account**

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



**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.



**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.



**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.



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



**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.



## 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:



**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:



**26c Interest received and interest paid**

The cash flows for operating activities include the following items:



## Cash Flow Statement – investing activities

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



## Cash Flow Statement – financing activities

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



## Trading operations

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



## Members allowances

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

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2020/21** |
| **£’000** |  | **£’000** |
| 363 | Allowances | 364 |
| **363** | **Total** | **364** |

## Officers remuneration

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2020/21 Remuneration** | **Note** | **Salary and allowances** | **Expenses allowances** | **Compensation for loss of office** | **Benefits In Kind** | **Pension Contribution** | **Total Remuneration** |
| **Post Title** |  | **£** | **£** | **£** | **£** | **£** | **£** |
| Chief Executive | A | 56,994 | 413 | - | - | 6,324 | 63,731 |
| Interim Chief Executive | B | 103,449 | - | 35,000 | - | 16,973 | 155,422 |
| Director of Communities | C | 68,536 | 1,239 | - | - | 11,720 | 81,495 |
| Director of Planning and Development | D | 68,320 | 1,239 | - | - | 11,683 | 81,242 |
| Director of Customer Experience and Operations | E | 48,712 | 929 | 5,780 | - | 8,330 | 63,751 |
| Director of Governance | F | 75,522 | - | - | - | 13,090 | 88,612 |

1. The Chief Executive left the Authority on 15th July 2021.
2. The Interim Chief Executive was employed by Chorley Borough Council (CBC) up to 27th March 2021 and 50% of the costs were recharged to South Ribble Borough Council (SRBC), which are shown in the table. From 5th April 2021 he will be employed by SRBC as Chief Executive for both councils and 50% of the costs will be recharged to CBC.
3. The Director of Communities was re-designated from Director of Neighbourhoods and Development with effect from 1st January 2021 following the expansion of shared services between the two councils. The post-holder is formally employed by SRBC, and CBC has been charged 50% of the cost of the post from the effective date.
4. The Director of Planning and Development was re-designated from Director of Planning and Property with effect from 1st January 2021 following the expansion of shared services between the two councils. The post-holder is formally employed by SRBC, and CBC has been charged 50% of the cost of the post from the effective date.
5. The Director of Customer Experience and Operations left the authority on 18th January 2021. The post was re-designated as Director of Customer and Digital following the expansion of shared services between the two councils with effect from 1st January 2021. The current post-holder is employed by CBC, and 50% of the costs have been charged to SRBC from the effective date.
6. Following the expansion of shared services, the Director of Governance was established from 1st April 2021. 50% of the costs for the post were charged to CBC. In addition to the posts detailed above, there are two posts that reported directly to the Interim Chief Executive: Deputy Chief Executive and Director of Commercial and Property. Both these posts are formally employed by CBC and 50% of the costs are charged to SRBC.

The comparative information for 2019/20 is shown below.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2019/20 Remuneration** | **Note** | **Salary and allowances** | **Expenses allowances** | **Compensation for loss of office** | **Benefits In Kind** | **Pension Contribution** | **Total Remuneration** |
| **Post Title** |  | **£** | **£** | **£** | **£** | **£** | **£** |
| 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 |

1. 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.
2. The two *Deputy Chief Executives* left on 30th June 2019. The roles were disestablished on 31st March 2020.
3. The *Shared Services Lead – Legal* post was created and filled from 1st December 2019.
4. The *Legal Services Manager and Monitoring Officer* post was disestablished on 30th November 2019.
5. The *Interim Head of Shared Assurance* was paid via a consultancy arrangement up to 31st December 2019 and was then brought onto the payroll from 1st January 2020.

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

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

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Exit Package cost banding** | **Number of compulsory redundancies** | | **Number of other agreed departures** | | **Total number of exit packages** | | **Total cost of exit packages** | |
|  | **19-20** | **20-21** | **19-20** | **20-21** | **19-20** | **20-21** | **19-20** | **20-21** |
| £0 to £20,000 | 0 | 0 | 1 | 2 | 1 | 2 | £19,433 | £10,934 |
| £20,001 to £40,000 | 0 | 0 | 3 | 1 | 3 | 1 | £100,432 | £27,635 |
| £40,001 to £60,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £60,001 to £80,000 | 0 | 0 | 1 | 0 | 1 | 0 | £74,099 | £0 |
| £80,001 to £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| **Total** | **0** | **0** | **5** | **2** | **5** | **3** | **£193,964** | **£38,569** |

## External audit costs

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



## Grant income

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



In addition to the above amounts, a further £35.083m was paid to the council, by the government, and distributed to local businesses in the form of small business grants; retail, hospitality and leisure Grant Fund; local restrictions grants; etc. Given that the eligibility criteria for these grants were determined by the government and that the council has been fully reimbursed for the amounts paid out, the council has effectively acted as an intermediary and distribution point for the grants, rather than at its own discretion. In these circumstances, the council is deemed to be an agent acting on behalf of the grant funder, rather than in its own right, so the expenditure and related grant income is accounted for separately to the council’s own Statement of Accounts.

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



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

## Related parties

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

* **Central Government**

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

* **Members of the Council**

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

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

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

* **Officers**

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

* **Partnerships, Companies and Trusts**

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

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

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

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

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

* **Simple Investment**

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

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

## 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.



## Leases

**36a Authority as lessee**

Finance leases

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

|  |  |  |
| --- | --- | --- |
|  | **31 March 2020** | **31 March 2021** |
|  | **£’000** | **£’000** |
| Works to Leisure Centres | 390 | 0 |

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

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



Operating leases

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



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



**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:



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



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:



## 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:



**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



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



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

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



**37h Local Government Pension Scheme assets comprised**



**37i Basis for estimating assets and liabilities**

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

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



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.



**37j Impact on the Authority’s Future Cash Flows**

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

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

The authority anticipates paying £1.144m expected contributions to the scheme in 2021/22.

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

## Contingent assets and liabilities

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

# Collection Fund Statement

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



# Notes to the Collection Fund

## 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.

## Council Tax details of charge

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



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



## Accounting for business rates

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

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

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

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

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

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



This council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government. For more information on the Lancashire Business Rates Pool see Note 14. For 2019/20, the Pool was based on 75% local retention of income, of which 56% was attributed to this council, 17.5% to Lancashire County Council and 1.5% to the Lancashire Fire and Rescue Authority. For 2020/21, this has reverted to 50% local retention, which had previously been the position up until 2018/19, with shares of 40%, 9% and 1% respectively, giving rise to the proportionately lower amounts shown in the table above.

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

## Business rates details of charge

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

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

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

Annual Governance Statement 2020/21

1. **INTRODUCTION**

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

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

1. **What is Corporate Governance**

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

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

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

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

Good governance means:-

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

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

1. **The Council’s Governance Framework**

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

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

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

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

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

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

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

* Officer structure – One of the causes of the issues which arose and were identified in the AGS for 2018/19 2019/20 was a lack of a stable senior management team. The Council has taken significant actions to address this. The three statutory officer roles are now permanently recruited to and a stable senior management team has been introduced. The Chief Executive (Head of Paid Service) is now shared on a permanent basis with Chorley Council. The same postholder has been in place since 2019. The Director of Governance (Monitoring Officer) has been in post since December 2019. The s151 Officer post was covered by the Deputy Director acting up during 2020/21. The Director of Finance role has now been recruited to permanently, with the new postholder starting in April 2021. In addition, two key roles at service lead level have also been established and filled in December 2019, Communications and Visitor Economy and Transformation and Partnerships. These roles are important in developing and improving the council’s culture.
* Organisational development – the council has fully reviewed its OD programme, introducing a new ELearning portal and establishing the Flair Programme to develop staff who aspire to be managers and leaders.
* Review of the constitution and financial procedure rules –the standing orders for Council meetings and the terms of reference for all committees have been reviewed and redrafted. The standing orders are now more streamlined and the constitution, as a document, has been simplified to avoid repetition and make it clearer and easier to understand. A revised process for executive decision making ensures that relevant cabinet members take decisions in a transparent and consistent manner, strengthening the democratic oversight of the organisation. The Financial Procedure Rules have been updated to reflect organisational changes and changes to authorisation levels.
* Performance management framework – Showing the benefit of a stronger organisational corporate centre, a new performance management framework has been developed and adopted, aligning it to the corporate plan and ensuring that the council is able to effectively manage its performance and delivery of its priorities.
* Management of Projects – the Senior Management Team meet as Programme Board quarterly to review the progress of corporate projects.
* Information governance – A GDPR Leadership group has been established to lead on the embedding of the council’s information governance policies and processes.
* Governance Training – training on ethical decision making has been given to both members and officers which incorporated decision making processes and report writing (for officers), training has also been given on procurement.
* Risk Management – The Risk Management Strategy has been updated and the council have committed to the use of GRACE as the risk management tool. Internal Audit are leading on the training of staff on the use of the system which in addition to risk will be used to monitor the implementation of management actions taken from audits.

**Values of good governance**

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

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

**Impact of Covid on the Council’s governance arrangements**

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

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

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

**4. How we review the effectiveness of the Governance Framework**

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

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

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

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

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

**Scrutiny Committee**

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

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

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

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

**Member Training**

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

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

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

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

**Management Team / Leadership Team**

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

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

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

**Section 151 Officer / Director of Finance**

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

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

**Statutory Regulation / Monitoring Officer**

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

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

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

**Corporate Governance Group / Officer arrangements**

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

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

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

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

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

**Programme Board**

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

**Internal Audit and the Head of Audit Opinion**

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

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

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

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

Over the past 12 months, a significant amount of work has been undertaken to introduce and strengthen the governance and risk management arrangements throughout the whole council and this is clearly evidenced within the Local Code of Governance. The work undertaken by Internal Audit to support the compilation of the Annual Governance Statement Action Plan confirms that the framework of governance policies is now in place however there is further work to do to ensure that these are fully embedded.

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

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

**GDPR Leadership Group / Information Governance**

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

**Organisational Development**

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

**Corporate Complaints / Local Ombudsman**

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

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

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

**External Audit**

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

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

**5. Governance Environment: Areas to Strengthen**

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

There are 2 outstanding actions

1. Development of a consultation framework and community engagement strategy; and

2. Development of a Key Partnerships Framework.

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

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

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

| Themes |  | Improvement Required |
| --- | --- | --- |
|  |  |  |
| Recruitment/Induction |  | To ensure all new employees receive a comprehensive induction covering all core areas, the corporate induction will be updated to include welcome videos from the senior management, introduction to the borough and mandatory training covering core policies and health and safety.  Continued focus on HR System transformation is required to ensure a robust administrative process is operational and suitable controls are in place for all aspects of Human Resources and Organisational Development |
|  |  |  |
|  |  |  |
| Governance & Management |  | Management Development Programme has been designed to establish a baseline level of management competency as well as providing ongoing support to maintain performance. The aim is to commence delivery with cohorts of managers from September 2021 through a range of methods including e-learning, which will also form part of the induction process for future managers.  Introduce a standardised DMT agenda with agreed standing items to ensure a consistent approach is adopted across the Council. This will incorporate items of Corporate significance identified by the Communications team within their forward plan. |
| Fraud and Corruption |  | Fraud awareness training to be delivered to all relevant officers using e-learning modules  Fraud reports to be presented to Governance Committee  Fraud risk register to be compiled and monitored on a regular basis |
| Corporate Information Source for Officers (Connect) |  | To improve the user experience for employees and ensure essential information is easy to access. The following improvements to Connect should be considered:  • Defined area on Connect for all core policies.  • Service areas to review information they have published on Connect and to remove outdated material.  • Create a manager zone within Connect to ensure all essential guidance and resources for managerial responsibilities are easily sourced. |
| Risk Management |  | Ensure risk management is embedded throughout the organisation and within all Council activities. |
| Budget Monitoring |  | To re-establish budget monitoring reports to aid budget holders after a further analysis of the report content is undertaken. Reports will be tailored to ensure that they meet the needs of the service area. |
|  |  |  |
| GDPR |  | The GDPR Leadership Group should undertake a full review to ensure that the register is up to date with data responsibilities correctly defined and continue to monitor and expedite the outstanding data disposal actions to ensure they are implemented imminently. |
| Equality |  | The equality scheme should be revised and refreshed including revised equality objectives to ensure that it is up to date and fit for purpose. |
| Key Corporate Policies |  | Devise and implement a corporate process to ensure all staff revisit key policies so a good level of awareness is maintained across the organisation. |
| Value for Money |  | Adopt an organisation wide Transformation Strategy & Programme incorporating a value for money elements to deliver efficient services through service reviews and shared services. |
| Inventories |  | Directors to ensure that inventories are compiled and maintained in accordance with the Councils guidance notes for service unit fixed assets registers. |
| [Transparency Act](file:///\\alpha\assurance$\audit\1.Internal%20Audit%20Work\Audit%20Work%2021-22\2.SRBC\AGS\Transparency%20Code\SRBC%20Transparency%20Code%20Assessment%202020-21.docx) |  | Publish up to date information and include all mandatory criteria. |

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

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

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

* The induction for staff process under review;

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

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

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

**6. Conclusion**

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

…………………………………… ……………………………………….

Leader of the Council Chief Executive

Date: ……………….………….

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

**GLOSSARY**

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

# Glossary of Terms

**Accounting Policies**

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

**Accruals Basis**

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

**Agency Services**

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

**Appointed Auditors**

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

**Balances**

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

**Capital Adjustment Account**

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

**Capital Expenditure**

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

**Capital Financing Charges**

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

**Capital Financing Requirement (CFR)**

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

**Capital Receipts**

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

**Carrying Amount**

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

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services.

**Code of Practice on Local Authority Accounting in the United Kingdom (The Code)**

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they ‘present fairly’ the financial position of the council. The Code has statutory status via the provision of the Local Government Act 2003.

**Collection Fund**

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

**Community Assets**

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

**Contingency**

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

**Contingent Liabilities or Assets**

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

**Council Tax**

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

**Council Tax Base**

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

**Council Tax Requirement**

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

**Creditors**

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

**Current Service Cost**

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

**Current Value**

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

**Curtailment**

Curtailments 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:

* + - * 1. actuarial gains and losses
        2. the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
        3. 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).

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”. [↑](#footnote-ref-1)
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 [↑](#footnote-ref-2)