



Statement of Accounts 2018/19

Chorley Borough Council

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Introduction to the Statement of Accounts

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

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code), which is based on International Financial reporting Standards.

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

- Page **Error! Bookmark not defined.** **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 10 **Narrative Report of the Chief Finance Officer** - The purpose of the narrative report is to give the reader an understanding of the most significant matters reported in the accounting statements, as well as a review of the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.
- Page 12 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Chief Finance Officer in relation to the Statement of Accounts.
- Page 103 **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.

Independent auditor's report to the members of Chorley Borough Council

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Narrative Report of the Chief Financial Officer

Introduction

Throughout this document, Chorley Borough Council may be referred to as the Council or the Authority.

This Statement of Accounts presents the financial results of the Council's activities for the year ended 31 March 2020 and provides a picture of the Council's overall financial position as at that date. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The purpose of the narrative report is to give the reader an understanding of the most significant matters reported in the accounting statements, as well as a review of the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

The narrative report is structured as follows:

- Key facts about Chorley Borough and Chorley Borough Council
- Chorley Council Corporate Strategy, its achievements, future projects, performance and risks
- The Structure of the Council
- Context for 2019/20 Accounts
- Financial Performance in 2019/20
- Looking ahead to the future including the challenges and opportunities facing Chorley Council

James Thomson CPFA
Deputy Chief Finance Officer and Section 151 Officer

[THE NARRATIVE REPORT WILL APPEAR HERE]

Statement of Responsibilities

This statement defines the responsibility of the Council and the Responsible Financial Officer in respect of the Authority'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 Authority, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for preparing the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

In preparing this Statement of Accounts, he has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the local authority Code.

He has also:

- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2020 and its Income and Expenditure for the year ended 31 March 2020.

James Thomson CPFA
Deputy Chief Finance Officer and Section 151 Officer
Date xx xxx 2021

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 Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2018/19 | | | | 2019/20 | | |
|--------------------|-----------------|-----------------|--|-------------------|-----------------|-----------------|
| Gross Expenditure* | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 10,569 | (3,387) | 7,182 | Customer & Digital* | 10,756 | (3,149) | 7,607 |
| 5,806 | (1,130) | 4,676 | Policy & Governance* | 6,293 | (1,679) | 4,614 |
| 4,431 | (1,602) | 2,829 | Early Intervention* | 4,686 | (1,861) | 2,825 |
| 6,038 | (2,869) | 3,169 | Business, Development & Growth* | 5,137 | (3,040) | 2,097 |
| | | 0 | Budgets excluded from Directorate monitoring | | | |
| 1,275 | 0 | 1,275 | • Pensions-related | 3,161 | 0 | 3,161 |
| 23,199 | (23,379) | (180) | • Housing Benefits/Council Tax Discounts* | 20,155 | (20,266) | (111) |
| 2,304 | (2,071) | 233 | • Market Walk (excluding financing costs)* | 1,060 | (2,328) | (1,268) |
| 177 | 0 | 177 | • Other expenditure | 2,164 | (327) | 1,837 |
| 53,799 | (34,438) | 19,361 | Cost of Services | 53,412 | (32,650) | 20,762 |
| 684 | 0 | 684 | Other operating expenditure (note 12) | 556 | 0 | 556 |
| 4,434 | (2,564) | 1,870 | Financing and investment income and expenditure (note 13)* | 4,881 | (2,999) | 1,882 |
| 6,336 | (34,161) | (27,825) | Taxation and non-specific grant income (note 14) | 10,119 | (29,821) | (19,702) |
| | | (5,910) | (Surplus)/deficit on provision of services | | | 3,498 |
| | | (35) | (Surplus)/deficit on revaluation of Property, Plant and Equipment assets | | | (6,427) |
| | | (699) | Re-measurement of the net defined benefit liability (note 37d) | | | (6,510) |
| | | (734) | Other Comprehensive (Income) and Expenditure | | | (12,937) |
| | | (6,644) | Total Comprehensive (Income) and Expenditure | | | (9,439) |

* To meet the latest accounting requirements, amounts set aside to provide for non-recovery of outstanding debt is now shown against 'Financing and investment income and expenditure', rather than against the individual service lines. The resulting changes in the Gross Expenditure figures shown above for 2018/19, compared to those which appeared in the 2018/19 Statement of Accounts, are shown in the table below. These amounts have also been added the accounting adjustments shown in Notes 1 and 8 and the net expenditure for each service, as shown in the Expenditure and Funding Analysis at Note 1, is unchanged from figures shown in the 2018/19 Statement.

| Gross Expenditure 2018/19 | | | |
|--|--|------------------------------------|---|
| | Amount as per Statement of Accounts 2018/19 £'000 | Gross Income £'000 | Adjusted amount £'000 |
| Customer & Digital | 10,881 | (312) | 10,569 |
| Policy & Governance | 5,801 | 5 | 5,806 |
| Early Intervention | 4,435 | (4) | 4,431 |
| Business, Development & Growth | 6,080 | (42) | 6,038 |
| Budgets excluded from Directorate | | | 0 |
| • Pensions-related | 1,275 | 0 | 1,275 |
| • Housing Benefits/Council Tax Discounts | 23,204 | (5) | 23,199 |
| • Market Walk (excluding financing costs) | 2,308 | (4) | 2,304 |
| • Other expenditure | 177 | 0 | 177 |
| Cost of Services | 54,161 | (362) | 53,799 |
| Other operating expenditure (note 12) | 684 | 0 | 684 |
| Financing and investment income and expenditure (note 13) | 4,072 | 362 | 4,434 |
| Taxation and non-specific grant income | 6,336 | 0 | 6,336 |
| (Surplus)/deficit on provision of services | 65,253 | 0 | 65,253 |

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

| | General Fund Working Balance £'000 | General Fund Earmarked Reserves (note 11) £'000 | Total General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves (note 25) £'000 | Unusable Reserves (note 26) £'000 | Total Reserves £'000 |
|--|---------------------------------------|--|-------------------------------------|-----------------------------------|-----------------------------------|--|--------------------------------------|-------------------------|
| Current Year | | | | | | | | |
| Balance at 31 March 2019 | (4,000) | (6,074) | (10,074) | (1,071) | (14,030) | (25,175) | (796) | (25,971) |
| Movement in reserves during 2019/20 | | | | | | | | |
| Total Comprehensive Income and Expenditure | 3,498 | 0 | 3,498 | 0 | 0 | 3,498 | (12,937) | (9,439) |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | (4,186) | 0 | (4,186) | 98 | 807 | (3,281) | 3,281 | 0 |
| Increase or decrease in 2019/20 before transfers to/(from) earmarked reserves | (688) | 0 | (688) | 98 | 807 | 217 | (9,656) | (9,439) |
| Movement in Earmarked Reserves (Note 11) | 688 | (688) | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase or decrease in 2019/20 | 0 | (688) | (688) | 98 | 807 | 217 | (9,656) | (9,439) |
| Balance at 31 March 2020 carried forward | (4,000) | (6,762) | (10,762) | (973) | (13,223) | (24,958) | (10,452) | (35,410) |

APPENDIX A

| | General Fund Working Balance | General Fund Earmarked Reserves (note 11) | Total General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves (note 25) | Unusable Reserves (note 26) | Total Reserves |
|--|------------------------------|---|----------------------------|--------------------------|--------------------------|---------------------------------|-----------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Comparative Year | | | | | | | | |
| Balance at 31 March 2018 | (4,000) | (8,322) | (12,322) | (1,499) | (13,966) | (27,787) | 8,460 | (19,327) |
| Movement in reserves during 2018/19 | | | | | | | | |
| Total Comprehensive Income and Expenditure | (5,910) | 0 | (5,910) | 0 | 0 | (5,910) | (734) | (6,644) |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | 8,158 | 0 | 8,158 | 428 | (64) | 8,522 | (8,522) | 0 |
| Increase or decrease in 2018/19 before transfers to/(from) earmarked reserves | 2,248 | 0 | 2,248 | 428 | (64) | 2,612 | (9,256) | (6,644) |
| Movement in Earmarked Reserves (Note 11) | (2,248) | 2,248 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase or decrease in 2018/19 | 0 | 2,248 | 2,248 | 428 | (64) | 2,612 | (9,256) | (6,644) |
| Balance at 31 March 2019 carried forward | (4,000) | (6,074) | (10,074) | (1,071) | (14,030) | (25,175) | (796) | (25,971) |

Balance Sheet

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

| 31 March 2019 £'000 | | Notes | 31 March 2020 £'000 |
|------------------------|--|----------|------------------------|
| 91,621 | Property, Plant & Equipment | 15 | 136,653 |
| 2,531 | Heritage Assets | 16 | 2,531 |
| 885 | Investment Property | 17 | 1,282 |
| 64 | Intangible Assets | 18 | 50 |
| 462 | Long-Term Debtors | 19 | 4,655 |
| 95,563 | Long-Term Assets | | 145,171 |
| 5,645 | Short-Term Debtors | 20 | 8,032 |
| 2,917 | Cash and Cash Equivalents | 21 | 8,933 |
| 8,562 | Current Assets | | 16,965 |
| (2,215) | Short-Term Borrowing | 19 | (6,663) |
| (8,992) | Short-Term Creditors | 22 | (11,849) |
| (1,194) | Provisions | 23 | (1,867) |
| (12,401) | Current Liabilities | | (20,379) |
| (682) | Long-Term Creditors | 19 | (1,325) |
| (18,949) | Long-Term Borrowing | 19 | (62,160) |
| (45,997) | Other Long-Term Liabilities – pensions | 37 | (42,761) |
| (15) | Other Long-Term Liabilities – other | | (15) |
| (111) | Grant Receipts in Advance - Capital | 33 | (86) |
| (65,754) | Long Term Liabilities | | (106,347) |
| 25,970 | Net Assets | | 35,410 |
| 25,175 | Usable Reserves | MiRS, 24 | 24,958 |
| 795 | Unusable Reserves | 25 | 10,452 |
| 25,970 | Total Reserves | | 35,410 |

The unaudited accounts were issued on xx xxx 2021.

James Thomson CPFA
Deputy Chief Finance Officer and Section 151 Officer
Date: xx xxx 2021

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 5,910 | Net surplus or (deficit) on the provision of services (CI&ES page 47) | (3,498) |
| 6,550 | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26a) | 8,409 |
| (14,108) | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 26b) | (4,304) |
| (1,648) | Net cash flows from Operating Activities (Note 26) | 607 |
| (3,500) | Investing Activities (Note 27) | (42,229) |
| 6,709 | Financing Activities (Note 28) | 47,638 |
| 1,561 | Net increase or (decrease) in cash and cash equivalents | 6,016 |
| 1,356 | Cash and cash equivalents at the beginning of the reporting period | 2,917 |
| 2,917 | Cash and cash equivalents at the end of the reporting period (Note 21) | 8,933 |

Cash and Cash Equivalents at the beginning and end of the 2019/20 reporting period have been defined to be net of the bank overdraft.

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 cast, cross-cast, or exactly match to the Core Financial Statements or other tables, due to rounding differences.

1 EXPENDITURE AND FUNDING ANALYSIS – NOTE TO MAIN FINANCIAL STATEMENT

The Expenditure and Funding Analysis, which is a note to the Main 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.

| 2018/19 | | | | 2019/20 | | |
|--|--|---|---|--|--|---|
| Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Directorate | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 6,498 | 996 | 7,494 | Customer & Digital | 5,554 | 2,053 | 7,607 |
| 4,541 | 130 | 4,671 | Policy & Governance | 4,696 | (82) | 4,614 |
| 2,117 | 716 | 2,833 | Early Intervention | 2,216 | 609 | 2,825 |
| 1,314 | 1,897 | 3,211 | Business, Development & Growth | 672 | 1,425 | 2,097 |
| | | | Budgets excluded from Directorate monitoring | | | |
| 1,056 | 219 | 1,275 | • Pensions-related | 1,181 | 1,980 | 3,161 |
| (175) | 0 | (175) | • Housing Benefits/Council Tax Discounts | (134) | 23 | (111) |
| (1,686) | 1,923 | 237 | • Market Walk (excluding financing costs) | (1,918) | 650 | (1,268) |
| 177 | 0 | 177 | • Other expenditure | 410 | 1,427 | 1,837 |
| 13,842 | 5,881 | 19,723 | Net Cost of Service | 12,677 | 8,085 | 20,762 |
| (11,594) | (14,039) | (25,633) | Other Income and Expenditure | (13,365) | (3,899) | (17,264) |
| 2,248 | (8,158) | (5,910) | (Surplus)/Deficit in year | (688) | 4,186 | 3,498 |
| (12,322) | | | Opening General Fund Balance at 1 April | (10,074) | | |
| 2,248 | | | Add (Surplus)/Less Deficit on General Fund Balance in Year | (688) | | |
| (10,074) | | | Closing General Fund Balance at 31 March | (10,762) | | |

See footnote to Comprehensive Income and Expenditure Statement for change in total accounting adjustments on individual service lines, compared to Statement of Accounts for 2018/19.

2 ACCOUNTING POLICIES

These notes explain the policies used to ensure the Council's financial position is fairly presented.

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS).

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

2.2 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 if balances are material.
- 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.

2.3 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.

2.4 Charges to Revenue for Non-Current Assets

To record the cost of holding non-current assets during the year, services, and support services are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

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

2.5 Council Tax and Non-Domestic Rates

Billing authorities such as Chorley 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.

2.6 Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place that gives the Authority a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within its control. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the core financial statements. Contingent assets are disclosed in a note where it is probable that there will be an inflow of economic benefits or service potential.

2.7 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.

2.8 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 by an officer 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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details of transactions are given in Note 37. 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.

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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

2.9 Events after the Reporting Period

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

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

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

2.10 Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

The council 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.

2.11 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.

2.12 Government Grants and Other Contributions

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

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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.

2.13 Heritage Assets

Heritage assets are assets held principally for their contribution to culture and knowledge.

Astley Hall

The house was built in the mid-seventeenth century, and extended in 1825. It was given to Chorley Council in 1922 as a memorial following the First World War. It houses a collection of paintings and furniture and has accredited museum status awarded by the Arts Council. The house is valued using the depreciated cost method of valuation. Following a detailed condition survey in 2010/11, its value was reduced to a nominal £1 to reflect the substantial repair liability

Other Heritage Assets

The council's other heritage assets are all reported in the Balance Sheet at insurance valuation. The assets are as follows:

- Civic Regalia
- Astley Hall furniture and art collection
- Astley Park Entrance
- Benjamin Disraeli Statue

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, for example where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

Where the Council disposes of heritage assets, the proceeds of these items are accounted for in accordance with the authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

2.14 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 will bring benefits to the Council for more than one financial year. Internally generated assets are capitalised where it is demonstrable that the Council will generate future economic benefits.

The cost is amortised over the economic life to reflect the pattern of consumption, the first year of charge being that in which the expenditure is incurred. 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.

2.15 Investment Properties

Investment properties are those held solely to earn rentals or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

They are measured initially at cost and subsequently at fair value. They are not depreciated but are re-valued annually by a RICS-qualified valuer. 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).

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

2.16 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.

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

The Authority as lessee

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.

2.17 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.

2.18 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.

2.19 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.

2.20 Property Plant and Equipment (PPE)

All expenditure on the acquisition, creation, or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, 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. The Authority does 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.
- Surplus assets have a current value measurement base of fair value, which is estimated at highest and best use from a market participant's perspective.
- 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 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, assets under construction, and assets without a determinable finite useful life (such as freehold land and certain community assets) are not depreciated.

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the opening value of assets, weighted for part-year acquisitions or disposals if appropriate. Components are separately depreciated if:

- The total value of the host asset (excluding land) exceeds £0.5m and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

| | <u>years</u> |
|---|--------------|
| Property (excluding components separately identified) | 5-70 |
| 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 value 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the shortfall. Impairment losses are charged against revaluation gains 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 fair value less costs to sell. If assets subsequently fail to meet the criteria to be classified as Assets Held for Sale, they revert and 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, disposals 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

2.21 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 directly to the provision.

2.22 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.

2.23 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.

2.24 Value Added Tax

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

2.25 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

The 2019/20 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code are:

- amendments to IAS 1 Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: definition of material,
- amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures,
- annual improvements to IFRS Standards 2015-2017 Cycle,
- amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement, and
- amendments to references to the Conceptual Framework in IFRS Standards.
- IFRS 16 Leases

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

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Funding

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

Leases

Judgement has been applied in accounting for the leasing by the Council to tenants of offices, industrial units and sites, and retail units in Market Walk Shopping Centre as operating leases. The Code defines operating leases as a lease other than a finance lease; whereas a finance lease transfers substantially all the risks and rewards incidental to ownership of an asset, potentially including title. The accounts have been prepared by applying the judgement that ownership of such leased assets would not transfer to the lessees.

Group Accounts

The Authority does not consider that the preparation of group accounts is required. In reaching this conclusion, a particular matter has required careful consideration in respect of the position at 31 March 2020. In September 2019, the Council purchased a major warehousing and distribution facility at a cost of £33.9m (including fees and Stamp Duty Land Tax). Ownership of the asset is to be transferred to a council wholly owned company under the terms of a long-term lease. The intention was that this arrangement would have been in place prior to 31 March 2020, but the disruption caused by the need to respond to the developing Covid-19 pandemic, in terms both of the immediate direct effects on the practicalities of completion and of the diversion of resources to meet the requirements of urgent response measures, meant that this was not ultimately possible. Had the arrangements been complete, then group accounts would have been required. More detail is set out in Note 41 and also in Notes 20 and 22.

Fair Values

When measuring the fair value of a non-financial asset, the council uses judgement to ascertain a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. It also uses judgements regarding inputs to valuation techniques, particularly whether they are applicable and relevant to the assets or liabilities, either directly or indirectly, being valued. What is described here is the basis on which fair value is determined and this is not itself affected by the impacts of the Covid 19 pandemic. Please see references in Notes 5 and 17 below in respect of the potential effects on actual valuations.

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 £30m and that the provision is required to cover several years, even a relatively low percentage allowance produces a material amount, so the council must acknowledge this in its Statement.

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

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

In respect of (1), the 'present obligation' can (under IAS 37) be either legal or constructive. For appeals already lodged the present obligation would be legal. However, for appeals not yet lodged, the present obligation is constructive, on the basis that the past practice of the council, in processing liability adjustments and associated refunds, creates a valid expectation on the part of

the business rates payer that refunds will be granted in the future, as a result of equivalent liability adjustments. The past event is the raising of the business rates charge.

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

In respect of (3), because of the nature of the revised appeals process introduced from April 2017 onwards, there are particular issues in estimating the potential value of appeals against valuations effective from that time onwards. The pattern of liability movements resulting from successful appeals across the years from 2010/11 to 2016/17 have been reviewed. This, together with comments by the Valuation Office that the approach adopted for the 2017 revaluation was the same as for earlier valuations and a review of the approaches adopted by other authorities, supports the view that the level of provision made by the council at the end of 2019/20 is of an appropriate level.

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

5 ASSUMPTIONS ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

| Item | Uncertainty | Effect if actual results differ |
|--------------------|--|--|
| Pensions liability | The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions. | Sensitivity to the factors contributing to this estimate is shown in Note 37j. Small changes have major impacts on the pension deficit. At 31 March 2020, a 1% increase in the council's pensions obligations would increase the net liability by £1.462m. |
| Pensions Assets | The scheme holds a varied portfolio of assets, details of which are shown at Note 37i. The valuations shown in this Statement are those assessed as at 31 March 2019. Beginning in March 2020, there have been significant fluctuations in equity markets around the world in relation | At 31 March 2020, a 1% increase in the scheme's asset would reduce the net liability by £1.032m. |

| | | |
|------------------|--|---|
| | <p>to the Covid-19 pandemic. This has potentially far-reaching consequences in terms of funding and risk which will need to be kept under review. The actuary's stated view is that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. The Fund has a risk management framework in place and in particular the investment strategy is reviewed on a regular basis. The stated view is that employer contributions should not be revisited, but the position should be kept under review by the Administering Authority (Lancashire County Council) who will monitor the development of the situation and keep all stakeholders informed of any potential implications, so that the outcome can be managed effectively. For some employers this could mean a review of contributions prior to the next valuation depending on their financial covenant.</p> | <p>The council anticipates that it will spend £1.746m on current pension contributions in 2020/21 (see Note 37h). A 1% upward variation on this would produce an increased cost of £17k.</p> |
| Debtors | <p>Note 20 shows total debtors of £8.032m, of this figure £1.282m relates to uncollected housing benefit 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 70% to reflect this.</p> <p>In addition to the level of provision that would usually be made, £111k of additional provision has been made in respect of the uncertainties created by the Covid 19 pandemic.</p> | <p>Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement.</p> <p>A 1% increase in the impairment of doubtful debts would result in an additional charge of £0.018m to the CI&ES.</p> |
| Asset valuations | <p>Note Error! Reference source not found.e shows that fixed assets valued at £130.375m (£128.290m of Operational Land and Buildings, £1.612m of Community Assets and 0.473m of Surplus Assets) are carried at either current value or depreciated replacement cost value.</p> <p>Note 17 shows that investment properties valued at £1.283m are carried at current value.</p> <p>The valuations have been carried out by qualified valuers in accordance with Royal Institution of Chartered Surveyors Guidance</p> <p>Assets subject to review had a valuation date of 31st March 2016 or earlier. The council also revalued the Market Walk Shopping Centre as the asset was valued at £18.5m at the end of 2018/19 and therefore represented a large proportion of the council's total asset portfolio. The shopping centre's existing use value was reduced to £18.1m at 31 March 2020, reflecting the current conditions in the retail market and a number of leases that remain under review.</p> <p>A number of assets that had been at an advanced stage of completion at the end of 2018/19, ie the Market Walk</p> | <p>The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.</p> <p>A fall in the value of the council's investment properties will result in a charge to the CIES. Every 10% fall in the total value of the council's investment properties would result in a £128k charge to the CIES.</p> <p>Likewise, a 10% in the value of other assets valued at current value would produce a variation of £13.076m. How much, if any, of this would be chargeable to the CIES would depend on the individual assets affected and whether or not there were associated balances in the Revaluation</p> |

| | | |
|-------------------------|--|---|
| | <p>Extension, Strawberry Fields Digital Office Park and Primrose Gardens Retirement Village, were brought into use and so were subject to valuation for the first time. They were valued at a combined total of £31.606m. Logistics House, a major warehousing and distribution facility, which was purchased in 2019/20 for £33.667m was also valued, with a resulting valuation of £33.395m.</p> <p>These valuations, and most specifically those that are based on current value, are subject to variations as a result of market fluctuations. The Covid 19 pandemic has introduced significantly greater uncertainty into this. The council's valuations were not finalised until November 2020, so some time after the onset of the pandemic. Nonetheless' the valuer has subsequently confirmed that, as a result of the pandemic, the valuations are reported on the basis of 'material valuation uncertainty' and that, consequently, less certainty, and a higher degree of caution, should be attached to them than would normally be the case.</p> | Reserve. |
| Provisions | <p>A provision of £1.852m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2020. The estimate in respect of appeals against the rating lists prior to that for 2017 has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. In respect of the 2017 list, there have, as yet, been only a very limited number of appeals at a national level and so the appropriate level of provision is more difficult to gauge. The council's provision has been set at 4% of the net rates payable for each year. Benchmarking information indicates that this is a little higher than the average for councils of this size and type. See Note Error! Reference source not found.</p> | <p>If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority's services. Similarly, an increase in the provision to cover such appeals would be a charge to the Collection Fund which would also reduce the local share of business rates income available to fund the Authority's services. A 1% increase in the provision would result in an additional charge to the Collection Fund of £0.033m, of which this Authority's share of the cost would be 56% or £0.019m.</p> |
| Fair value measurements | <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or 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</p> | <p>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</p> |

| | | |
|--|---|--|
| | 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 are disclosed in Notes 2, 17 and 19. | unobservable inputs would result in a lower or higher fair value measurement for the investment properties and financial assets. |
|--|---|--|

6 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the main financial statements. For the purposes of this note the council considers material items to be those greater than £1.030m (2018/19 £1.104m). This equates to 1.9% (2018/19 2.0%) of the council's gross service expenditure for the preceding financial year and matches the threshold typically adopted by the council's auditor, although the actual audit materiality level for 2019/20 remains subject to confirmation.

7 EVENTS AFTER THE REPORTING PERIOD

The unaudited Statement of Accounts was authorised for issue by the Section 151 Officer on xx xxx 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date, but reference is made to further comments at Note 40.

8 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis, which forms Note 1 to the accounts, can be found on page 19.

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

| 2019/20 | Adjustments for Capital Purposes (Note A) | Net change for the Pensions Adjustments (Note B) | Other Differences (Note C) | Total Statutory Adjustments | Other Adjustments (Note D) | Total Adjustments |
|--|--|--|-------------------------------|--------------------------------|-------------------------------|-------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Customer & Digital | 2,012 | 83 | 7 | 2,102 | (49) | 2,053 |
| Policy & Governance | 56 | 50 | 8 | 114 | (196) | (82) |
| Early Intervention | 586 | 29 | (3) | 612 | (3) | 609 |
| Business, Development & Growth | 1,400 | 25 | 17 | 1,442 | (17) | 1,425 |
| Budgets excluded from Directorate monitoring | | | | | | |
| • Pensions-related | 0 | 1,980 | 0 | 1,980 | 0 | 1,980 |
| • Housing Benefits/Council Tax Discounts | 0 | 0 | 0 | 0 | 23 | 23 |
| • Market Walk (excluding financing costs) | 644 | 2 | 0 | 646 | 4 | 650 |
| • Other expenditure | 1,420 | 2 | 5 | 1,427 | 0 | 1,427 |
| Cost of Services | 6,118 | 2,171 | 34 | 8,323 | (238) | 8,085 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (4,618) | 1,102 | (621) | (4,137) | 238 | (3,899) |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 1,500 | 3,273 | (587) | 4,186 | 0 | 4,186 |

| 2018/19 | Adjustments for Capital Purposes (Note A) | Net change for the Pensions Adjustments (Note B) | Other Differences (Note C) | Total Statutory Adjustments | Other Adjustments (Note D) | Total Adjustments |
|--|---|--|----------------------------|-----------------------------|----------------------------|-------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Customer & Digital | 951 | 32 | 13 | 996 | (312) | 684 |
| Policy & Governance | 103 | 25 | 2 | 130 | 5 | 135 |
| Early Intervention | 702 | 15 | (1) | 716 | (4) | 712 |
| Business, Development & Growth | 1,889 | 11 | (3) | 1,897 | (42) | 1,855 |
| Budgets excluded from Directorate monitoring | | | | | | |
| • Pensions-related | 0 | 219 | 0 | 219 | 0 | 219 |
| • Housing Benefits/Council Tax Discounts | 0 | 0 | 0 | 0 | (5) | (5) |
| • Market Walk (excluding financing costs) | 1,921 | 1 | 1 | 1,923 | (4) | 1,919 |
| • Other expenditure | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost of Services | 5,566 | 303 | 12 | 5,881 | (362) | 5,519 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (14,827) | 1,154 | (366) | (14,039) | 362 | (13,677) |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | (9,261) | 1,457 | (354) | (8,158) | 0 | (8,158) |

Note A Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service lines, 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 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 charges for the provision for non-collection of outstanding debts.

This adjustment category is additional to those shown in the Statement of Accounts for 2018/19. Please see footnote to Comprehensive Income and Expenditure Statement for more detail.

9 EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Expenditure/Income | | |
| Expenditure | | |
| Employee benefits expenses | 12,438 | 15,539 |
| Other service expenses | 37,117 | 32,761 |
| Depreciation, amortisation, impairment | 4,606 | 5,344 |
| Interest payments | 4,072 | 4,649 |
| Precepts, tariffs and levies | 7,007 | 10,805 |
| Loss on the disposal of assets | 13 | (130) |
| Total expenditure | 65,253 | 68,968 |
| Income | | |
| Fees, charges and other service income | (8,406) | (9,713) |
| Interest and investment income | (2,566) | (3,006) |
| Income from council tax and non-domestic rates | (17,178) | (21,948) |
| Government grants and contributions | (34,208) | (26,653) |
| Other grants and contributions | (8,805) | (4,150) |
| Gain on the disposal of assets | 0 | 0 |
| Total income | (71,163) | (65,470) |
| Surplus or Deficit on the Provision of Services | (5,910) | 3,498 |

10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

| 2019/20 | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Unusable Reserves £'000 |
|---|-------------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) (note 26d) | (3,274) | 0 | 0 | 3,274 |
| Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 26c) | 0 | 0 | 0 | 0 |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 26e) | 621 | 0 | 0 | (621) |
| Holiday pay (transferred to the Accumulated Absences Reserve) (note 26f) | (33) | 0 | 0 | 33 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 26b) | (5,006) | 0 | 0 | 5,006 |
| Total Adjustments to Revenue Resources | (7,692) | 0 | 0 | 7,692 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS) | 136 | (136) | 0 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 26b) | 569 | 0 | 0 | (569) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 26b) | 746 | 0 | 0 | (746) |
| Total Adjustments between Revenue and Capital Resources | 1,451 | (136) | 0 | (1,315) |
| Adjustments to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure (MiRS) | 0 | 234 | 0 | (234) |
| Application of capital grants to finance capital expenditure (MiRS) | 2,055 | 0 | 807 | (2,862) |
| Total Capital Resources | 2,055 | 234 | 807 | (3,096) |
| Total Adjustments | (4,186) | 98 | 807 | 3,281 |

| 2018/19 | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Unusable Reserves £'000 |
|--|-------------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) (note 26d) | (1,457) | 0 | 0 | 1,457 |
| Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 26c) | 0 | 0 | 0 | 0 |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 26e) | 364 | 0 | 0 | (364) |
| Holiday pay (transferred to the Accumulated Absences Reserve) (note 26f) | (10) | 0 | 0 | 10 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 26b) | 6,479 | 0 | (5,752) | (727) |
| Total Adjustments to Revenue Resources | 5,376 | 0 | (5,752) | 376 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS) | 149 | (149) | 0 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 26b) | 542 | 0 | 0 | (542) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 26b) | 2,091 | 0 | 0 | (2,091) |
| Total Adjustments between Revenue and Capital Resources | 2,782 | (149) | 0 | (2,633) |
| Adjustments to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure (MiRS) | 0 | 577 | 0 | (577) |
| Application of capital grants to finance capital expenditure (MiRS) | 0 | 0 | 5,688 | (5,688) |
| Total Capital Resources | 0 | 577 | 5,688 | (6,265) |
| Total Adjustments | 8,158 | 428 | (64) | (8,522) |

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.

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.

11 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

| Type of Earmarked Reserve | Balance 1 April 2018 £'000 | Transfers | | Balance 31 March 2019 £'000 | Transfers | | Balance 31 March 2020 £'000 |
|--|-------------------------------|--------------|----------------|--------------------------------|--------------|----------------|--------------------------------|
| | | Out £'000 | (In) £'000 | | Out £'000 | (In) £'000 | |
| Rephasing of planned expenditure | (1,221) | 934 | (531) | (818) | 382 | (461) | (897) |
| Rephasing of New Investment Projects | (1,494) | 964 | (608) | (1,138) | 552 | (323) | (909) |
| Grants reserved for specific expenditure | (164) | 59 | (164) | (269) | 126 | (155) | (298) |
| Financing of capital expenditure | (2,702) | 1,653 | (441) | (1,490) | 525 | (946) | (1,911) |
| Planning purposes including appeals | (220) | 157 | (185) | (248) | 29 | (127) | (346) |
| Restructuring of services | (412) | 260 | (162) | (314) | 226 | (162) | (250) |
| Retail Investment | (115) | 18 | 0 | (97) | 97 | (46) | (46) |
| Apprenticeships and Graduates | (52) | 0 | (71) | (123) | 61 | 0 | (62) |
| Resource equalisation | (1,114) | 371 | (290) | (1,033) | 0 | (589) | (1,622) |
| Maintenance of Council buildings | (495) | 239 | (142) | (398) | 48 | (50) | (400) |
| Maintenance of Grounds | (14) | 0 | (10) | (24) | 0 | (10) | (34) |
| Elections | (90) | 29 | 0 | (61) | 30 | 0 | (31) |
| Other | (229) | 186 | (16) | (59) | 158 | (55) | 44 |
| Total | (8,322) | 4,870 | (2,620) | (6,072) | 2,234 | (2,924) | (6,762) |

Purpose of Earmarked Reserves

- **Rephasing of planned expenditure** – there are a number of directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. These reserves will ensure that such initiatives can be completed. They include ICT projects and infrastructure £216k, slippage from 2019/20 and earlier years £240k, Shared Services implementation £72k, transformation challenge and public service reform £48k and neighbourhood working £105k.

- **Rephasing Investment Projects** – there are a number of specific investment packages included in the Council’s annual revenue budget aimed at delivering corporate priorities. As delivery on these schemes will be made over more than one year, these reserves enable unspent balances to be carried forward to future years. They include investment budgets carried forward to 2020/21 £524k and an investment fund for realising income generation £385k.
- **Grants reserved for specific expenditure** – this represents income from government grants received which have no conditions attached or where no expenditure has yet been incurred.
- **Financing of capital expenditure** – In 2019/20 funding from the reserve was used to finance works on a number of schemes, including £329k for general asset improvements and £171k for works to cemeteries. Money was also set aside for the funding of future schemes, producing a year end balance of £1.911m.
- **Planning purposes including appeals** – this reserve has been established to mitigate future costs of planning appeals.
- **Restructuring of services** – this reserve is provided to support the one-off staffing cost implications of service transformation programmes.
- **Retail Investment** – this reserve represents the council’s investment in the borough through the Retail Grants Programme which provides specific funding for local businesses in the form of refurbishment grants and business rate subsidy.
- **Apprenticeships for young people** – this reserve provides funding over a two year period for apprenticeships within the Customer Transformation service.
- **Resource equalisation** – this represents the Business Rates Retention reserve £1,155k and Market Walk income equalisation reserve £468k established to minimise the risk of fluctuations in future income levels from Business Rates and the Council owned shopping precinct.
- **Maintenance of Council buildings** – this reserve has been established to provide funding for future asset improvement works in relation to the council owned Market Walk retail precinct and other Council properties.
- **Maintenance of Grounds** - this reserve provides for future investment in the council’s parks and open spaces.
- **Elections** – this has been established to equalise the costs of holding local elections over the Council’s four year election cycle.
- **Other** – this represents other balances set aside in reserves to mitigate the impact of various issues including potential future bad debts on Council Tax Summons/Liability Orders and changes in the Council’s pay policy.

12 OTHER OPERATING EXPENDITURE

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 671 | Parish council precepts | 686 |
| 162 | (Gains)/losses on disposal of non-current assets | 6 |
| (98) | Capital receipts from the sale of previously transferred housing stock | (99) |
| (51) | Other capital receipts | (37) |
| 684 | Total | 556 |

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--|------------------|
| 671 | Parish council precepts | 686 |
| 162 | (Gains)/losses on disposal of non-current assets | (10) |
| (98) | Capital receipts from the sale of previously transferred housing stock | (99) |
| (51) | Other capital receipts | (37) |
| 684 | Total | 540 |

13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 485 | Interest payable and similar charges | 1,075 |
| 1,153 | Net interest on the net defined benefit liability (asset) | 1,102 |
| (65) | Interest receivable and similar income | (68) |
| (65) | Income and Expenditure in relation to investment properties and changes in their fair value | (465) |
| 362 | Allowance for impairment of outstanding debts* | 238 |
| 1,870 | Total | 1,882 |

* See footnote to Comprehensive Income and Expenditure Statement.

14 TAXATION AND NON-SPECIFIC GRANT INCOME & EXPENDITURE

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| (7,586) | Council tax income | (7,863) |
| (3,257) | Non-domestic rates income and expenditure | (3,966) |
| (4,625) | Non ring-fenced government grants (Note 33) | (5,023) |
| (12,357) | Capital grants and contributions (Note 33) | (2,850) |
| (27,825) | Total | (19,702) |

14(a) LANCASHIRE BUSINESS RATES POOL

In 2016/17, 2017/18 and 2018/19 this council was part of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a

significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 PROPERTY PLANT AND EQUIPMENT

| | Other land & Buildings | Vehicles & Plant etc. | Infra- structure | Community Assets | Surplus Assets | Assets under construction | Total |
|--|---------------------------|--------------------------|---------------------|---------------------|-------------------|---------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Cost or valuation</u> | | | | | | | |
| At 1 April 2019 | 63,271 | 5,843 | 585 | 3,832 | 473 | 25,038 | 99,042 |
| Additions | 35,033 | 265 | 164 | 290 | 0 | 8,188 | 43,940 |
| Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations recognised in Revaluation Reserve | 4,559 | 0 | 0 | (91) | 0 | 0 | 4,468 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (3,811) | 0 | 0 | (646) | 0 | 0 | (4,457) |
| De-recognition – disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| De-recognition – other | 0 | 0 | 0 | (6) | 0 | 0 | (6) |
| Assets reclassified within PPE | 31,008 | 0 | 0 | 1,239 | 0 | (32,247) | 0 |
| Assets reclassified (to)/from Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Assets Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prior Year Adjustment reclassified as REFCUS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2020 | 130,060 | 6,108 | 749 | 4,618 | 473 | 979 | 142,987 |
| <u>Depreciation and Impairment</u> | | | | | | | |
| At 1 April 2019 | (2,374) | (3,551) | (376) | (1,120) | 0 | 0 | (7,421) |
| Depreciation charge | (1,244) | (479) | (21) | (146) | 0 | 0 | (1,890) |
| Depreciation written out of Revaluation Reserve | 1,498 | 0 | 0 | 461 | 0 | 0 | 1,959 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 1,017 | 0 | 0 | 0 | 0 | 0 | 1,017 |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| De-recognition – disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| De-recognition – other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in depreciation and impairment | 446 | 0 | 0 | (446) | 0 | 0 | 0 |
| At 31 March 2020 | (657) | (4,030) | (397) | (1,251) | 0 | 0 | (6,335) |
| <u>Net Book Value</u> | | | | | | | |
| At 31 March 2020 | 129,403 | 2,078 | 352 | 3,367 | 473 | 979 | 136,652 |

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

APPENDIX A

| Comparative Movements in 2018/19 | Other land & Buildings £'000 | Vehicles & Plant etc. £'000 | Infra-structure £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets under construction £'000 | Total £'000 |
|--|---------------------------------|--------------------------------|--------------------------|---------------------------|-------------------------|------------------------------------|----------------|
| Cost or valuation | | | | | | | |
| At 1 April 2018 | 64,178 | 5,668 | 563 | 3,761 | 473 | 7,022 | 81,665 |
| Additions | 3,523 | 469 | 22 | 132 | 0 | 18,183 | 22,329 |
| Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations recognised in Revaluation Reserve | (483) | 0 | 0 | 0 | 0 | 0 | (483) |
| Revaluation increases/ (decreases) recognised in the | (3,754) | 0 | 0 | (61) | 0 | 0 | (3,815) |

APPENDIX A

| | | | | | | | |
|--|----------------|----------------|--------------|----------------|------------|---------------|----------------|
| Surplus/Deficit on the Provision of Services | | | | | | | |
| De-recognition – disposals | 0 | (195) | 0 | 0 | 0 | 0 | (195) |
| De-recognition – other | (194) | (99) | 0 | 0 | 0 | 0 | (293) |
| Assets reclassified within PPE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Assets Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prior Year Adjustment reclassified as REFCUS | 0 | 0 | 0 | 0 | 0 | (166) | (166) |
| At 31 March 2019 | 63,270 | 5,843 | 585 | 3,832 | 473 | 25,039 | 99,042 |
| <u>Depreciation and Impairment</u> | | | | | | | |
| At 1 April 2018 | (2,494) | (3,563) | (356) | (995) | 0 | 0 | (7,408) |
| Depreciation charge | (1,270) | (276) | (20) | (127) | 0 | 0 | (1,693) |
| Depreciation written out of Revaluation Reserve | 439 | 0 | 0 | 0 | 0 | 0 | 439 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 713 | 0 | 0 | 3 | 0 | 0 | 716 |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services | 200 | 0 | 0 | 0 | 0 | 0 | 200 |
| De-recognition – disposals | 0 | 195 | 0 | 0 | 0 | 0 | 195 |
| De-recognition – other | 38 | 94 | 0 | 0 | 0 | 0 | 132 |
| Other movements in depreciation and impairment | 0 | (1) | 0 | 0 | 0 | 0 | (1) |
| At 31 March 2019 | (2,374) | (3,551) | (376) | (1,119) | 0 | 0 | (7,420) |
| <u>Net Book Value</u> | | | | | | | |
| At 31 March 2019 | 60,896 | 2,293 | 209 | 2,713 | 473 | 25,039 | 91,622 |

Fixed Assets Valuations

During 2019/20 the valuations were carried out by Jacobs RICS-qualified Surveyors. The basis of valuation is set out in the Accounting Policies note.

| | Other land & Buildings £'000 | Vehicles & Plant etc. £'000 | Infra- structure £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets under Construction £'000 | Total £'000 |
|-----------------------------------|------------------------------------|-----------------------------------|------------------------------|------------------------------|----------------------------|--|----------------|
| Carried at historical cost | 1,770 | 6,108 | 749 | 3,007 | 0 | 979 | 12,613 |
| Valued at fair value as at: | | | | | | | |
| 31 March 2020 | 118,248 | 0 | 0 | 1,580 | 0 | 0 | 119,828 |
| 31 March 2019 | 6,168 | 0 | 0 | 5 | 11 | 0 | 6,184 |
| 31 March 2018 | 955 | 0 | 0 | 26 | 230 | 0 | 1,211 |
| 31 March 2017 | 792 | 0 | 0 | 0 | 214 | 0 | 1,006 |
| 31 March 2016 | 2,127 | 0 | 0 | 0 | 18 | 0 | 2,145 |
| Total cost or valuation | 130,060 | 6,108 | 749 | 4,618 | 473 | 979 | 142,987 |

The Authority has considered whether the carrying value of PPE assets that have not been revalued in the year is materially different to fair value. In revaluing assets during 2019/20, the Council's Surveyor has considered the effect any significant movement in the value of revalued assets on the remaining assets not scheduled for revaluation, and has confirmed that no further adjustments are required.

Capital Commitments

At 31 March 2020, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years budgeted to cost £1.393m. The major commitments are:

- Diversion of water mains to Alker Lane Site – £0.277m.
- Construction of the pavilion, car parking and access at Westway Sports Hub - £1,116m.

Impairment Losses

During 2019/20, the authority has recognised a reversal of impairment loss of £200k in relation to windows at Chorley Town Hall Lancastrian suite. Since the initial impairment the windows were all replaced and refurbished and so the impairment has been reversed, classified as other land and buildings, through the CIES.

The reversal of the impairment loss has been credited to the Policy and Governance line in the Comprehensive Income and Expenditure Statement.

The recoverable amount of the Town Hall has been measured at Existing Use Value (EUV). The comparable method of valuation was used to arrive at the EUV for this asset. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in similar locations on or around the valuation date. The inputs are all considered to be Level 2 inputs which are observable but indirect comparables.

Material Items of Expenditure

During 2019/20 the authority made additions to PPE assets of £43.940 million which is comparatively higher than the figure from 2018/19 figure of £22.329 million.

This is mainly due to the purchase of one property, Logistics House, at a cost of £33.668 million. Logistics House is a major warehousing and distribution centre within the Borough. Although currently classified as Property, Plant and Equipment this is an interim measure, pending the completion of the set-up of a Council wholly owned company to which the property will transfer under a long term leasing arrangement. This was delayed due to the disruption caused by the Covid-19 pandemic but is expected during 2020/21.

16 HERITAGE ASSETS

| Cost or Valuation | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| As at 1 April | 2,452 | 2,530 |
| Additions | 0 | 0 |
| Donations | 0 | 0 |
| Revaluations recognised in Revaluation Reserve | 78 | 0 |
| Disposals | 0 | 0 |
| Revaluations recognised in CI&ES | 0 | 0 |
| As at 31 March | 2,530 | 2,530 |

HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were two disposals and no acquisitions during the five years 2014/15 to 2019/20. An asset already held by the authority was recognised as a donated heritage asset during 2017/18 and revalued accordingly.

HERITAGE ASSETS – FURTHER INFORMATION

The assets included within Heritage assets are as follows:

Civic Regalia

This mainly consists of mayoral badges, chains of office, and other regalia used in civic activities. It was last re-valued in 2016.

Astley Hall

The house was built in the mid-seventeenth century, and extended in 1825. It was given to Chorley Council in 1922 as a memorial following the First World War. It houses a collection of paintings and furniture and has accredited museum status awarded by the Arts Council. The house is valued using the depreciated cost method of valuation. Following a detailed condition survey in 2010/11, its value was reduced to a nominal £1 to reflect the substantial repair liability.

Astley Hall furniture and art collection

A large part of the collection was gifted to the Council with the house, but it has been added to buy gifts and purchases in the following years. The collection consists of numerous minor works of art and furniture. It is included in the statement of accounts at the 2019 insurance value of £1.840m.

Astley Park Entrance

Astley Park was given, along with the Hall, to Chorley Council in 1922 in memory of those who died in the Great War. After this transfer the arch, formerly of nearby Gillibrand Hall, was rebuilt as the main entrance, which it still serves as today. Close to the main gates and arch is a former drinking fountain, inscribed with the words "Erected by Ann Pollard AD 1861". It was included in the statement of accounts at the 2019 insurance value of £0.587m.

Benjamin Disraeli Statue

The statue was formerly situated on a rooftop on the corner of Chapel Street and Cleveland Street on the building once known as Beaconsfield Buildings. The statue was erected in 1886, after his death in 1881, by the Primrose League who met in the room below. The statue was taken down and restored following problems with the roof and due to the prohibitive cost of returning it to its original position was donated to the council and is now located in the Walled Garden in Astley Park.

Preservation and management

The Council has a ten-year plan for the use and maintenance of the hall and contents. Periodic structural surveys are undertaken, the last during 2014/15. Additions and disposal of the collection is managed in accordance with The Acquisitions and Disposal Policy.

17 INVESTMENT PROPERTIES

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Rental Income from investment property | 67 | 67 |
| Direct operating expenses arising from investment property | 0 | 0 |
| Net gain/(loss) | 67 | 67 |

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. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The assets are comprehensively re-valued every five years, and annually reviewed for any indications that changes in yields or void levels warrant a review of fair values. The following table summarises the movement in the fair value of these properties over the past years.

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Fair value at the start of the year | 887 | 885 |
| Disposals | 0 | 0 |
| Net gain/(loss) from fair value adjustments | (2) | 398 |
| Transfers: (To)/From Property, Plant and Equipment | 0 | 0 |
| Value at year-end | 885 | 1,283 |

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

Valuation techniques used to determine Level 2 fair values for investment properties

The fair value for the investment properties has been measured using the market approach. The approach is described at paras B5 to B7 of IFRS 13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The inputs to this technique constitute **Level 2 inputs** in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

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 the 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 set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

18 INTANGIBLE ASSETS

The Authority accounts for its computer software as intangible assets, to the extent that the software is not an integral part of a particular IT system 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. Useful lives assigned to the major software suites used by the Authority are:

| Asset Description | Amortisation Period |
|------------------------------|---------------------|
| Website | 3 years |
| Thin client implementation | 7 years |
| Revenues & Benefits software | 7 years |

Amortisation is on a straight line basis. In 2019/20 the amortisation charge of £0.014m was charged principally to the Customer & Digital directorate.

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

| | 2018/19 £'001 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at the start of the year | | |
| Gross carrying amount | 1,230 | 1,238 |
| Accumulated amortisation | (1,160) | (1,174) |
| Net carrying amount at year start | 70 | 64 |
| Movements in the year | | |
| Additions in year | 8 | 0 |
| Disposals in year | 0 | 0 |
| Amortisation in year | (14) | (14) |
| Amortisation in respect of disposals | 0 | 0 |
| Net carrying amount at the year-end | 64 | 50 |

There are no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the Council.

19 FINANCIAL INSTRUMENTS

19a Categories of Financial Instruments

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

| | Long-Term | | Current | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2019 £'000 | 31 March 2020 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
| <u>Investments</u> | | | | |
| Cash in hand and at Bank, less Bank Overdraft (Note 21) | 0 | 0 | 2,917 | 8,933 |
| <u>Debtors</u> | | | | |
| Loans and receivables | 463 | 4,655 | 1,692 | 5,504 |
| Debtors that are not Financial Instruments | 0 | 0 | 3,953 | 2,528 |
| Total Debtors | 463 | 4,655 | 5,645 | 8,032 |
| <u>Borrowings</u> | | | | |
| Financial liabilities at amortised cost - Principal | (18,949) | (62,160) | (2,041) | (6,366) |
| Financial liabilities at amortised cost – Accrued Interest | 0 | 0 | (174) | (297) |
| | (18,949) | (62,160) | (2,215) | (6,663) |
| <u>Creditors</u> | | | | |
| Financial liabilities carried at contract amount | (682) | (1,325) | (4,524) | (3,688) |
| Creditors that are not Financial Instruments | 0 | 0 | (4,468) | (8,161) |
| Total Creditors | (682) | (1,325) | (8,992) | (11,849) |

In respect of Long Term Debtors, in 2019/20, rent free periods granted and payments made to incoming tenants in the Market Walk and Market Walk Extension commercial units had a net value of £4.197m. At 31 March 2020, the total outstanding in respect of such payments was £4.283m (31 March 2019 £86k). These sums will be recovered from the rental income payable over the lifetime of the tenancies.

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. Short term loans of £4.5m were taken out to support immediate cash flow requirements (the balance of figure of £6.366m is the element of outstanding PWLB borrowing which falls due for repayment within one year).

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.

19b Income, Expense, Gains and Losses

The amounts charged in the Comprehensive Income and Expenditure Statement are as follows:

| | 2018/19 | | | 2019/20 | | |
|-------------------------------------|---|--------------------------------------|-------------|---|--------------------------------------|-------------|
| | Financial Liabilities at Amortised Cost | Financial Assets Loans & Receivables | Total | Financial Liabilities at Amortised Cost | Financial Assets Loans & Receivables | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Interest expenses | 485 | 0 | 485 | 1,075 | 0 | 1,075 |
| Impairment Increase/ (Reduction) | 2 | 0 | 2 | (398) | 0 | (398) |
| | 487 | 0 | 487 | 677 | 0 | 677 |
| Interest income | 0 | (65) | (65) | 0 | (68) | (68) |
| Total income | 0 | (65) | (65) | 0 | (68) | (68) |
| Net (gain)/loss for the year | | | 422 | | | 609 |

19c Fair Values of Assets and Liabilities

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), using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the table sets out the alternative fair value measurement applying the premature repayment rates, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, PWLB prevailing market 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.

The fair values calculated are as follows:

| Financial Liabilities | 2018/19 | | 2019/20 | |
|--------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| PWLB Debt | (20,164) | (22,211) | (64,323) | (61,438) |
| Short Term Borrowing | (1,000) | (1,000) | (4,500) | (4,500) |
| Short Term Creditors | (4,524) | (4,524) | (3,688) | (3,688) |
| Long Term Creditors | (682) | (682) | (1,325) | (1,325) |
| Total Liabilities | (26,370) | (28,417) | (73,836) | (70,951) |

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £61.438m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the balance sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at the new borrowing rates from the PWLB.

The Authority has also calculated an exit price fair value for PWLB loans of £83.011m, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

| Financial Assets | 2018/19 | | 2019/20 | |
|---------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Cash and Cash Equivalents | 2,917 | 2,917 | 8,933 | 8,933 |
| Short Term Debtors | 1,692 | 1,692 | 5,504 | 5,504 |
| Long Term Debtors | 463 | 497 | 4,655 | 4,728 |
| Total Assets | 5,072 | 5,106 | 19,092 | 19,165 |

Short Term debtors and creditors are carried at cost as this is a fair approximation of their value.

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 – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates.

Overall procedures for managing risk

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by the financial accounts team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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 requires that deposits are not made with financial institutions unless they meet minimum creditworthiness criteria, provided by the council's treasury advisor Link Asset Services. The creditworthiness service combines the credit ratings from all three ratings agencies (Fitch, Moody's and Standard & Poors) in a sophisticated modelling process. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category.

The key areas of the Investment Strategy are as follows:

- The Council only lends to UK-incorporated financial institutions. This strategy does not therefore specify a minimum sovereign rating.
- The Council may use AAA rated Money Market Funds.
- The Council may lend to the UK Government (which includes the Debt Management Office), and UK Local Authorities.

Sundry Debtors

Assessment of the expected credit loss on the outstanding balance of short-term debtors is made using a provision matrix based on the age of the outstanding debt and previous experience of recovery rates. At 31 March 2020, the outstanding gross amount was £6.664m (£3.379m at 31 March 2019) and the maximum exposure to credit loss was assessed as £1.799m (£1.687m at 31 March 2019).

The risk of loss has been fully provided for. No collateral is held as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow requirements, and access to the Public Works Loans Board and money markets for longer term funds. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

Interest rates on its borrowings at 31 March 2020 vary between 1.32% and 4.34%, and the maturity analysis of its borrowing is as follows:

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|-----------------------|---------------------------|---------------------------|
| Less than 1 year | 1,215 | 6,663 |
| Between 1 and 2 years | 883 | 1,895 |
| Between 2 and 5 years | 2,641 | 5,512 |
| More than 5 years | 15,425 | 54,753 |
| Total | 20,164 | 68,823 |

Market risk

Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short-term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Comprehensive Income and Expenditure Statement. To mitigate risk the Council's annual Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all 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 |
|---|-------------|
| Loss - Increase in interest payable on variable rate borrowings | 0 |
| Gain - Increase in interest receivable on variable rate investments | (82) |
| Gain - Impact on Comprehensive Income and Expenditure Statement | (82) |
| Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement) | (7,830) |

Price risk – The Council has no exposure to this risk, having no available for sale assets.

Foreign Exchange Risk – The Council has no material exposure to the risk of currency movements.

20 DEBTORS

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|------------------------------|------------------------|------------------------|
| Trade Receivables | 463 | 5,800 |
| Prepayments | 634 | 644 |
| Other Receivables* | 6,651 | 3,896 |
| Gross Carrying Amount | 7,748 | 10,340 |
| Less Bad Debt Provisions | (2,103) | (2,308) |
| Net Carrying Amount | 5,645 | 8,032 |

*Amount at 31 March 2020 includes £941k of income due to the council in respect of Logistics House (see Note 41 for detail).

21 CASH AND CASH EQUIVALENTS

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

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|------------------------|------------------------|
| Cash held by the Authority | 348 | 148 |
| Bank current and call accounts | 2,569 | 9,512 |
| Bank overdraft | 0 | (727) |
| Total within Current Assets | 2,917 | 8,933 |
| Total Cash and Cash Equivalents | 2,917 | 8,933 |

22 SHORT TERM CREDITORS

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|-----------------|------------------------|------------------------|
| Trade Payables | (3,784) | (2,357) |
| Other Payables* | (5,208) | (9,492) |
| Total | (8,992) | (11,849) |

*Amount at 31 March 2020 includes £941k in respect of Logistics House, held by the council pending its transfer to a council wholly owned company (see Note 41 for detail).

23 PROVISIONS

The movements in provisions during the year were as follows.

| | Balance 1 April 2019 £'000 | Movements | | | Balance 31 March 2020 £'000 |
|----------------------------|----------------------------------|---|---------------|----------------|--------------------------------------|
| | | Reapportion- ment of Opening Balance (see below) £'000 | Used £'000 | Added £'000 | |
| Municipal Mutual Insurance | (14) | 0 | | 0 | (14) |
| Business rates appeals | (1,180) | (471) | 26 | (227) | (1,852) |
| Total | (1,194) | (471) | 26 | (227) | (1,866) |

Municipal Mutual – This Company was the Council's insurer prior to it becoming insolvent in 1993. Under a Scheme of Arrangement the Council shares a liability with other Councils to pay back a part of settlements received if the insurer's ongoing liabilities exceed its assets.

Business Rates Appeals – This is held against the possibility of successful backdated appeals against Business Rates valuations. There is a high degree of uncertainty about the amount of any reduction granted, how far back it will apply, and when the appeal will be decided. At 31 March 2020, an overall provision of £3.308m was shared, in the same proportions as the business rates income for the year, between the council (56%), the Ministry for Housing, Communities and Local Government (25%), Lancashire County Council (17.5%) and the Lancashire Fire Authority (1.5%). These shares reflect the fact that in 2019/20 the council was in a Pilot Area for 75% local retention of Business Rates income. This compares to the 50% local retention that was applicable for 2018/19, when the council's share was 40% and the respective shares for the other bodies were Ministry for Housing, Communities and Local Government 50%, Lancashire County Council 9% and the Lancashire Fire Authority 1%. Had these percentages remained in place at the end of 2019/20, then the council's share of the provision would have been £1.323m. For 2020/21, the council has reverted to percentages applicable in 2018/19.

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 15). The purpose of General Fund Earmarked Reserves is detailed in Note 11.

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|---|------------------------|------------------------|
| General Fund Working Balance | (4,000) | (4,000) |
| General Fund Earmarked Reserves | (6,075) | (6,762) |
| Total General Fund Balance | (10,075) | (10,762) |
| Capital Receipts Reserve | (1,071) | (973) |
| S106 Contributions from developers | (7,634) | (7,500) |
| Community Infrastructure Levy (CIL) | (6,288) | (5,723) |
| Other Capital Grants and Contributions | (108) | 0 |
| Total Capital Grants and Contributions Unapplied | (14,030) | (13,223) |
| Total Usable Reserves at year-end | (25,176) | (24,958) |

25 UNUSABLE RESERVES

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|---|---------------------------|---------------------------|
| Revaluation Reserve (Note 25a) | (10,172) | (16,437) |
| Capital Adjustment Account (Note 25b) | (36,566) | (36,133) |
| Deferred Capital Receipts Reserve (Note 25c) | (289) | (289) |
| Pensions Reserve (Note 25d) | 45,997 | 42,761 |
| Collection Fund Adjustment Account (Note 25e) | 77 | (544) |
| Accumulated Absences Account (Note 25f) | 157 | 190 |
| Total Unusable Reserves at year-end | (796) | (10,452) |

25a Revaluation Reserve

The Revaluation Reserve holds the gains arising from increases in the valuation of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The Reserve holds only gains accumulated since 1 April 2007. Gains prior to that date were consolidated in the Capital Adjustment Account.

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at 1 April | (10,467) | (10,172) |
| Upward revaluation of assets | (463) | (8,703) |
| Difference between fair value and historic cost depreciation | 174 | 162 |
| Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement | 427 | 2,276 |
| Accumulated gains/losses on assets sold or scrapped | 157 | 0 |
| Balance at 31 March | (10,172) | (16,437) |

25b Capital Adjustment Account

This account contains the following:

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|--------------------------------|--------------------------------|
| Balance at 1 April | (26,612) | (36,566) |
| <u>Reversal of items relating to capital expenditure debited or credited to the CI&ES</u> | | |
| Charges for depreciation & impairment of non-current assets | 1,493 | 1,891 |
| Revaluation losses on Property, Plant and Equipment | 3,099 | 3,440 |
| Amortisation of intangible assets | 14 | 14 |
| Revenue expenditure funded from capital under statute | 2,711 | 2,111 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 162 | 6 |
| | 7,479 | 7,462 |
| <u>Adjusting amounts written out of the Revaluation Reserve</u> | | |
| Difference between fair value and historic cost depreciation | (174) | (162) |
| Accumulated gains/losses on assets sold or scrapped | (156) | 0 |
| | (330) | (162) |
| <i>Net written out amount of the cost of non-current assets consumed in the year</i> | <i>7,149</i> | <i>7,300</i> |
| <u>Capital financing applied in the year</u> | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | (576) | (234) |
| Capital grants & contributions credited to the CI&ES that have been applied to capital financing | (8,208) | (2,057) |
| Application of grants to capital financing from Capital Grants Unapplied | (5,688) | (2,863) |
| Statutory & voluntary provision for the repayment of debt | (542) | (569) |
| Capital expenditure charged to the General Fund Balance | (2,091) | (746) |
| | (17,105) | (6,469) |
| Movements in the market value of Investment Properties debited or credited to the CI&ES | 2 | (398) |
| Balance at 31 March | (36,566) | (36,133) |

25c Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at 1 April | (289) | (289) |
| Transfer to Capital Receipts Reserve on receipt of cash | 0 | 0 |
| Balance at 31 March | (289) | (289) |

25d Pensions Reserve

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 45,239 | 45,997 |
| Remeasurement of the net defined benefit liability | (699) | (6,510) |
| Reversal of charges posted to the Comprehensive Income & Expenditure Statement | 3,685 | 5,752 |
| Employers contributions and direct payments to pensioners payable in the year | (2,228) | (2,478) |
| Balance at 31 March | 45,997 | 42,761 |

25e Collection Fund Adjustment Account

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 441 | 77 |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (364) | (621) |
| Balance at 31 March | 77 | (544) |

25f Accumulated Absences Account

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 147 | 157 |
| Settlement or cancellation of accrual made at the end of the preceding year | (147) | (157) |
| Amounts accrued at the end of the current year | 158 | 190 |
| Amount by which officer remuneration charged to the CI&ES on accruals basis differs from remuneration chargeable in year in accordance with statutory requirements | 10 | 33 |
| Balance at 31 March | 157 | 190 |

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| | 2018/19 £'000 | 2019/20 £'000 |
|-------------------|------------------|------------------|
| Interest received | 66 | 68 |
| Interest paid | (462) | (1,075) |
| | (396) | (1,007) |

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

| Note 26a: Non-cash movements | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Depreciation | 1,693 | 1,891 |
| Impairment and downward valuations | 3,066 | 3,440 |
| Amortisation | 14 | 14 |
| Increase/(decrease) in creditors | (97) | 4,433 |
| (Increase)/decrease in debtors | (44) | (4,924) |
| Movement in pension liability | 1,457 | 3,274 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 161 | 6 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 300 | 275 |
| | 6,550 | 8,409 |

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

| Note 26b: Investing and financing activities | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (148) | (136) |
| Any other items for which the cash effects are investing or financing cash flows | (13,960) | (4,168) |
| | (14,108) | (4,304) |

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|--------------------------|--------------------------|
| Purchase of property, plant & equipment, investment property and intangible assets. | (20,169) | (44,233) |
| Other payments for investing activities | (57) | (4,193) |
| Proceeds from the sale of assets. | 300 | 136 |
| Other receipts from investing activities | 16,426 | 6,061 |
| Net cash flows from investing activities | (3,500) | (42,229) |

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

| | 2018/19 £'000 | 2019/20 £'000 |
|---|--------------------------|--------------------------|
| Cash receipts from short- and long-term borrowing | 7,000 | 48,990 |
| Repayments of short- and long-term borrowing | (1,261) | (1,331) |
| Other receipts from financing activities | 970 | (21) |
| Net cash flows from financing activities | 6,709 | 47,638 |

Reconciliation of Liabilities arising from Financing Activities

| | 1 April 2019 £'000 | Financing cash flows | | Other non- cash £'000 | 31 March 2020 £'000 |
|---|-----------------------------------|------------------------------|----------------------------|--------------------------------------|------------------------------------|
| | | Acquisition £'000 | Repayment £'000 | | |
| Long-term borrowing | 18,949 | 45,077 | | (1,866) | 62,160 |
| Short-term borrowing | 2,215 | 3,912 | (1,454) | 1,990 | 6,663 |
| Total borrowing | 21,164 | 48,989 | (1,454) | 124 | 68,823 |
| Creditors - Council Tax & NNDR due to Preceptors & Central Government | 2,961 | (21) | | | 2,940 |
| Total | 24,125 | 48,968 | (1,454) | 124 | 71,763 |

29 MEMBERS ALLOWANCES

| | 2018/19 £'000 | 2019/20 £'000 |
|--------------|--------------------------|--------------------------|
| Allowances | 310 | 311 |
| Expenses | 3 | 3 |
| Total | 313 | 314 |

30 OFFICERS REMUNERATION

Remuneration of Senior Employees was as follows:

| Senior Employees Post Title | Year | Salary £'000 | Expenses Allowance £'000 | Benefits in Kind £'000 | Compensation for loss of Office £'000 | Total Remuneration (excl. Pension contributions) £'000 | Pension Contribution £'000 | Total Remuneration (incl. Pension contributions) £'000 |
|---|---------|-----------------|--------------------------------|------------------------------|---|--|----------------------------------|--|
| Chief Executive (a) | 2019/20 | 117 | 0 | 6 | 0 | 123 | 17 | 140 |
| Deputy Chief Executive/Director (Early Intervention and Support) (b) | 2019/20 | 56 | 0 | 7 | 0 | 63 | 8 | 71 |
| Deputy Chief Executive (c) | 2019/20 | 33 | 0 | 4 | 0 | 37 | 5 | 41 |
| Director (Policy and Governance) (d) | 2019/20 | 35 | 0 | 3 | 0 | 38 | 5 | 43 |
| Director (Customer and Digital) | 2019/20 | 79 | 0 | 0 | 0 | 79 | 11 | 90 |
| Director (Business, Development and Growth)/Director of Commercial Services (e) | 2019/20 | 74 | 0 | 0 | 0 | 74 | 11 | 84 |
| Head of Legal, Democratic and HR Services (f) | 2019/20 | 23 | 0 | 2 | 0 | 25 | 3 | 28 |
| Chief Legal Officer (g) | 2019/20 | 15 | 0 | 1 | 0 | 16 | 2 | 18 |
| Director of Governance (h) | 2019/20 | 25 | 0 | 1 | 0 | 26 | 4 | 30 |

Note a: The Chief Executive took on the additional role of Interim Chief Executive at South Ribble Borough Council (Head of Paid Service) with effect from 24th May 2019. His time is divided equally between the two councils and an additional payment is received in respect of the additional duties. South Ribble Borough Council are charged 50% of the cost of the post from this date for the duration that the interim arrangements are in place. The postholder has also performed the statutory role of S151 Officer during the period.

Note b: The Deputy Chief Executive/Director (Early Intervention and Support) left this role and was recruited to the new Deputy Chief Executive post with effect from 1st December 2019. Prior to this the postholder received additional payments to cover the role of Director (Policy and Governance) from 16th September following the departure of the previous postholder. From 1st December 2019 the post has been designated solely as Director (Early Intervention and Support).

Note c: This is a new post with effect from 1st December 2019. The cost of the post is shared between Chorley and South Ribble Borough Councils. The post-holder is formally employed by Chorley Borough Council and South Ribble Borough Council is charged 50% of the salary and other remuneration.

Note d: The Director (Policy and Governance) left the authority on 15th September 2019.

Note e: The post was designated as Director of Commercial Services following a senior management review during the financial year. The postholder and remuneration were unchanged.

Note f: This post was deleted on 31st August 2019 following a senior management restructure. The Monitoring Officer role was transferred to the new post of Chief Legal Officer.

Note g: This is a new post created from 1st September following a senior management restructure with responsibility for the Monitoring Officer role. Following the expansion of Shared Services the post was deleted on 30th November 2019.

Note h: This is a new post with effect from 1st December 2019 with responsibility for the Monitoring Officer role. The cost of the post is shared between Chorley and South Ribble Borough Councils. For the duration of the 2019-20 financial year the post-holder is formally employed by Chorley Borough Council and South Ribble Borough Council is charged 50% of the salary and other remuneration. From 1st April 2020 the postholder will transfer formal employment to South Ribble Borough Council who will then charge Chorley Council 50% of the cost.

The comparative information for the preceding year is as follows:

| Senior Employees Post Title | Year | Salary £'000 | Expenses Allowance £'000 | Benefit s in Kind £'000 | Compensatio n for loss of Office £'000 | Total Remuneratio n (excl. Pension contributions) £'000 | Pension Contributio n £'000 | Total Remuneratio n (incl. Pension contributions) £'000 |
|--|---------|-----------------|--------------------------------|----------------------------------|--|---|-----------------------------------|---|
| Chief Executive | 2018/19 | 105 | | 5 | | 110 | 15 | 125 |
| Deputy Chief Executive/Director (Early Intervention and Support) | 2018/19 | 82 | | 10 | | 91 | 12 | 103 |
| Director (Policy and Governance) | 2018/19 | 72 | | 2 | | 75 | 10 | 85 |
| Director (Customer and Digital) | 2018/19 | 69 | | 5 | | 75 | 10 | 85 |
| Director (Business, Development and Growth) | 2018/19 | 72 | | 0 | | 72 | 10 | 82 |
| Head of Shared Financial Services (a) | 2018/19 | 7 | | 1 | 59 | 67 | 4 | 71 |
| Head of Legal, Democratic and HR Services | 2018/19 | 53 | | 5 | | 58 | 8 | 66 |

Note a: The cost of the Head of Shared Financial Services post is shared between Chorley and South Ribble Borough Councils. The post-holder left the authority on 13 May 2018. Both councils have covered this vacancy with internal acting up arrangements.

The Head of Shared Assurance post (which is not listed in the table above) was shared between South Ribble and Chorley Councils but the salary is paid through South Ribble Borough Council's payroll. The post was vacated on 2 November 2018 with temporary arrangements in place to cover the vacancy.

Other employees receiving more than £50,000 remuneration, excluding pension contributions, were as follows:

| Remuneration Band | 2018/19 Number of Employees | 2019/20 Number of Employees |
|---------------------|-----------------------------|-----------------------------|
| £50,000 - £54,999 | 1 | 4 |
| £55,000 - £59,999 | 5 | 2 |
| £60,000 - £64,999 | - | 3 |
| £65,000 - £69,999 | - | 1 |
| £70,000 - £74,999 | 1 | - |
| £75,000 - £79,999 | - | - |
| £80,000 - £84,999 | - | - |
| £85,000 - £89,999 | - | - |
| £90,000 - £94,999 | - | - |
| £95,000 - £99,999 | - | - |
| £100,000 - £104,999 | - | - |
| £105,000 - £109,999 | - | - |
| £110,000 - £114,999 | - | - |
| £115,000 - £119,999 | - | - |
| £120,000 - £124,999 | - | - |
| £125,000 - £129,999 | - | - |
| £130,000 - £134,999 | - | - |
| £135,000 - £139,999 | - | 1 |
| £140,000 - £144,999 | - | - |
| £145,000 - £149,999 | - | - |
| £150,000 - £154,999 | - | - |
| £155,000 - £159,999 | - | - |
| £160,000 - £164,999 | - | 1 |

31 TERMINATION BENEFITS

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

| Packages banded by cost | Number of compulsory redundancies | | Number of other agreed departures | | Total number of exit packages by cost band | | Total cost of exit packages in each band £'000 | |
|-------------------------|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|------------|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| £0 - £20,000 | 1 | 0 | 9 | 7 | 10 | 7 | 36 | 57 |
| £20,001 - £40,000 | 0 | 0 | 5 | 1 | 5 | 1 | 142 | 36 |
| £40,001 - £60,000 | 0 | 0 | 1 | 0 | 1 | 0 | 59 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 70 |
| £80,001 - £100,000 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | 175 |
| £100,000 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001 - £200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £200,001 - £250,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £250,001 - £300,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £300,000 - £350,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 | 0 | 15 | 11 | 16 | 11 | 237 | 338 |

32 EXTERNAL AUDIT COSTS

The fees due from the Council to the external auditors for works carried out relating to the year of account 2019/20 were as follows.

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Fees for statutory inspection and audit | 37 | 35 |
| Planned variations (not yet approved)* | | 9 |
| Fees for the certification of grant claims and returns | 7 | 11 |
| Fees payable in respect of other services** | 5 | 0 |
| Total | 49 | 55 |

* The planned variations have been raised by the external auditor with the council's Section 151 Officer at the audit planning stage and are subject to approval and PSAA agreement.

** Fees payable in respect of other services in 2018/19 includes payment of £5,000 to Grant Thornton UK LLP in relation to the 2018/19 Homes England Audit for the Primrose Gardens affordable housing.

33 GRANT INCOME

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| <u>Credited to Taxation and Non-Specific Grant Income & Expenditure (Note 14)</u> | | |
| Revenue Support Grant (RSG) | (299) | 0 |
| New Homes Bonus grant | (2,989) | (2,790) |
| Section 31 Grants - Business Rates Reliefs | (1,224) | (1,995) |
| Other revenue grants | (112) | (238) |
| Capital Contributions – S106 Contributions | (3,392) | (1,426) |
| Capital Contributions – Community Infrastructure Levy | (2,570) | (974) |
| Capital other grants and contributions | (6,395) | (450) |
| Total | (16,981) | (7,873) |
| <u>Credited to Services</u> | | |
| Grants – benefits related | (23,245) | (20,240) |
| Grants – other | (925) | (1,091) |
| Contribution – County Council reimbursement | (330) | (271) |
| Contributions – other | (1,530) | (1,328) |
| Total | (26,030) | (22,930) |

Given their overall material amounts, a line has been added to the above table to separately disclose the Section 31 Grants received from the Government in compensation for income foregone as a result of granting business rates reliefs, principally Small Business Rate Relief, which amounted to £1.476m in 2019-20 (£1.093m in 2018/19).

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income, because they have conditions attached that could require the monies to be returned to the giver. The balance of such grants is at the end of the year is shown separately on the balance sheet as Grant Receipts in Advance – Capital. At the end of 2019/20 (and also at the end of 2018/19), there were no individual material amounts. The totals were as follows:

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Grant Receipts in Advance - Capital | | |
| Various grants and contributions | (111) | (86) |
| Total | (111) | (86) |

34 RELATED PARTIES

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

- **Central Government**

Central government has effective control over the general operations of the council as it provides the statutory framework within which the Authority 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**

Members 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 items relating to the personal interest of partners, relatives, or friends, are also recorded in the minutes of the meeting and the member will leave the meeting. Declarations are open to public inspection.

Note 29 relates to the allowances paid to members. The amounts paid to individual members are reported on the Council's web site.

- Members are also appointed to represent the Council on various external organisations some of which receive financial assistance from the Council. Significant payments to such organisations are discussed under "Entities Controlled or Significantly Influenced by the Authority". In other cases, the amounts paid were immaterial, and were properly approved.

- **Officers**

The Staff Code of Conduct requires declaration, to the departmental Chief Officer, of close personal relationships with Councillors and Contractors, financial and non-financial interests in, or membership of, external organisations, and all hospitality or gifts. These arrangements are subject to monitoring and reporting by the Council's HR Department. There were no material related party transactions in respect of officer

- **Chorley Youth Zone**

Chorley Youth Zone opened on 5th May 2018. Total cost is estimated at £4.7m shared as CBC £1m (excluding the £180k purchase of the site), LCC £1.1m and Onside who will arrange other funding for the remaining balance. Chorley Youth Zone is owned and operated as the Chorley Youth Zone Charitable Trust (CYZCT) with Chorley Council as landowner leasing the land to CYZCT over a 125-year lease at a peppercorn rate.

Chorley Council makes a £100k annual revenue contribution to the trust to support its operations. Chris Sinnott, Deputy Chief Executive at Chorley Council is one of 9 directors to CYZCT and therefore does not have a controlling interest.

- **Chorley Community Housing Ltd (CCH)**

In 2006/07 the Council's housing stock was transferred to CCH.

The Association was formed in March 2007 and immediately joined the Adactus Group Structure as a subsidiary of Adactus Housing Group Limited.

In 2018 the Adactus Group merged with the New Charter Group and created the Jigsaw Homes Group Limited.

The Council receives a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (see note 39 Contingent Assets). In 2019/20 this totalled £0.098m (2018/19 £0.098m).

An outstanding CCH debtor as of 31st March 2020 amounts to £97,735.87.

- **Partnerships, Companies and Trusts**

Financial & Assurance Shared Services Partnership – In January 2009, this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. From inception to 31st March 2020 this provides for the provision of accountancy, exchequer, treasury management, procurement, and assurance services across the administrative areas of the two Councils and assurance services across the administrative areas of the two Councils.

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

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

In 2019/20 gross expenditure of £1.83m (2018/19 £1.74m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

An outstanding F&ASSP debtor as of 31st March 2020 amounts to £308,340.35

An outstanding F&ASSP creditor as of 31st March 2020 amounts to £57,449.79

- **Entities Controlled or Significantly Influenced by the Authority**

Chorley and South Ribble Shopmobility

Payment of subsidy of £17k was made to Chorley & South Ribble Shopmobility in 2018/19, to supply Shopmobility services for the community of Chorley and District with wheelchairs and Mobility Scooters for the year 2019/20.

Chorley & South Ribble Shopmobility typically receive £25k to £30k of income per annum and therefore Chorley Council's contribution represents a significant proportion of this income. The council has one councillor who is a trustee of the charity, there are eight trustees in total.

Whittle le Woods and Clayton le Woods Parish Club

Payment of £560k was made in May 2019 to the Trustees of Whittle le Woods and Clayton le Woods Parish Club on the completion of the purchase of 239 Preston Road by Chorley Council.

The purchase was made to facilitate the development of a GP surgery to relocate GP's from Whittle GP surgery currently located at 199 Preston Road that is no longer fit for purpose. The development will involve the demolition of the existing parish centre and the construction of a new purpose-built building.

Whittle le Woods and Clayton le Woods Parish Club typically receive less than £20k per annum and therefore this sale represents a significant receipt to the organisation. The council has one councillor who holds the position of Charity trustee along with four other people.

35 CAPITAL EXPENDITURE AND FINANCING

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

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

| | 2018/19 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 41,507 | 49,284 |
| Capital investment | | |
| Property, Plant and Equipment (Note 15) | 22,329 | 43,940 |
| Less 2017/18 PPE investment reclassified as REFCUS | (166) | 0 |
| Intangible Assets (Note 18) | 7 | 0 |
| Heritage Assets (Note 16) | 1 | 0 |
| Revenue Expenditure Funded from Capital under Statute | 2,711 | 2,111 |
| Sources of finance | | |
| Capital Receipts | (576) | (234) |
| Government Grants and Other Contributions | (13,896) | (4,921) |
| Sums set aside from revenue | | |
| Revenue Financing (Note 26b) | (2,091) | (746) |
| Minimum Revenue Provision – statutory (Note 26b) | (542) | (569) |
| Closing Capital Financing Requirement | 49,284 | 88,865 |
| Explanation of movements in year | | |
| Increase in prudential borrowing | 8,319 | 40,150 |
| Provision made for debt repayment | (542) | (569) |
| Increase/(Decrease) in Capital Financing Requirement | 7,777 | 39,581 |

The Capital Financing Requirement takes account of two major investments, a £23.341 million investment into Property, Plant and Equipment during the 2013/14 financial year, and £33.668 million during the 2019/20 financial year; both were financed by prudential borrowing.

The £23.341 million investment was to purchase the Market Walk shopping centre which continues to generate income for the Authority. The financing requirement is offset annually by a provision for debt repayment.

The £33.668 million relates to the purchase of Logistics House, a major warehousing and distribution centre within the Borough. Although currently classified as Property, Plant and Equipment within the Council accounts this is an interim measure, pending the transfer of the asset to a Council wholly owned company under a long-term leasing arrangement. This will allow the Council will to receive an ongoing income stream from the company, while meeting the requirements of Section 4 of the Localism Act 2011.

The council utilised almost £5m of capital grants and developer contributions in 2019/20. In terms of value most of the grants utilised were continuations of major expenditure in 2018/19 and included £0.230m ERDF funding towards the Strawberry Fields Digital Office Park, and £0.483m Lottery funding towards the renovation of Bank Hall. Developer contributions included the use of CIL contributions of £0.600m towards enabling works at the Strawberry Fields Digital Office Park and £0.565m towards Whittle Surgery.

36 LEASES

36a Authority as lessee

Finance leases

The Council has no finance leases

Operating leases

The Authority operates plant, vehicles and office equipment under operating leases. There are also lease arrangements embedded in the refuse contract. The future minimum payments, and sub-lease minimum receipts, are as follows:

| | 31 March 2019 | | 31 March 2020 | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Payments £'000 | Receipts £'000 | Payments £'000 | Receipts £'000 |
| Not later than 1 year | 489 | (43) | 375 | 0 |
| Later than 1 year, not later than 5 | 1,316 | (170) | 1,008 | 0 |
| Later than 5 years | 1,342 | (155) | 888 | 0 |
| Minimum lease payments | 3,147 | (368) | 2,271 | 0 |

For 2018/19, a significant proportion of the future payments and the whole of the future receipts related to a lease in respect of Duxbury Park. This lease was surrendered in 2019/20.

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

| | 2018/19 £'000 | 2019/20 £'000 |
|-------------------------------|------------------|------------------|
| Minimum lease payments | 608 | 502 |
| Sub-lease payments receivable | (43) | (32) |
| Total payable rentals | 565 | 470 |

36b Authority as Lessor

Finance leases

The Council has leased two properties, each for periods of 125 years.

The authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|--|---------------------------|---------------------------|
| Finance lease debtor (present value of minimum lease payments) | | |
| • Current | 0 | 0 |
| • Non-Current | 289 | 289 |
| Unearned finance income | 2,140 | 2,116 |
| Gross investment in the lease | 2,429 | 2,405 |

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

| | Gross investment in the lease | | Minimum lease payments | |
|-----------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2019 £'000 | 31 March 2020 £'000 | 31 March 2019 £'000 | 31 March 2020 £'000 |
| Not later than 1 year | 24 | 24 | 24 | 24 |
| Later than 1 yr. not later than 5 | 95 | 95 | 95 | 95 |
| Later than 5 years | 2,310 | 2,286 | 2,310 | 2,286 |
| Total | 2,429 | 2,405 | 2,429 | 2,405 |

No allowance for uncollectible amounts is deemed necessary. No contingent rents were received by the authority.

Operating leases

The Council lets offices, industrial units and sites, and units in the Market Walk Shopping Centre and Extension. The future minimum lease payments receivable are:

| | 31 March 2019 £'000 | 31 March 2020 £'000 |
|---|------------------------|------------------------|
| Not later than one year | 2,057 | 4,532 |
| Later than one year and not later than five years | 4,325 | 14,438 |
| Later than five years | 11,452 | 62,040 |
| Total receivable rentals | 17,834 | 81,010 |

The significant rise in the amounts shown, compared to 2018/19, is a result of the completion of the Market Walk Extension scheme and the commencement of tenancies in the additional units.

No contingent rents were received by the authority.

37 DEFINED BENEFIT PENSION SCHEME

37a Governance

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

37b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund’s Funding Strategy Statement). The latest valuation, carried out as at 31 March 2019 showed there was a surplus of £12m 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%.

From 2019/20 the figures include an implicit allowance for the estimated cost of the McCloud judgement. The McCloud judgement refers to a legal challenge in relation to historic benefit changes for all public schemes being age discriminatory.

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 as a single amount in April each year of the 3 year valuation period to 2022/23. The Council also opted to pay the full three-year deficit recovery payment for the period 2020/21 – 2022/23. These were both done in return for a small overall discount. The discounted sum paid in April 2020 was £1.330m for the future service rate and £0.417m for the deficit recovery sum.

37c Risks

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

Investment risk management seeks to balance the maximisation of the opportunity for gain and minimise the risk of loss, on the fund’s investments. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk),

by ensuring counterparties meet credit criteria, and that investments are within the limits set by the investment strategy.

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

Sensitivity to these risks is estimated in note 38j.

37d Transactions relating to retirement benefits

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| <u>Comprehensive Income & Expenditure Statement</u> | | |
| Cost of Services: | | |
| Administration | 38 | 50 |
| Current service cost | 2,387 | 2,832 |
| Past service cost | 0 | 1,656 |
| Settlement and curtailment | 107 | 112 |
| Net interest on the net defined benefit liability: | | |
| Interest costs | 3,587 | 3,565 |
| Expected return on scheme assets | (2,434) | (2,463) |
| Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service | 3,685 | 5,752 |
| <u>Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement</u> | | |
| Re-measurement of the net defined benefit liability: | | |
| Return on plan assets, excluding amount included in interest expense | (8,253) | 827 |
| Actuarial experience gains & losses | 0 | 166 |
| Actuarial gains & losses from changes in demographic assumptions | 0 | (5,060) |
| Actuarial gains & losses from changes in financial assumptions | 7,554 | (2,443) |
| Total re-measurements recognised in Other Comprehensive Income | (699) | (6,510) |
| Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement | 2,986 | (758) |
| <u>Movement in Reserves Statement</u> | | |
| Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services | (3,685) | (5,752) |
| Actual employer contributions to the scheme | 2,228 | 2,478 |

37e Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows

| | Scheme Liabilities | |
|--|--|-----------------|
| | Local Government Pension Scheme | |
| | 2018/19 | 2019/20 |
| | £'000 | £'000 |
| Present value of the defined benefit obligation | (149,951) | (146,219) |
| Fair value of plan assets | 103,684 | 103,169 |
| Net liability arising from defined benefit obligation | (46,267) | (43,050) |

37f Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

| | Scheme Assets | |
|--|--|----------------|
| | Local Government Pension Scheme | |
| | 2018/19 | 2019/20 |
| | £'000 | £'000 |
| Opening fair value of scheme assets | 94,165 | 103,684 |
| Interest income | 2,434 | 2,463 |
| Re-measurement gain/(loss) | | |
| Return on plan assets, excluding amount included in interest expense | 8,253 | (827) |
| Employer contributions | 2,224 | 2,459 |
| Employee contributions | 505 | 562 |
| Benefits paid | (3,859) | (5,122) |
| Other | (38) | (50) |
| Closing fair value of scheme assets | 103,684 | 103,169 |

37g Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| | Scheme Liabilities | |
|--------------------------------------|--|------------------|
| | Local Government Pension Scheme | |
| | 2018/19 | 2019/20 |
| | £'000 | £'000 |
| Opening Balance at 1 April | (139,670) | (149,951) |
| Current service cost | (2,387) | (2,832) |
| Interest cost | (3,587) | (3,565) |
| Contributions by scheme participants | (505) | (562) |
| Re-measurement gains and (losses) | | |
| Changes in demographic assumptions | 0 | 5,060 |
| Changes in financial assumptions | (7,554) | 2,443 |
| Experience (gain) or loss | | (166) |
| Other | 0 | 0 |
| Benefits paid | 3,859 | 5,122 |
| Curtailement | (107) | (112) |
| Past service costs | 0 | (1,656) |
| Closing Balance at 31 March | (149,951) | (146,219) |

37h Impact on the Authority's Future Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a level of 100% over 19 years. Funding levels are monitored on an annual basis. The latest triennial valuation was carried out as at 31 March 2019 with the next valuation due as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 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 will pay £1.746m expected contributions to the scheme in 2020/21.

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

37i Local Government Pension Scheme assets comprised

| | Fair value of scheme assets | | | |
|---------------------------|-----------------------------|-----------------------------------|------------------|-----------------------------------|
| | 2018/19 £'000 | Percentage total of asset % | 2019/20 £'000 | Percentage total of asset % |
| Cash | | | | |
| Cash and cash equivalents | 0 | 0.00% | 0 | 0.00% |
| Cash Accounts | 529 | 0.50% | 2,889 | 2.80% |
| Net Current Assets | 72 | 0.10% | (1,754) | -1.70% |
| | 601 | 0.60% | 1,135 | 1.10% |
| Bonds | | | | |
| UK corporate | 704 | 0.70% | 1,237 | 1.20% |
| Overseas corporate | 512 | 0.50% | 1,341 | 1.30% |
| Government | 3,645 | 3.50% | 0 | 0.00% |
| Overseas Fixed Interest | 0 | 0.00% | 0 | 0.00% |
| Sub-total bonds | 4,861 | 4.70% | 2,578 | 2.50% |
| Property | | | | |
| Retail | 2,496 | 2.40% | 103 | 0.10% |
| Commercial | 7,168 | 6.90% | 1,342 | 1.30% |
| Sub-total property | 9,664 | 9.30% | 1,445 | 1.40% |
| Private equity | | | | |
| UK | 0 | 0.00% | 0 | 0.00% |
| Overseas | 53,674 | 51.80% | 54,680 | 53.00% |
| Sub-total private equity | 53,674 | 51.80% | 54,680 | 53.00% |
| Other | | | | |
| Infrastructure | 14,657 | 14.10% | 14,237 | 13.80% |
| Property | 1,587 | 1.50% | 7,325 | 7.10% |
| Credit funds | 7,362 | 7.10% | 16,301 | 15.80% |
| Pooled Fixed Income | 11,278 | 10.90% | 5,468 | 5.30% |
| Sub-total alternatives | 34,884 | 33.60% | 43,331 | 42.00% |
| | 103,684 | 100% | 103,169 | 100% |

37j 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 Mercers, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2019.

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

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period, and for each assumption assumes that other factors remain unchanged.

| | Impact on the defined benefit obligation in the scheme |
|--|--|
| | £'000 |
| Longevity (increase 1 year) | 3,988 |
| Rate of inflation (increase of 0.1% p.a.) | 2,461 |
| Salary inflation (increase of 0.1% p.a.) | 281 |
| Rate for discounting scheme liabilities (increase of 0.1%) | (2,420) |
| Change in 2019/20 investment returns (increase of 1.0%) | (1,021) |

38 CONTINGENT LIABILITIES

On transferring its housing stock in 2006/07, the Council gave warranties to Chorley Community Housing Limited against certain environmental risks. The Council's liability is restricted to a maximum loss of £18m arising over a period of 18 years. It has paid a single premium to insure against claims of up to £15m for a period of 10 years, and has covered the remaining 8 years by payment of additional annual premiums. At 31 March 2020 there are 5 years of the liability period outstanding.

At the end of March 2019, a contingent liability was disclosed in respect of claims made, against councils throughout the country, for mandatory charitable business rates relief by NHS Trusts and NHS Foundation Trusts. The backdated relief was potentially worth hundreds of millions of pounds in total across all of the councils. The councils had rejected the claims on the grounds that the NHS bodies are not charities, and therefore the claims were unfounded. The value of the appeals received by Chorley Borough Council was estimated at £4.264m, of which the authority's share would have been £2.388m (if settled in 2019/20 while a member of the 75% business rates retention pilot pool for Lancashire).. In December 2019, the High Court ruled that these bodies are not eligible for such relief, with their activities being classified as governmental rather than charitable, so the council no longer has a contingent liability for this.

39 CONTINGENT ASSETS

The Council is entitled to a share of the proceeds from the sale of dwellings transferred to Chorley Community Housing. This agreement has a further three years to run. The amount receivable will depend on the numbers sold and cannot be predicted.

40 COVID 19 PANDEMIC AND EVENTS AFTER THE REPORTING PERIOD

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

These events are divided into two types:

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

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

- Increased volatility in property valuations, beyond that inherent to market-based valuations in the normal course of events.

- Effects on income generation and the recoverability of outstanding debt.
- New responsibilities for the provision of support to businesses.
- New sources of financial support from Central Government.
- The prolongation of general uncertainties around the future of local government funding.
- Changes to the operation of services, with the more extensive use of home working and the redeployment of staff to new and additional key tasks associated with the pandemic.
- Supply chain disruptions.

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

41 GROUP ACCOUNTS

The Council has reviewed the relevant accounting requirements and has determined that it is not required to prepare Group Accounts for the financial year 2019/20.

However, during 2019/20, the council purchased Logistics House, a major warehousing and distribution centre within its area. Operation of the facility is carried out by a tenant under the terms of the lease. While this lease was, in the first instance, and currently remains, directly between the council and the tenant, this was only ever intended as an interim measure, pending the completion of the set-up of a council wholly owned company, to which the lease would then be transferred. The relationship between the council and the company would then be the subject of a further agreement. This would, in turn, facilitate an arrangement by which the company would invoice the tenant for the actual rent, with the council in turn receiving an income stream from the company, thus meeting the requirements of Section 4 of the Localism Act 2011.

By late in 2019/20, these arrangements were well advanced and expected to be fully in place by the end of the year. Unfortunately, because of the disruption caused by the need to respond to the developing Covid-19 pandemic, this proved not to be the case. Had it been so, then the wholly owned company would have been classed as a subsidiary and Group Accounts would have been required. Further, as a result of this interim position, at 31 March 2020 the council was holding £941k of income received from the tenant, which would otherwise have been paid over to the wholly owned company, while a corresponding amount of £941k, which will be due from the company to the council, remains outstanding. As a result, the figures in the Council's Balance Sheet for Short-Term Debtors and Creditors have been increased that amount.

The consolidated position at 31 March 2020, as it would have appeared in Group Accounts, had the arrangements been fully completed by the end of the year, is shown below.

| | Amount as per Balance Sheet £'000 | Amounts Owing To/Due From Subsidiary £'000 | Consolidated Amount £'000 |
|------------------------------|--|--|---------------------------------|
| Long-Term Assets | 145,171 | 0 | 145,171 |
| Short-Term Debtors | 8,032 | (941) | 7,091 |
| Other Current Assets | 8,933 | 0 | 8,933 |
| Current Assets | 16,965 | (941) | 16,024 |
| Short-Term Creditors | (11,849) | 941 | (10,908) |
| Other Current Liabilities | (8,530) | 0 | (8,530) |
| Current Liabilities | (20,379) | 941 | (19,438) |
| Long Term Liabilities | (106,347) | 0 | (106,347) |
| Net Assets | 35,410 | 0 | 35,410 |
| Usable Reserves | 24,958 | 0 | 24,958 |
| Unusable Reserves | 10,452 | 0 | 10,452 |
| Total Reserves | 35,410 | 0 | 35,410 |

Collection Fund Statement

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

| 2018/19 | | Collection Fund | 2019/20 | |
|-------------------------|----------------------|---|-------------------------|----------------------|
| Business Rates £'000 | Council Tax £'000 | | Business Rates £'000 | Council Tax £'000 |
| | | INCOME | | |
| | 64,587 | Council Tax Receivable | | 68,775 |
| 25,958 | | Business Rates Receivable | 26,051 | |
| 25,958 | 64,587 | Total Income | 26,051 | 68,775 |
| | | EXPENDITURE | | |
| | | Apportionment of previous year's estimated Surplus/(Deficit) | | |
| (707) | | Central Government | (292) | |
| (566) | 58 | Chorley Council (Note 14) | (234) | 70 |
| (128) | 359 | Lancashire County Council | (53) | 445 |
| (14) | 19 | Lancashire Combined Fire Authority | (6) | 23 |
| | 49 | Police & Crime Commissioner for Lancashire | | 61 |
| (1,415) | 485 | | (585) | 599 |
| | | Precepts, Demands and Shares | | |
| 12,283 | | Central Government | 6,106 | |
| 9,826 | 7,495 | Chorley Council (Note 14) | 13,678 | 7,814 |
| 2,211 | 47,413 | Lancashire County Council | 4,274 | 50,005 |
| 246 | 2,470 | Lancashire Combined Fire Authority | 366 | 2,580 |
| | 6,497 | Police & Crime Commissioner for Lancashire | | 7,481 |
| 24,566 | 63,875 | | 24,424 | 67,880 |
| 23,151 | 64,360 | Total Expenditure | 23,839 | 68,479 |
| | | Charges to Collection Fund | | |
| | 11 | Write offs of uncollectable amounts | 14 | 109 |
| 113 | (89) | Increase/(Decrease) in Bad Debt Provision | 89 | 314 |
| 744 | | Increase/(Decrease) in Provision for Appeals | 405 | |
| 130 | | Cost of Collection | 131 | |
| 990 | | Transitional Protection Payments | 261 | |
| 1,977 | (78) | Total Charges to Collection Fund | 900 | 423 |
| 830 | 305 | Surplus/(Deficit) arising during the year | 1,312 | (127) |
| | | Collection Fund Balance | | |
| (1,415) | 1,049 | Balance brought forward at 1 April | (585) | 1,354 |
| 830 | 305 | Surplus/(Deficit) for the year | 1,312 | (127) |
| (585) | 1,354 | Balance carried forward at 31 March | 727 | 1,227 |
| | | Allocated to | | |
| (234) | 157 | Chorley Council - Collection Fund Adjustment Account | 407 | 137 |
| (292) | | Central Government | 182 | |
| (53) | 1,001 | Lancashire County Council | 127 | 907 |
| (6) | 144 | Lancashire Combined Fire Authority | 11 | 137 |
| | 52 | Police & Crime Commissioner for Lancashire | | 46 |
| (585) | 1,354 | Surplus/(Deficit) at 31 March | 727 | 1,227 |

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, as revealed in the Movement in Reserves Statement. See also Note 10.

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 or 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 2018/19 was calculated as follows:

| Band | Dwellings | Dwellings adj. for discounts & exemptions | Proportion of Band D Charge | Band D Equivalent |
|--|---------------|---|-----------------------------|-------------------|
| A (disabled) | 0 | 19.00 | 5/9 | 11.00 |
| A | 14,899 | 12,457.50 | 6/9 | 8,304.90 |
| B | 11,598 | 10,248.00 | 7/9 | 7,970.90 |
| C | 9,463 | 8,590.25 | 8/9 | 7,635.90 |
| D | 6,730 | 6,228.00 | 9/9 | 6,227.90 |
| E | 5,067 | 4,772.00 | 11/9 | 5,832.00 |
| F | 2,213 | 2,098.25 | 13/9 | 3,031.00 |
| G | 931 | 882.25 | 15/9 | 1,470.00 |
| H | 69 | 52.25 | 18/9 | 105.00 |
| Total | 50,970 | 45,347.50 | | 40,588.60 |
| Less adjustments for anticipated losses on collection | | | | (565.47) |
| Add adjustment for new properties/technical changes to discounts | | | | 576.66 |
| Less local Council Tax Support Scheme discounts | | | | (3,465.40) |
| Band D Equivalent Number of Properties | | | | 37,134.39 |

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 an average Band D charge (excluding Parish Precepts) of £1,788.89 for 2018/19 (£1,726.20 for 2018/19). The other valuation bands are proportionate to this.

ACCOUNTING FOR BUSINESS RATES (NNDR)

From 2013/14, NNDR income, debtor and creditor balances, provisions, arrears and prepayments have been apportioned between the Council, Government, Lancashire County Council, and Lancashire Combined Fire Authority, as a result of the implementation of Business Rates Retention.

The deficit apportioned in 2019/20 was £585k, which was the same as the actual cumulative deficit in the previous year of £585k. Regulations require the deficit or surplus estimated in the annual National

Non Domestic Rates (NNDR) 1 Return to be apportioned. The sum apportioned was therefore the estimate included in NNDR1 2019/20.

Note 14 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2019/20 to be £3.966m (2018/19 £3.257m). This can be reconciled to Chorley Council's share of Business Rates Income in the Collection Fund statement in the following table:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---|------------------|
| 9,826 | Chorley Council share of Business Rates | 13,678 |
| (6,255) | Tariff payable to Lancashire Business Rates Pool | (10,116) |
| (80) | Levy payable to Lancashire Business Rates Pool | |
| 0 | Payment to County Wide Fund | (3) |
| 332 | Chorley Council share of surplus or (deficit) for year (transferred to Collection Fund Adjustment Account - Note 26e) | 641 |
| (566) | Chorley Council share of previous year's surplus or (deficit) | (234) |
| 3,257 | NNDR net income per Note 14 | 3,966 |

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

NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/06 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers in England – one for small businesses at 49.1p in 2019/20 (48.0p in 2018/19); and one for larger businesses at 50.4p in 2018/19 (49.3p in 2018/19).

The Business Rates Income after reliefs was £25.5m for 2019/20 (£25.1m for 2018/19).

The rateable value for the Council's area at the end of the financial year 2018/19 was £66.99m (£67.69m in 2018/19).

Annual Governance Statement (AGS)

The Draft AGS for 2019/20 was approved by Governance Committee on 1 July 2020 and appears below.

CHORLEY COUNCIL

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

The residents of the Borough of Chorley expect the Council to conduct our business in a lawful and transparent way. In particular the Council have a duty to safeguard public money and account for it in an economic, efficient and effective way.

We have a continuing duty to review and improve how we discharge our functions focussing on the priorities of economy, efficiency and effectiveness.

To do this, the Council have put in place arrangements for the governance of its affairs. These arrangements assess the effectiveness of the exercise of its functions, and consider how well we manage risk.

We have approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which control and direct the Council. It provides how we account to, engage with and lead the community. It enables us to monitor the achievement of our strategic objectives and to consider whether our objectives have led to the delivery of appropriate, cost effective services for that community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. This enables us to manage risk efficiently, effectively and economically.

The governance framework has been in place at Chorley Council for the year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

The following table describes the key elements of the systems and processes that comprise the authority's governance arrangements. These are founded on the Core Principles and sub-principles taken from our Code of Corporate Governance.

| Core Principle 1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | | |
|---|---|---|
| The Council's commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action |
| Behaving with | ✓ The council have established both for Councillors and | Local Code of |

| | | |
|--|---|---|
| <p>integrity</p> | <p>Staff Codes of Conduct and training is provided on both. Standards of behaviour are also assessed during employee one-to-one meetings and appraisals.</p> <ul style="list-style-type: none"> ✓ It is essential that not only decisions are taken with integrity but are seen to be so. The Council have established transparent decision making processes through the Contract Procedure Rules, an online declaration of interests process and the use of standing orders. The public can therefore review and take comfort in the integrity of the decision makers. ✓ The Council do however have processes and policies in place to provide avenues to challenge decision making through whistleblowing, complaints and the call in procedure. ✓ The Council have a suite of counter fraud and anti-corruption policies in place – i.e. Whistleblowing policy, Antifraud and Corruption Strategy, Fraud Response Plan, Anti Bribery Policy, Anti Money Laundering Policy and Guidance, RIPA | <p>Governance Codes of Conduct Performance and Development process CPRs and Standing Orders Register of Interests Whistleblowing Policy Customer Charter Call in procedures Anti-fraud and Corruption Policies</p> |
| <p>Demonstrating strong commitment to ethical values</p> | <ul style="list-style-type: none"> ✓ The Council have adopted in our Contract Procedure Rules the requirement for partners and contractors to adopt our, or have equivalent ethical standards of behaviour. ✓ The Council have a Scrutiny Committee in place who act as the Council's watchdog, promoting open and transparent decision making, democratic accountability and to hold the executive to account for its actions. | <p>CPRs Partnership Framework Terms of reference for Scrutiny Committee</p> |
| <p>Respecting the rule of law</p> | <ul style="list-style-type: none"> ✓ The Council's Constitution, policies and standing orders are all drafted in accordance with legislation. Application of these processes is tested through local assurance testing. ✓ The Council report and Decision Making Templates include a comment from the Monitoring Officer to ensure that the legal implications of decisions are considered. ✓ The Council is fully aware that they must pay attention to the advice of the Council's Monitoring Officer and have good reasons, which must be documented should they depart from it. In the event the Council acts unlawfully, the Monitoring Officer must report this to Full Council. The Monitoring Officer has never had cause to take this step. ✓ The Council has appointed statutory officers including; Head of Paid Service/S.151 Officer and Monitoring Officer who fulfil their responsibilities within legislative and regulatory requirements. | <p>Constitution Service Assurance Statements – AGS process Committee Management System (report templates) Roles of Statutory Officers within the Constitution.</p> |
| <p>Core Principle 2. Ensuring Openness and Comprehensive Stakeholder Engagement</p> | | |
| <p>The Council's commitment to Good Governance</p> | <p>How the Council meets these principles</p> | <p>Where you can see Governance in action</p> |
| <p>Openness</p> | <ul style="list-style-type: none"> ✓ The council have a robust approach to freedom of information and aim as part of our Digital Strategy to make as much information held by the Council accessible through our website as possible. ✓ The Council's Standing Orders have provision for public questions to be raised on any item on the agenda at both Full Council and Executive Cabinet meetings. ✓ All key decisions must be taken in writing and are published in accordance with the legislation. As part of the process both the Senior Financial Officer and the Monitoring Officer must be consulted and provide comments. Where appropriate, comments are also included in relation to equality and HR. | <p>Digital Strategy Council website Performance and Development process Committee Management System (report templates) Compliance with Transparency Act Equality Scheme</p> |
| <p>Engaging comprehensively with institutional stakeholders</p> | <ul style="list-style-type: none"> ✓ The Council have an Internal Communications Strategy and media protocol which forms the basis for our relationships with our stakeholders. We ensure that we keep accurate records of stakeholder contacts to ensure they are engaged with properly and for the correct purposes. | <p>Internal Communications Strategy Media Protocol Consultation and Engagement Toolkit</p> |

| | | |
|---|--|--|
| | <ul style="list-style-type: none"> ✓ A consultation and engagement toolkit is used within our project management methodology. | |
| Engaging stakeholders effectively including individual citizens and service users | <ul style="list-style-type: none"> ✓ We use our Consultation and Engagement Toolkit to ensure that residents are properly consulted on matters which affect or interest them. This consultation contributes to the achievement of the Council's intended outcomes. Increasingly we are using web based and social media to engage with our residents but recognise that in order to consult properly we must use a mix of methods. | Internal Communications Strategy Residents Panel Consultation and Engagement Toolkit Digital Strategy |
| Core Principle 3. Defining Outcomes in terms of Sustainable Economic Social and Environmental Benefits | | |
| The Council's commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action |
| Defining outcomes | <ul style="list-style-type: none"> ✓ The Council have a clearly defined vision which forms the premise of our Corporate Strategy. The Strategy itself is developed in consultation with residents and stakeholders and its implementation is through the delivery of corporate projects and service level plans. All corporate projects have an initial document which defines the outcomes and projects are monitored through the MyProjects system. ✓ Contracts are in place for our key partnerships covering in particular Waste, Leisure, Payroll, Shared Services (with South Ribble BC). | Corporate Strategy Service Level Plans Corporate Projects Project Management Toolkit MyProjects system Partnership Framework |
| Sustainable economic social and environmental benefits | <ul style="list-style-type: none"> ✓ The Council have refreshed the Medium Term Financial Strategy to ensure that Capital investment is structured to maximise its life span whilst being adaptable for future use. Specific consideration is made of social and economic wellbeing of residents as evidenced by projects that provide affordable supported accommodation, employment opportunities and social benefits. ✓ The Council's contract procedure rules include the ability to consider social value when awarding contracts. | Medium Term Financial Strategy Corporate Projects Compliance with Transparency Act CPRs Public Reform Strategy |
| Core Principle 4. Determining the Interventions Necessary to Optimise the Achievement of Intended Outcomes | | |
| The Council's commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action |
| Determining interventions | <ul style="list-style-type: none"> ✓ We have a robust approach to setting interventions. Members and Officers work closely together and consult on the preparation of the Corporate Strategy which sets the framework for council delivery. The benefits of interventions are considered not only based on cost but also upon need and impact in order to ensure best value is met. ✓ Feedback from residents in this process is very important to ensure what we deliver is both needed and wanted. | Corporate Strategy Consultation and Engagement Toolkit Digital Strategy Public Reform Strategy |
| Planning interventions | <ul style="list-style-type: none"> ✓ The Council have a strong framework for planning the implementation of our interventions. We publish a calendar of meetings, and the Key Decision forward plan to confirm dates for decisions to be taken but in addition ensure all report writers are aware of publication of agenda dates to press for reports to be prepared in good time. We have a clear internal communications strategy to ensure proper consultation and a Risk Register. ✓ We are promoting the use of the Project Management Toolkit which ensures that there is a clear scope, timetable and outcomes for each project and Key Performance Indicators are set to monitor each service. ✓ Each project or intervention has a budget and there are regular meetings between management accountancy both with project managers and service heads for monitoring purposes. | Calendar of meetings Forward Plans Corporate Risk Register Project Management Toolkit KPIs Budget monitoring Quarterly Budget Reporting |
| Optimising achievement of intended | <ul style="list-style-type: none"> ✓ We have a Corporate Strategy which has been agreed by Council and reflects the council's priorities. The Strategy is aimed at meeting the fundamental needs of local | Corporate Strategy Digital Strategy |

| | | |
|---|--|---|
| <p>outcomes</p> | <p>residents, like health housing and jobs, while continuing to get Chorley in the best social and economic position for the future.</p> <ul style="list-style-type: none"> ✓ We have a Transformation Programme in place. The overriding aim of this is to support the council to achieve its ambitions for public service reform namely by achieving; <ul style="list-style-type: none"> • A greater integration of public services, particularly around prevention and early intervention; • Focus on prevention and early intervention across public services; • Decision making and accountability at the lowest practical level; • The system-wide sharing of responsibility for management of demand and reduction of cost shunting between organisations. ✓ The Medium Term Financial Strategy is refreshed regularly to ensure it stays current and reflects any changes in council priorities. This ensures proper budgetary planning. | <p>Transformation Programme</p> <p>Medium Term Financial</p> <p>Quarterly Budget Reporting</p> <p>Partnership Framework</p> |
| <p>Core Principle 5. Developing the Entity's Capacity, including the Capability of it's Leadership and the Individuals within it</p> | | |
| <p>The Council's commitment to Good Governance</p> | <p>How the Council meets these principles</p> | <p>Where you can see Governance in action</p> |
| <p>Developing the entities capacity</p> | <ul style="list-style-type: none"> ✓ We have a Transformation Programme and Medium Term Financial Strategy which the Council uses to plan for future changes to the organisation, planning for future capacity needs. Such transformation is achieved through rough cut costing, benchmarking and use of the Council's Corporate Strategy. ✓ We have a long term partnership with South Ribble BC to deliver Financial and Assurance services which both increases capacity and skills whilst delivering efficiency savings. ✓ We have an Organisational Development Strategy which outlines the Council's approach to organisational development. Its purpose is to; <ul style="list-style-type: none"> • Align with the Transformation Programme to build organisational capability to support its delivery; • Identify opportunities to build organisational capability collaboratively with partners; • Build organisational capability to support business as usual activities at individual, service and organisational levels; • To ensure that the council has the leadership to support and drive changing governance models. | <p>Transformation Programme</p> <p>Digital Strategy</p> <p>Corporate Strategy</p> <p>Medium Term Financial Strategy</p> <p>Organisational Development Strategy</p> <p>Shared Services Collaboration Agreement</p> |
| <p>Developing the capability of the entity's leadership and other individuals</p> | <ul style="list-style-type: none"> ✓ Roles are clearly defined within the Council through the use of job descriptions and structure charts. The Constitution details the responsibilities of officers and councillors and the roles of the statutory officers; Head of Paid Service, Chief Finance Officer and Monitoring Officer. ✓ Good practice standards are annually assessed against the CIPFA statements for the roles of the Chief Finance Officer and Head of Internal Audit ✓ Relationships are managed through regular and frequent member briefings. ✓ The Council have updated the Organisational Development Plan ensuring that all staff have the opportunity to benefit from personal and professional development, and this is monitored through one to ones and the annual appraisal process. ✓ Officers and Councillors alike are held to account through the Residents Panel, Neighbourhood Area Meetings with residents, Stakeholder Forums and the Chorley Partnership; as well as through Overview and Scrutiny | <p>Job descriptions</p> <p>Organisational Structure Chart</p> <p>Constitution</p> <p>Roles of Statutory Officers</p> <p>Organisational Development Plan Annual Appraisal Process</p> <p>Residents Panel</p> <p>Neighbourhood area meetings</p> |

| | | |
|--|--|---|
| | Committee. | Stakeholder Forums Chorley Partnership |
| Core Principle 6. Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management | | |
| The Council's commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action |
| Managing risk | <ul style="list-style-type: none"> ✓ There is an established Risk Management Framework which ensures that risk is considered in all aspects of decision making. This includes the identification of risks but also ensuring responsibility for them is allocated correctly. ✓ The council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's Anti-Fraud & Corruption Strategy, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases | Risk Management Framework Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019 |
| Managing performance | <ul style="list-style-type: none"> ✓ This is part of the Council's approach to business transformation. Service delivery is monitored through service meetings, performance indicators, benchmarking and budget monitoring. The Executive Members have regular service briefings in relation to their portfolios. Overview and Scrutiny Committee are engaged and Task Groups have responsibility for considering and suggesting improvements in relation to service delivery. ✓ The Governance Committee is responsible for reviewing and challenging the adequacy of the council's governance arrangements. It closely monitors progress on control matters including improvement plans, external and internal audit programmes and reports, risk management, budget and financial investment reports. | Performance Indicators and Performance reporting Work of Overview and Scrutiny Committee and Task Groups Role of Governance Committee. |
| Robust internal control | <ul style="list-style-type: none"> ✓ The council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes ✓ The Council require all directorates to complete assurance statements which identify compliance issues which may exist across the Council. ✓ The Annual Governance Statement reflects on the adequacy and effectiveness of the Council's Governance Framework. This is then independently considered by External Audit. ✓ The Governance Committee complies with best practice and tests the Council's controls through the receipt of reports for consideration. | Audit Plan, Audit Charter Service Assurance Statements Annual Governance Statement Governance Committee Terms of Reference |
| Managing data | <ul style="list-style-type: none"> ✓ The Council have clearly defined policies and procedures for managing and storing data. Additional work is required however to embed these and update the Council's IT systems. | ICT Strategy Digital Strategy Information Security Framework GDPR Audit Plan |
| Strong public financial management | <ul style="list-style-type: none"> ✓ All decisions of the Council require a comment from the CFO, which will address budgeting issues and compliance with Best Value and the Council's contract procedure rules. There are regular meetings between budget holders / project managers and Finance to monitor budgets and any changes can be identified early. | Committee Management System (report templates) Asset register CPRs Budget monitoring and Quarterly Budget Reports |

| | | |
|--|---|--|
| | | Compliance with CIPFA Statement on Role of CFO |
| Core Principle 7. Implementing Good Practices in Transparency Reporting and Audit to Deliver Effective Accountability | | |
| The Council's commitment to Good Governance | How the Council meets these principles | Where you can see Governance in action |
| Implementing good practice in transparency | <ul style="list-style-type: none"> ✓ We feel it very important for the discharge of our obligations that as much information as possible is made available to the public. This is done through publication on the Council's website. | Council's website Compliance with Transparency Act |
| Implementing good practices in reporting | <ul style="list-style-type: none"> ✓ The Council comply with good practice in relation to value for money reporting and the annual Statement of Accounts considers how public finances have been stewarded. ✓ It is the practice of the Authority to ensure that all key decisions are made by councillors in accordance with our approval processes. Compliance with these processes are considered within this Annual Governance Statement. | Statement of Accounts Quarterly Performance Reports Scheme of Delegation Annual Governance Statement |
| Assurance and effective accountability | <ul style="list-style-type: none"> ✓ We view improvement as a continuing process. Internal Audit reports to Governance Committee include a summary of areas for improvement and implementation is reported on an exception basis. ✓ Overview and Scrutiny Task Groups report proposed improvements to Executive Cabinet who decide whether to accept the recommendations or not. Where accepted Cabinet will later report as to the progress of the implementation of improvements. ✓ Residents have the right to ask questions at Council meetings in relation to matters on the meeting agenda which ensure immediate accountability to residents. | Internal Audit reporting to Governance Committee Governance Committee Terms of Reference Overview and Scrutiny work programme |

4. Review of effectiveness

Chorley Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

Corporate Level Review

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:
 - Chief Executive (S151 Officer)
 - Head of Legal, Democratic and HR Services (Monitoring Officer)
 - Director of Policy and Governance
 - Interim Audit and Risk Manager
- The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Service Level Review

- The Council has also introduced Service Assurance Statements requiring Directors and Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Monitoring Officer

- As the Council's Monitoring Officer, the Head of Legal Democratic and HR Services has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Monitoring Officer will report and recommend to Council any proposed amendment to the Constitution, which falls outside the Monitoring Officers delegated powers, for adoption.

Scrutiny Committee

- The Council has an Overview and Scrutiny Committee which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

Governance Committee

- The Council has appointed a Governance Committee whose terms of reference comply with the CIPFA guidelines. These extend to monitoring the Council's governance, risk management and internal control framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

- The Council has appointed a Standards Sub-Committee of the Governance Committee whose terms of reference comply with the prevailing national guidance on standards and codes of conduct for members.

Internal Audit

- Strong Internal Audit and Risk Management disciplines are embedded and the Shared Assurance Service maintains excellent working relationships with Senior Management, the Governance Committee and the Council's External Auditors to provide an integrated approach to the provision of assurance within the Council. The Internal Audit Service is fully compliant with the Public Sector Internal Auditing Standards, this was established following a peer review by the Audit Managers of 2 Lancashire authorities in April 2018.
- The Public Sector Internal Audit Standards require the Interim Audit and Risk Manager to provide an opinion on the overall adequacy and effectiveness of the organisations's framework of control, risk management and governance.

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and a summary is reported to the Governance Committee. Only one Internal Audit report with a limited controls assurance rating was issued during 2018/19.

Risk Management – The Council's arrangements were further strengthened during 2018/19 by the continued development of the GRACE risk management system. Extensive training was delivered to Officers and the revised Risk Management Framework was approved by the Governance Committee in March 2018.

Governance – Actions have been taken during 2018/19 to strengthen the Council's governance arrangements (see identified governance issues below). The Annual Governance Statement Action Plan for 2019/20 includes details of actions to further strengthen Council's governance arrangements. The 2019 AGS has been produced following a rigorous assessment process, both internal and external.

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 on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive, Governance Committee, Overview and Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Identified Governance Issues

In the previous year the following themes were identified as requiring action and improvement:

| Theme | Agreed Improvement | SMART Actions & Milestones | Status |
|---------------------------|---|---|---|
| 1. Information Management | 1.1 To ensure that there are clear document retention guidelines which are complied with by Services. | <ul style="list-style-type: none"> - Develop program of work to replace SharePoint corporately - Utilise document management system within the new application. | COMPLETE These actions were considered as part of the GDPR implementation project. Service specific retentions periods have been prepared. GDPR Audit Plan developed and detailed audits will be undertaken during 2019/20. |
| | 1.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements. | <ul style="list-style-type: none"> - GDPR new requirements in legislation are to be in place by May 2018. Action Plan to be implemented to ensure compliance within the timescales - More effective use of the information champions. | COMPLETE Full compliance with GDPR requirements. |
| 2. Risk Management | 2.1 Review and update all Health & Safety risk assessments | <ul style="list-style-type: none"> - Review & update documentation - Arrange awareness training | In progress - Significant works have been done this year in high risk areas both in training and risk assessment documentation. This is being rolled out across remaining areas depending on risk. |
| | 2.2 Further embed GRACE risk management system. | <ul style="list-style-type: none"> - Directors are to ensure compliance with the Risk Management Framework. | |
| 3. Customer Complaints | 3.1 To improve the recording of customer complaints | <ul style="list-style-type: none"> - To undertake a review of how customer complaints are received to ensure that they are all captured and recorded centrally. | In progress – work is still on-going |
| 4. Value for money and | 4.1 Increased use of comparative data and | <ul style="list-style-type: none"> - Increased use of LGA Inform to demonstrate | COMPLETE |

| | | | |
|--|---|--|---|
| cost assurance | benchmarking to demonstrate VFM. | VFM | |
| 5. Fraud | 5.1 Increased fraud awareness | - Fraud awareness training to be delivered to all relevant officers using e-learning modules. | In progress - This is a recurrent risk and part of the work in this area will be to identify a more robust awareness raising programme. |
| 6. Transparency | 6.1 To ensure full compliance with the revised requirements of the Transparency Code. | - A review of compliance with the Code has been undertaken and areas of non-compliance are to be actioned. | In progress - There are a small number of particular categories/ areas of non-compliance which will need to be considered and actioned individually. |
| 7. Communication | 7.1 To review and update the Communication Strategy for both internal and external communications | - To review and update the Communication Strategy for both internal and external communications | In progress - Internal Communication Strategy has been reviewed and updated. |
| 8. Compliance with Contract Procedure Rules (CPRs) | 8.1 To further embed procurement policies and procedures, and to strengthen the current CPRs. | - To develop and implement a contract management system through 'Agile Point'. | In progress – work is still on-going |

The Council will take the following steps in the forthcoming financial year to build and strengthen our corporate governance arrangements:

| Theme | Agreed Improvement | SMART Actions & Milestones | Status |
|------------------------|---|--|--|
| 1. Risk Management | 1.1 To further embed the risk management system | - To review & update Risk Management Framework - Arrange and provide risk management training | CONTINUED FROM 2018 |
| 2. Customer Complaints | 2.1 To improve the recording of customer complaints and identify benefit of actions taken | - To undertake a review of how customer complaints are received to ensure that they are all captured and recorded centrally - To identify and record the benefit of actions taken | CONTINUED FROM 2018 |
| 3. Fraud | 3.1 To Review and update Anti-fraud policies | - To review and update the Anti-fraud policies | Risk identified from the corporate assessment |
| | 3.2 To increase fraud awareness | - Fraud awareness training to be delivered to all relevant officers using e-learning modules - Fraud reports to be presented to Governance Committee on a regular basis. | CONTINUED FROM 2018 |

| | | | |
|--|---|---|--|
| | 3.3 To compile and monitor a fraud risk register | - Fraud risk register to be compiled and monitored on a regular basis | Risk identified from the corporate assessment |
| 4. Transparency | 4.1 To ensure full compliance with the revised requirements of the Transparency Code. | - A review of compliance with the Code has been undertaken and areas of non-compliance are to be actioned namely; <ul style="list-style-type: none"> • Recording of officer decisions; • Publication of contracts | CONTINUED FROM 2018 |
| 5. Communication | 5.1 To review and update the Communication Strategy for both internal and external communications | - To review and update the Communication Strategy for external communications - To review and update the consultation engagement toolkit - To re-iterate to staff the need to keep customers informed (call-back procedure) | CONTINUED FROM 2018 |
| 6. Compliance with Contract Procedure Rules (CPRs) | 6.1 To further embed procurement policies and procedures, and to strengthen the current CPRs. | - To develop and implement a contract management system through 'Agile Point' - To arrange and provide training to relevant staff - To review and update the Council's CPRs | CONTINUED FROM 2018 |
| 7. Project Management | 7.1 To review and update the Project Management Toolkit as part of the creation of the centralised Programme Management Office | - To review and update the Project Management Toolkit to more fully incorporate finance, risk and statutory compliance monitoring | Risk identified from Service Assurance Statements |
| 8. Performance Management | 8.1 To further embed Data Quality Policy | - To provide data quality training and support | Risk identified from Service Assurance Statements |
| 9. Ethical Governance | 9.1 To incorporate best practice recommendations made by Committee on Standards in Public Life into Council procedures and Code of Conduct. | - To establish Governance Committee working group - Working Group to consider best practice recommendations with a view to incorporating them into Council procedures / Code of Conduct - Provide Code of Conduct training for Parish Councillors | Risk identified from corporate assessment & Monitoring Officer report |

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. The Themes will be entered as Management Actions onto the MyProjects system and allocated to the most appropriate Director or Head of Service for action. Progress will be monitored by the Senior Management Team using MyProjects.

6. Future changes which will affect Governance Arrangements

This Council face 2 known significant changes in the near future which are likely to have significant impacts on our Governance Arrangements. These have not been highlighted by the work undertaken to identify governance issues, but it is proper to raise this within the Annual Governance Statement as we look forward to future challenges.

Brexit has been at the forefront of national consciousness for a number of years, however the impacts of leaving the European Union remain uncertain until such time as the terms of exit are agreed or known. At present, most European Legislation has been adopted as national law and steps are being taken to enact some of the remainder. There should be minimal impact on the Council's governance arrangements should the current legislative situation be maintained. However, some of the legislation, such as that pertaining to procurement and state aid, may have to be amended depending on the terms of the exit deal and any participation by the United Kingdom in the European Economic Area.

Although there are many unknowns, the Council have sought to manage these risks through the establishment of a corporate Brexit risk register which is being monitored by the Senior Management Team. Each Directorate has been asked to identify likely risks (both strategic and operational) and where appropriate establish action plans to mitigate these risks.

The second significant change to the Council takes place in May 2020, with the establishment of the new ward boundaries. The Council will be reducing the number of members from 47 to 42 and establishing 14, 3 member wards.

Whilst there will be no changes to the decision-making processes for the Council, the change in the number of members is likely to have implications for the membership of decision making bodies. There will also be consequential changes to how elections are administered in terms of the location of polling stations amongst other issues.

A number of long serving members have indicated that they will be standing down at the next election. The Council recognise that this will likely lead to a loss of knowledge and experience particularly in relation to some of the more technical committees such as Governance and Overview and Scrutiny. This risk will be addressed through the Member Development programme with specialised training being provided as required.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr. A. Bradley
Leader of the Council
Date: xx xxx 2021

G Hall
Chief Executive
Date: xx xxx 2021

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 (Chorley 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 Chorley 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 Chorley Borough Council this usually covers a three 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 Chorley Council 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:

- a) actuarial gains and losses
- b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- c) 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).