Governance Committee

Wednesday, 16th March 2022, 2.30 pm
Council Chamber, Town Hall, Chorley and YouTube

Agenda

Apologies

1 **Minutes of meeting Wednesday, 19 January 2022 of Governance Committee** (Pages 3 - 6)

2 **Declarations of Any Interests**

Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.

If you have a pecuniary interest you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.

3 **2020/21 Statutory Accounts** (Pages 7 - 152)

To receive and consider the report of the Director of Finance.

4 **2020/21 Letter of Representation** (Pages 153 - 158)

To receive and consider the 2020/21 Letter of Representation.

5 **2020/21 Audit Findings Report** (Pages 159 - 196)

To receive and consider the report from the External Auditor, Grant Thornton.

6 **Chorley Borough Council Audit Plan 2020-21** (Pages 197 - 220)

To receive and consider the report from the External Auditor, Grant Thornton.

7 **Homes England Compliance Audit** (Pages 221 - 226)

To receive and consider the report of the Director of Finance.

8 **Internal Audit Plan April to September 2022** (Pages 227 - 238)

To receive and consider the report of the Service Lead for Audit and Risk.

Meeting contact Nina Neisser on 01257 515140 or email nina.neisser@chorley.gov.uk

9 **GDPR Update** (Pages 239 - 242)

To receive and consider the report of the Director of Governance.

10 **Local Code of Corporate Governance** (Pages 243 - 262)

To receive and consider the report of the Director of Governance.

11 **RIPA Application Update**

The Monitoring Officer will present a verbal report at the meeting.

12 **Work Programme** (Pages 263 - 266)

To receive and consider the work programme for the Committee for 2021/22 and 2022/23.

13 **Any urgent business previously agreed with the Chair**

Gary Hall
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillor Debra Platt (Chair), Councillor Hasina Khan (Vice-Chair) and Councillors Julia Berry, Mark Clifford, Karen Derbyshire, Gordon France, Alan Platt, Jean Sherwood, Charlotte Fitch (Independent Person) and Peter Ripley (Independent Person).

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or chorley.gov.uk

Chorley Council

Minutes of	**Governance Committee**
Meeting date	**Wednesday, 19 January 2022**
Committee Members present:	Councillor Debra Platt (Chair), and Councillors Sarah Ainsworth, Julia Berry, Gordon France, Alan Platt and Jean Sherwood
Committee Members present virtually (non-voting):	Councillor Hasina Khan
Officers:	Gary Hall (Chief Executive), Louise Mattinson (Director of Finance), Dave Whelan (Shared Service Lead - Legal), Dawn Highton (Service Lead - Audit and Risk) and Nina Neisser (Democratic and Member Services Officer)
Apologies:	Councillor Karen Derbyshire
Other Members:	Matt Derrick (Grant Thornton UK LLP) and Charlotte Fitch (Independent Person)

22.G.51 Minutes of meeting Wednesday, 24 November 2021 of Governance Committee

Resolved - That the minutes of the Governance Committee meeting held on 24 November 2021 be confirmed as a correct record for signature by the Chair.

22.G.52 Declarations of Any Interests

There were no declarations of any interests.

22.G.53 External Audit Progress Update Report

Matt Derrick, Grant Thornton, presented the External Audit Progress Update Report which provides and update on progress of delivery from the external auditors, a summary of emerging national issues and developments and includes a number of challenge questions in respect to these emerging issues.

Members noted the financial statements audit, value for money and audit fees as well as certification of claims and returns. It was reported that the certification work for the Housing Benefit Subsidy claim, in accordance with procedures agreed with the Department for Work and Pensions (DwP) is underway with the deadline for the completed certification being 31 January 2022.

Work is ongoing on the audit of the 2020/21 Statement of Accounts and this is hoped to be completed in a couple of weeks. Members were advised the Annual Findings Report was on schedule to report at the March Committee meeting along with the audit opinion on the financial statements. Following this, the Value for Money work will conclude and the draft annual auditors report will be submitted at a later date, within the allowed three months.

Gary Hall noted the significant number of delays and the potential impact of this running into the next audit. Following queries on the likelihood of getting all the work completed prior to the 2021/22 audits and closure of accounts, Grant Thornton provided reassurances that they would be reporting the AFR at the next Committee meeting in March and tentatively reporting the Value for Money at this point. They were confident that the 2020/21 audits would be completed by the financial year end to mitigate any risk of this affecting the 2021/22 accounts preparation.

Resolved - That the update be noted.

22.G.54 Annual Audit Letter 2019-20

Matt Derrick, Grant Thornton, presented the Annual Audit Letter 2019/20 for Chorley Borough Council. Members have previously considered the contents of this in the audit findings report at the Committee Meeting in November.

The letter formally issues the final annual audit report on the 19/20 audit and confirms that the opinion and certificate on the financial statements was issued on 30 November 2021.

Members noted the letter and questioned whether a dispute around some of the valuations had been resolved. It was reported that the dispute had been resolved and concluded as part of the financial audit opinion. Following this, council officers were working ahead of time to prepare for the 2021/22 accounts in the new financial year whilst completing the 2020/21 accounts.

Following queries on a difference of opinion with regards to Value for Money risk as noted in the report, the Committee were advised that the council did not agree with the external auditors published view but would accept it and address it. Officers highlighted the reasons for this and clarified to Members that the external auditors were not making a judgement on the investment but on the processes.

Resolved - That the Annual Audit Letter for Chorley Borough Council 2019 be noted.

22.G.55 Internal Audit Interim Report as at 31st December 2021

Dawn Highton, Service Lead for Audit and Risk presented her report which advised Members of the work undertaken in respect of the Internal Audit Plan from November 2021 to December 2021 and provides an appraisal of the Internal Audit Service's performance to date. It also seeks Committee approval of the amendments to the Audit Plan 2021/22.

The nine reviews that have been completed are outlined in the report; four of which have received a substantial assurance rating, four an adequate assurance rating and one limited report awarded.

Members were reminded that the internal audit plan for 2021/22 is an extremely challenging plan which involved additional resource being bought in to meet the 489 days to allow the Service to successfully deliver the plan. The recruitment exercise to fill the additional posts took longer than originally anticipated which has impacted performance. In addition, two members of the team resigned and left the Service at the end of December. Whilst successfully appointing a temporary auditor to fulfil one of the roles, there will be a residual impact on the delivery of the plan. To that extent, the Committee are asked to approve the deferral of the following 4 reviews to 22/23. These have been selected taking into consideration the risks to the system and our knowledge of the working practices:

- Plant inventories/contract management
- Community infrastructure levy
- Safeguarding
- Health and Safety

Whilst requesting the deferral of 4 reviews, Officers are confident that assurances will be provided to the senior management and members on a total of 23 different audit reviews. This is a significant increase than provided in previous years.

The Committee discussed the selection process for the deferral of the above four reviews and were satisfied with the reasons for their selection.

Members noted that going forward, performance for the remainder of the year will be impacted due to previous the recruitment issues. Internal Audit will shortly commence the process for compiling the Annual Audit Plan for 2022/23. Members are invited to suggest any topics they wish to be included in the next Audit Plan. These will be considered and form part of the overall risk assessment.

Resolved -

1. **To note the position with regards to the Internal Audit Plan**
2. **To approve the amendments to the Internal Audit Plan 2021/22.**

22.G.56 2021/22 Annual Governance Statement Action Plan - Update

Dave Whelan, Deputy Monitoring Officer presented the report of the Monitoring Officer which informs the Committee on the progress of the implementation of the 2021/22 Annual Governance Statement action plan.

As part of the Annual Governance Statement, the council identified areas of improvement and provided actions to progress the improvements. This action plan was previously approved by the Governance Committee. It is approximately six months since the action plan was approved and it is therefore appropriate to review the implementation of the actions.

The key themes include Induction/Recruitment, The Loop, Risk Management, GDPR, Key Corporate Policies, Value for Money, Inventories, Transparency Act. Members noted the substantial work undertaken with regards to updating the new online induction, a comprehensive review of HR policies, and the development of a transformation strategy which has been approved and detailed information has been published in accordance with the transparency code.

Members were advised that overall good progress has been made but further work needs to be undertaken. The Council remain on track to deliver the action plan.

Resolved – That the report be noted.

22.G.57 RIPA Application Update

Dave Whelan, Deputy Monitoring Officer, reported that no RIPA applications had been made.

22.G.58 Work Programme

The Committee considered the work programme which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

Resolved – That the work programme be noted.

Chair Date

Report of	Meeting	Date
Director of Finance	Governance Committee	Wednesday, 16 March 2022

2020/21 Statutory Accounts

Is this report confidential?	No

Is this decision key?	Not applicable

Purpose of the Report

1. To present for approval the audited Statement of Accounts for 2020/21.

Recommendations to Governance Committee

2. That the Committee should approve the audited Statement of Accounts for 2020/21 (Appendix A), subject to any amendments which in the opinion of the Director of Finance (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material to the financial position of the authority. The Director of Finance will exercise this delegation in consultation with the Chair of Governance Committee. In the event that the Director of Finance is of the opinion the amendments are material to the financial position of the authority, Governance Committee will be reconvened to approve the new Statement of Accounts.

3. That the Committee should authorise the Director of Finance and Chair of Governance Committee to sign the Letter of Representation (Appendix B).

Reasons for recommendations

4. It is a statutory requirement to produce the Statement of Accounts and these must be approved by 'Those Charged with Governance'; at Chorley Borough Council, this role is discharged by the Governance Committee.

Other options considered and rejected

5. No other options have been considered as it is a statutory requirement to produce and approve the Statement of Accounts each year.

Executive summary

6. In response to anticipated disruption to local authorities preparation of the accounts caused by the Covid-19 pandemic, and adopting the recommendations from the Redmond Review, the government issued an amendment to the Accounts and Audit Regulation (2015) ('the 2015 Regulations') in March 2021. The Accounts and Audit

(Amendment) Regulations 2021 (‘the 2021 Regulations) amend the 2015 regulations in respect of the timetable for publishing the Authority’s draft and audited statement of accounts.

7. The Regulations require that the approved and signed Statement are published on the Council’s web site. The required date for publication of the draft Statement for 2020/21 was 31 July 2021 and 30 September 2021 for the audited Statement. In instances where it has not proved possible to meet this date, the requirement is for publication ‘as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit’. That report appears later on the agenda for this meeting.

8. Unfortunately, due to workload pressures within the Finance Team, the impact of Covid, the late conclusion of the 2019/20 audit and IT related issues, the draft accounts were published on 15 October 2021, with the audited accounts presented to the Committee today for approval. It should be noted however that nationally, only 9% of audited accounts were completed by the 30th September 2021 deadline.

9. Approval of the audited Statement of Accounts and its publication is a requirement of these regulations.

10. There have been a small number of material changes to the Statement of Accounts from the draft version published on 15 October 2021and these are set out in more detail below (see paragraphs 18 and 19). These relate to asset classification and valuations and offsetting adjustments between Short Term Debtors and Creditors, so the underlying financial position of the Council, its financial performance for the year and levels of Usable Reserves, are unaffected.

11. The Appointed Auditor anticipates providing the Council with an unmodified audit report.

12. At the time of preparing this report, the Appointed Auditor has some limited, further work to complete. Should this additional work identify the need to make further changes to the Statement of Accounts presented to this meeting, a procedure for agreeing the changes in preparation for publication is required. The recommendation in paragraph 2 above requests approval for such a procedure. This procedure would enable the Director of Finance to exercise delegation, in consultation with the Chair of Governance Committee, in respect of making amendments to the statement which do not have a material effect on the financial position of the Council.

Corporate priorities

13. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	**An ambitious council that does more to meet the needs of residents and the local area**

Background to the report

14. The draft Statement of Accounts 2020/21 were signed by the Director of Finance Officer on 15 October 2021 and published on the Council's website together with details of public inspection rights. The accounts were then presented to Grant Thornton, the external auditors, for audit.

15. The Appointed Auditor's Audit Findings Report is presented as a separate report on this agenda. This sets out adjusted misstatements, unadjusted misstatements, and misclassification and disclosure changes in the current version of the Statement of Accounts. The audit of the accounts has not yet been completed in full. A few matters are still under consideration and so there is a possibility that further changes to the Statement of Accounts might be required.

16. The Accounts and Audit Regulations 2015, as amended by The Accounts and Audit (Amendment) Regulations 2021, require that the statement should be approved by a meeting of members by 30 September 2021, or should that not prove possible, 'as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit'. The full statement for 2020/21 is attached as Appendix A.

17. Following consideration and approval by this Committee, the Chair should sign and date the Statement, which should also be re-certified by the Director of Finance as soon as practicable. The Statement of Accounts will be published on the Chorley Council web site, www.chorley.gov.uk.

18. The Director of Finance and the Chair of Governance Committee should also sign the Letter of Representation.

19. As the audit has not been completed in full, it is recommended that the Director of Finance, in consultation with the Chair of Governance Committee, should approve non-material amendments to the Statement of Accounts before it is signed and dated. In the event that the Director of Finance is of the opinion that the amendments are considered material to the financial position of the Council, Governance Committee will be reconvened to approve the new Statement of Accounts.

Changes to Signed Statement of Accounts Published on 15 October 2021

20. Appendix A of the Audit Findings Report sets out the main adjustments made to the Statement of Accounts from the version published on 15 October 2021. These adjustments are for significant amounts, however they relate to asset classification and valuations and offsetting adjustments between Short Term Debtors and Creditors, so the underlying financial position of the Council, its financial performance for the year and levels of Usable Reserves, are unaffected. The material changes are:
    - Amounts totalling £1.695m have been reclassified within Note 20, from Prepayments to Trade Receivables.
    - A prepayment of deficit recovery costs of £883k to the Lancashire Pension Fund, which had been classed under Short Term Debtors has now been offset against the outstanding Pensions Liability.

21. In addition to these, the following changes are noted:

- The figure stated for Capital Commitments in Note 15 has been reviewed and, based on the latest forecasts of the final costs of the individual projects concerned, has been amended from £28.471m to £27.196m.
- A line has been added to the table in Note 9, under 'Income', splitting out the previously stated 2019/20 figure of £3.733m for Interest & Investment, to show the fair value gain of £1.125m on Investment Properties for that year separately.

22. There are a small number of other minor amendments to text and figures.

23. The Annual Governance Statement is unchanged from that approved by the Committee on 26 May 2021.

Audit Findings

24. The Audit Findings report by the Appointed Auditor (Grant Thornton) includes a draft audit opinion. This indicates that the Council will be provided with an unmodified audit report which is, in other words, an unqualified opinion.

25. At the time of preparing this report, and the Statement of Accounts it introduces, the auditors are still undertaking a limited amount of further work. Due to the audit not having been finalised, it is possible that they could identify further changes that would be required to core statements or supporting notes after Governance Committee has resolved to approve the Statement of Accounts. As a consequence, it is recommended that the Director of Finance, in consultation with the Chair of Governance Committee should agree any changes which have no material impact on the financial position of the Council before recertifying the Statement of Accounts. Should there be any changes which do have a material impact on the financial position of the Council, it would be necessary to reconvene Governance Committee to agree the changes.

Climate change and air quality

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

Equality and diversity

27. Not applicable; the statutory accounts are a statement of the financial position of the council as at 31st March 2021 and summarise its financial transactions over the course of 2020/21.

Risk

28. No risks have been identified in respect of the contents of this report.

Comments of the Statutory Finance Officer

29. All relevant comments are included within the report.

Comments of the Monitoring Officer

30. Approval and publication of the 2020/21 Statement of Accounts, is required in order to comply with The Accounts and Audit Regulations 2015, as amended by The Accounts and Audit (Amendment) Regulations 2021.

Background documents

There are no background papers to this report.

Appendices

Appendix A – 2020/21 Statutory Accounts

Report Author:	Email:	Telephone:	Date:
Tony Furber (Principal Financial Accountant)	tony.furber@chorley.gov.uk	01257 51	7 March 2022

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Statement of Accounts 2020/21

Chorley Borough Council

Contents

Introduction to the Statement of Accounts

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

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

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

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 2021 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 2020/21.

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 2020/21 Accounts
- Financial Performance in 2020/21
- Looking ahead to the future including the challenges and opportunities facing Chorley Council

Louise Mattinson ACA
Director of Finance/Section 151 Officer

Key Facts About Chorley

- Chorley's population of 119,522 mostly live in urban areas;
- The Borough of Chorley covers 205 square kilometres;
- It is estimated that between 2016 and 2041 the population of Chorley will increase by 16.4%, the highest predicted growth rate by far in Lancashire. The number of households in the authority is projected to increase by a substantial 23.2% between 2016 and 2041.
- There are approximately 51,600 households in Chorley;

  Chorley Borough is located in Lancashire, at the centre of the North West Region, with the M6, M61 and M65 motorways running through it. It has easy access to the West Coast Mainline and Manchester and Liverpool Airports. These good transport links make it an attractive area for people to live in for people working across the North West. This is reflected in its steadily increasing population level.

  The Borough of Chorley benefits from a vibrant voluntary and community centre network that supports and enhances the community.

  The Borough of Chorley consists of 14 wards, represented by 42 elected councillors and a member of parliament.

  The electorate is 87, 776. Following elections in May 2021, the Council is led by a majority Labour Party administration.

Chorley Borough Council Corporate Strategy

The overall aim of the Medium Term Financial Strategy (MTFS) is to identify resources to meet the objectives, targets and measures contained in the Corporate Strategy. The Corporate Strategy vision and our strands of focus are set out below:

The delivery of the Corporate Strategy is supported through a series of key projects and service level projects contained within the business plans. In each case, the resources required to deliver the projects and plans were broadly developed through the business planning process, and resources identified during the budget planning process.

The Corporate Strategy for 2020/21 to 2022/23 was approved by Council on 17th November 2020. It includes 13 key projects, with a particular focus on delivering some of the large scale, ambitious schemes that will have a significant impact on local outcomes. Key performance measures for each service have been set so that targets remain challenging and reflective of the Council’s ambitions.

The following pages outline the Council’s achievements in 2020/21 against the delivery of the Corporate Strategy and key performance indicators up to the end of 2020/21.

Involving residents in improving their local area and equality of access for all

The long-term outcomes for this priority are:

- Residents who take pride in where they live and their achievements
- Residents who are all able to take an active part in their local and wider community
- Easy access to high quality public services, both face to face and online

Undertake renovation works at Astley Hall

Renovation works to Astley Hall have continued to progress over 2020/21. This project seeks to increase residents' pride in where they live and to build a strong local economy by providing a high-quality leisure and tourist facility. The old render has been removed from the exterior of building and the exposed brickwork was cleaned and repaired. The front windows were removed from the hall, with new ones currently being crafted by a local contractor. The scaffolding to the façade of the Hall should be removed in time to provide a focal point for the annual Chorley Flower show and reveal the restored brickwork.

Deliver year one of the shared digital strategy

This project has not yet started and will be delivered following the shared services review of ICT.

Implement the community resilience locality action plans

Work to implement the community resilience locality action plans has progressed well over 2020/21. These plans focus on community recovery as a consequence of the Covid-19 and seek to build confidence so that residents and communities can support themselves and know where to access help if they need it. This aims to improve health and wellbeing and reduce the demand for public services in the long term. A review of the 2019/20 Community Resilience Locality Plans was conducted to identify what elements have been delivered, with ongoing actions being incorporated into the plans for 2021/22. Elements identified as delivered include the project to give parents the tools to provide regular and affordable healthy meals for their families. This has established a working group with local foodbanks and emergency food providers. This will provide a key network to share intelligence and foster partnership working in order to improve food provision and access, with plans currently in development to establish a cooking club for parents to learn how to make budget friendly and nutritional meals. Several work streams associated with the action plans remain ongoing, including the Essential Grant Scheme, which is supporting residents in financial hardship. Work to deliver our own digital inclusion programme continues, aiming to support residents in enhancing their digital skills.

Performance of Key Projects

0 Projects COMPLETED

1 Projects reported GREEN

1 Projects reported AMBER

0 Projects reported RED

There are three key projects included in the 2020 Corporate Strategy under this priority.

One project is rated as green, meaning they are progressing according to timescale and plan:

- Deliver a programme of community resilience building work

One project is rated amber:

- Undertake renovation works at Astley Hall

Project Title	Project Status
Undertake renovation works at Astley Hall	AMBER
Explanation	This project seeks to deliver renovation works to Astley Hall as well as create a museum shop to further develop the facility as a tourist and leisure attraction, with associated benefits to the local economy and local pride. The project has progressed well over 2020/21, with key renovation works being conducted, such as the removal of render from the building. However, conservation work on the exterior of the Hall has revealed additional works that need to be done in order to preserve the integrity of the Hall's structure. This includes sections of the brick that have had to be strapped and re-rendered, which has caused the project to be a week behind schedule. These additional works were considered as a risk in previous highlight reports and are being monitored by the project manager. Costs incurred by the additional works have been accounted for by the contingency fund. Therefore, the project remains within budget.
Action Required	An exception report will be completed in order to account for the additional works, the resulting delay, and its implications on the project timeline. Additionally, a detailed programme for the internal works to the hall and the associated cost will be produced over quarter one to establish the project's timeline.

Performance of Corporate Strategy Measures

1 Performance is better than target

0 Worse than target but within threshold

0 Worse than target, outside threshold

One indicator is performing better than target:

- % of the population with NVQ level 3 and above.

Clean, safe and healthy homes and communities

The long-term outcomes for this priority are:

- Clean and safe streets
- Reduced health inequalities
- A wide range of quality recreational activities
- High quality, affordable and suitable housing
- High quality play areas, parks and open spaces in both urban and rural locations

Homelessness and Rough Sleeping Strategy

Work to implement the Homelessness and Rough Sleeping Strategy action plan has commenced during 2020/21. This project aims to improve support around mental health, substance abuse, and budgeting as well as address housing stock imbalances and strengthen support for those in the private rental sector. This will have associated benefits to the quality of accommodation in the borough as well as support the reduction of health inequalities. The actions in the strategy have been reviewed to identify which remain relevant in relation to the Covid-19. This review has resulted in the timescales for the project being brought forward as the pandemic has meant that the support infrastructure that would have been created through the project has already been developed. This includes the creation of multi-disciplinary teams, which have brought together leads from across the local government and health sector. Work towards developing a community-based approach to tenant rights has progressed over the quarter, with a webpage being developed to present up-to-date information, advice, and support services for tenants at risk of homelessness. This aims to increase awareness of tenant rights in the private sector.

Improve play and community spaces across the borough

This project has progressed well during 2020/21. At the Westway Sports Campus, the installation of the grass and artificial pitches has continued and the construction of the sports pavilion was finalised. The facility will provide a wide range of quality recreational activities, which will support our residents to live active and healthy lives. The designs for King George V Playing Fields were agreed with the lead member. The improvements will include a changing facility, kiosk space, and a foyer. Green engineering works have been completed at Carr Brook Linear Park, with consent obtained to create a natural flood management scheme. Onsite works have commenced at Longfield Avenue, with new play equipment and safety surfacing installed and orchard trees and edible fruit bushes planted. For Wigan Lane Playing Fields, a design team has been appointed to plan potential improvement works with final designs scheduled to be finalised in quarter one.

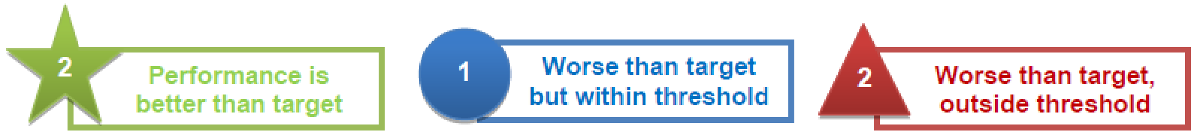
Tatton Extra Care Facility

The project to deliver an extra care scheme and community facilities at Tatton has made excellent progress over 2020/21. The project will provide high quality, affordable and suitable housing, a GP surgery, a pharmacy, a community café, and a community centre when completed. The design team have continued to progress with stage five of the development. This includes the remediation works that have been completed ahead of construction, with a report being submitted to the relevant authorities for sign off. The pre-commencement conditions for the superstructure have also been submitted for approval. Following a public inquiry, approval was granted for the stopping up of Silverdale Road, which will allow for the project to progress according to the original designs.

Performance of Key Projects

All three projects are rated as green, meaning they are progressing according to timescale and plan.

Performance of Corporate Strategy Measures



Two indicators are performing better than target:

- Number of volunteer community groups supported to improve by the Council,
- Number of parks, open spaces, and playing pitches improved linked to strategy delivery.

One indicator is performing slightly below target, but within the 5% tolerance threshold:

- Percentage of household waste sent for reuse, recycling or composting.

Two indicators are performing below target, and outside the 5% threshold:

Performance Indicator		Target	Performance
▲	The number of long-term empty properties in the borough	150	165
Reason below target	Two properties have been empty for two years and therefore count towards the empty property number. These properties are divided into flats and so account for 24 of the 160 empty properties, despite, in real terms, being only two properties.		
Action required	A lot of the work related to bringing empty properties back into use hinges on the lifting of national restrictions related to Covid, which has had an impact on building work. Work is currently being progressed relating to one of the two properties already identified to get the property back into use, which has 17 flats contained within it and would result in a 10.6% improvement in current performance. Timescales for the delivery of this has not yet been agreed as negotiations with the owner remain ongoing. Work continues with the other property but progress on this is slow. This is because the owner plans to dispose of the property but has not yet received any interest. For those properties that have been vacant for an extended period of time, additional council tax is charged incrementally. This will act as an incentive for those who own long-term empty properties into getting them back into use.		
Trend:	Performance is worse than the figure recorded in 2019/20 (144) and 2018/19 (146).		

<table>
<tr><th colspan="2">Performance Indicator</th><th>Target</th><th>Performance</th></tr>
<tr><td></td><td>The number of affordable homes delivered</td><td>100</td><td>47</td></tr>
<tr><td>Reason below target</td><td colspan="3">There are a number of reasons for the lower than anticipated performance, some of which are unlikely to be overcome in the short term given the complexity of how housing development is brought about generally and how affordable housing is funded and delivered. This includes slight delays to starts on housing sites due to the Covid-19 pandemic. In addition, the majority of housing sites allocated under the Local Plan for 2010/26 have already been developed. This means there is limited land supply available until a new Local Plan is adopted, which will allocate a number of new development sites to meet our housing requirements.</td></tr>
<tr><td>Action required</td><td colspan="3">There are a number of actions that being undertaken to address the performance:
• The council are developing affordable housing as a Registered Provider in their own right, including extra care schemes such as at Tatton.
• Registered Providers are being re-engaged to ensure that any remaining housing allocations that have not come forward are considered as 100% affordable housing schemes.
• Any planning applications for housing over the threshold for affordable contribution, which claim viability issues and seek a lower/zero affordable housing contribution, are being vigorously challenged.
• As part of routine Housing Land Monitoring, developers are regularly engaged with on allocated sites to track progress and understand the pipeline of delivery.
• A new Local Plan is also underway, and this will bring a new supply of housing land allocations and include a review of affordable housing policies to ensure we are developing what is needed and maximising developer contributions.
• Engage with Homes England to understand the new Affordable Homes Programme and what is available to Registered Providers
• A Preferred Provider Framework is being established which will enable the management of the supply of section 106 funded affordable housing, and will ensure that only selected Registered Providers with a strategic relationship to the Council and the borough provide new units.</td></tr>
<tr><td>Trend:</td><td colspan="3">Performance is worse than the figure recorded in 2019/20 (122) and 2018/19 (202).</td></tr>
</table>

A strong local economy

The long-term outcomes for this priority are:

- A vibrant town centre and villages
- A strong and expanding business sector across the whole of the borough
- Access to high quality employment and education opportunities across the borough

Strawberry Meadows Development

These planning conditions have been met, with work on site commencing in 2021/22. Contractors have been appointed to conduct works, including a designer and builder, project manager, and quantitative surveyor. The water main diversion works on site have been completed and agreement was reached with the owners of the neighbouring site regarding drainage connections. Officers continue dialogue with parties regarding the acquisition of the land to the north of the railway bridge the possible acquisition of additional land adjacent to the site. This acquisition would bring forward the proposed construction of pedestrian and cycle connection between Buckshaw Village and Euxton Lane. Once complete, the development will provide essential commercial buildings to accommodate the ambitions of the business sector, supporting economic growth in the borough by promoting inward investment.

Improvements to the Town Centre

Works to the covered market have continued, with the completion of the external render and decoration as well as the installation of the rainwater goods and UPC soffit along the roof of the building. The upgrade of the market and trader signage and the market walkways and awnings have commenced, with agreement reached on the new entrance and toilet designs. The roof repairs and the stripping out of the existing toilets has also commenced. Work towards the creation of a Civic Square has progressed, with the completion of a refurbishment and demolition survey and the completion of soft stripping and demolition of the main units on the site. The work delivered as part of this project will ensure that the town centre remains a vibrant commercial hub that can accommodate the businesses of today and tomorrow by transforming the visitor experience and facilities, supporting a strong local economy.

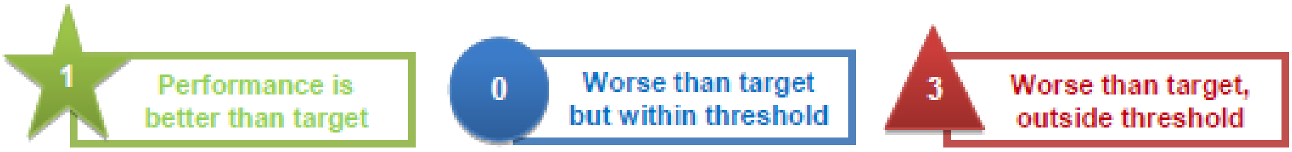
Bring forward the site at Bengal Street

This project seeks to produce plans to transform the site into mixed-use and develop residential, community, and light industrial facilities, which will accommodate the ambitions of the local economy and provide additional employment opportunities. Over quarter four, a technical works survey of the site was completed, with a master planning exercise conducted to take into account the identified constraints and opportunities of the site, producing a viability report presenting the options for development. Negotiations have also commenced with the owners of the site adjacent to the Bengal Street Depot in order to acquire additional land for the project.

Performance of Key Projects

All three projects are rated as green, meaning they are progressing according to timescale and plan.

Performance of Corporate Strategy Measures



At the end of 2020/21, it is possible to report on four of the seven corporate performance indicators under this priority.

One indicator is performing better than target:

- The number of jobs created through Chorley Council support or intervention.

Three indicators are performing worse than target and outside the 5% threshold:

Performance Indicator		Target	Performance
▲	Overall employment rate	80%	74.6%
Reason below target	The employment rate in Chorley is currently below the target of 80%. The rate has been steadily decreasing over the past two years from its peak of 87.9% for the period July 2017 to June 2018, at which time the employment rate in Chorley was 14.5 percentage points above the North West average and the highest rate amongst all North West Local Authorities. The current rate now brings it back down to within the average regional and national levels. There has been some growth in the current figures with Chorley increasing from 72.4% in the previous quarter. This now takes Chorley above the level of the North West which is only 74.2% but below the National level at 75.4%.		
Action required	A number of support measures are being focusing on employment. This includes Job Matching in partnership with Job Centre Plus and referrals to providers of the Kickstart scheme. The Business Engagement team have been undertaking a number of ongoing activities throughout the year as part of its Covid-19 business recovery plan, including training and support webinars for sectors in distress and financial health checks for business impacted by Covid-19. Officers have also been administering Covid-19 government grant schemes to support businesses financially. The Council's Communities team has been working to support residents into employment by working with the VCFS to support the recruitment of unemployed residents into viable volunteering opportunities. They have developed a Chorley Employment Taskforce which allows intelligence gathering, networking and the sharing of best practice. A directory of employment support services has also been developed and is available to residents and published on the		

	council website. In addition, a new Employment Community Recovery plan is in development for 2021/2022.
Trend:	Performance is worse than the figure recorded in 2019/20 (77.3%) and 2018/19 (87.8%).

	Performance Indicator	Target	Performance
▲	The % of 16-17 year olds who are not in education, employment or training	3%	3.5%
Reason below target	The suspected reason for the figure is the impact of Covid-19 and the ongoing restrictions and closures of workplaces as part of national measures. A similar increase can be seen in neighbouring South Ribble, which demonstrates that this is not necessarily an issue peculiar to Chorley. The overall Lancashire figure is 3%, which is the highest since 2018/19 when compared with the same time that reporting year.		
Action required	Guidance for businesses on the Kickstart programme has been developed, which will enable them to independently access the scheme, which provides funding to employers to create new job placements for 16 to 24 year olds who are at risk of long term unemployment. An Employment Taskforce for Chorley has also been established in order to tackle the issue of unemployment in the area, bringing together 23 key partners to discuss employment opportunities, challenges faced by employers, and how the Council can provide support. The indicator will continue to be monitored as restrictions are relaxed and workplaces begin to reopen as well as resuming of in person teaching universities.		
Trend:	Performance is worse than the figure in 2019/20 (2.7%) and 2018/19 (2.9%).		

	Performance Indicator	Target	Performance
▲	Median workplace earnings better than the North West average	£559.60	£498
Reason below target	The figure is currently below the average of £559.60 for the region, with Chorley ranking eighth out of the fourteen local authorities in Lancashire. Since 1997, the median workplace earnings for Chorley has been lower than the regional and UK averages, however, the area has also achieved wage growth in line with the averages and has consistently demonstrated an upward trajectory of 76%.		
Action required	The council continues to support and invest in the local economy in order to increase high quality employment opportunities in the borough. This includes the project to develop business units at Alker Lane, which will attract and retain businesses. In addition, we have continued to work with our partners to bring forward office and industrial developments and market vacant sites, such as at Botany Bay and the Buckshaw Office Village. The council's own development, Strawberry Fields, aims to attract and incubate high value businesses who employ high earning skilled staff. We have a programme of grant support available for growing businesses to incentivise growth and job creation. The council is also supporting those who are unemployed with return to the workplace schemes.		
Trend:	Performance is better than the figure recorded in 2019/20 (£495.60) and 2018/19 (£488.60), which were both below target.		

An ambitious council that does more to meet the needs of residents and the local area

The long-term outcomes for this priority are:

- A council that consults and engages with residents,
- An ambitious council that continually strives to improve,
- Cohesive communities in and around our rural and urban areas.

Deliver Shared Services Phase 2

Over 2020/21 the project to deliver Shared Services Phase 2 has progressed well, with key project milestones met. This includes the implementation of the Shared Chief Executive and Shared Director roles, which has been supported by organisational wide communications and organisational development activities. New shared management arrangements have also been established, with a new Shared Senior Management Team meeting weekly and a new Leadership Team meeting monthly. Phase 2 will involve the sharing of customer and ICT services with South Ribble Borough Council, which will improve resilience, capacity, and efficiency across each authority. A desk based review identifying key priorities and objectives for the ICT service was conducted. This has informed the service review and development of high level proposals for the future shared ICT service. Alongside this work, staff engagement activities within ICT have been delivered, including workshops, question and answer exercises, and group calls between teams. This will ensure staff continue to be involved in the process and that there is transparency. The initial proposals for the ICT service review were presented to the Shared Services Joint Committee and were signed off via an Executive Member Decision.

Borough-wide Streetscene improvements

This project to has made good progress in 2020/21. This project aims to implement key changes to technology to support an intelligence led and efficient Streetscene service that can deliver environmental improvements across the borough. The mechanical sweeping schedule was implemented using Alloy technology and software testing has continued for tree plotting, grass cutting, and car park inspections, with options for improvements and issues being reported to the supplier for rectification. Training has also been delivered to support staff in using the new technology. In addition, new weed treatments have been trialled using a quad bike for herbicide application. This is part of the initiative to reduce the use of glyphosate, which is part of traditional weed treatments and can be damaging to the environment. The wildlife corridors have been prepared as part of the Mini-Meadows Programme, with an additional 33,000 bulbs and 11,000 bedding plants installed at high profile places across the borough.

Deliver sustainable public services

This project to has made good progress in 2020/21. This project seeks to ensure that our partnership working model continues to be fit for purpose by increasing collaboration with the South Ribble Partnership, aligning the two to achieve greater scale, influence, and efficiencies. A joint partnership workshop was held and well attended by all partners to identify key priorities that will underpin the development of a high-level strategy for the future partnership. These priorities include health and wellbeing, employment and economic recovery, data sharing and analysis, developing a sustainable partnership network, and partnership resources, delivery models, and integration.

Deliver Green Agenda

The council has continued its commitment to the green agenda, with the successful appointment of a Climate Change Co-ordinator. The role will provide key support and direction in ensuring that the council achieves its ambition of operating sustainably and tackling climate change. Over quarter four, a Carbon Production Assessment of the Council's assets was commenced. This is a county wide evaluation that is being delivered in partnership with the charity North West Energy Hub and will quantify the Council's carbon production and identify potential remediation options. The implementation of the Overview and Scrutiny for the Green Agenda Action Plan continues. This includes the development of a communication and engagement campaign to promote the green agenda. Wider elements of the project are progressing well, including the continued development of the Clean Air Strategy, which is due to go out to public consultation in quarter one. A ten year tree planting strategy has been produced to coordinate the planting of trees and hedgerows across the borough going forward. A Councillor lead Climate Change Working Group was also established to provide direction and oversight for the project.

Performance of Key Projects

0 Projects COMPLETED

4 Projects reported GREEN

0 Projects reported AMBER

0 Projects reported RED

There are four key projects included in the 2020 Corporate Strategy under this priority, and at the end of quarter two overall performance is very good.

Four of the projects are rated as green, meaning they are progressing according to timescale and plan:

- Deliver phase 2 of Shared Services,
- Extend the borough wide programme of improvements to street services,
- Work with our partners to deliver sustainable public services.
- Deliver a project to support Chorley Council's commitment to the green agenda.

Performance of Corporate Strategy Measures

2 Performance is better than target

0 Worse than target but within threshold

0 Worse than target, outside threshold

At the end of the third quarter, it is possible to report on two of the five corporate performance indicators under this priority.

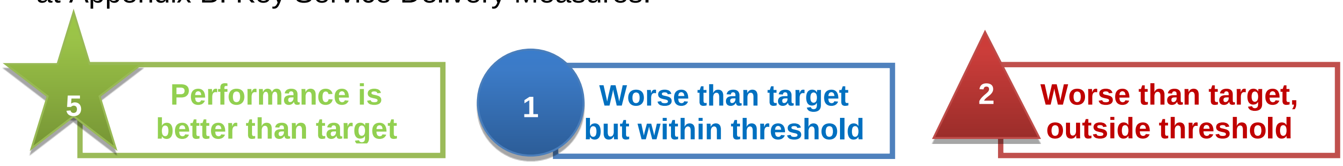
Both indicators are performing better than target:

- The percentage of service requests received online
- The percentage of customers dissatisfied with the service they have received from the council

The full outturn information for the performance indicators is included at Appendix A.

PERFORMANCE OF KEY SERVICE DELIVERY MEASURES

There are some important indicators that are not included within the Corporate Strategy but are measured locally as indicators of service performance. There are eight indicators that can be reported at the end of the third quarter. The full outturn information for this is included at Appendix B: Key Service Delivery Measures.



Four of the Key Service delivery measures are performing on or above target:

- Time taken to process all new claims and change events for Housing Benefit and Council Tax Benefit,
- Processing of major planning applications,
- Processing of minor planning applications,
- Processing of other planning applications,
- Average working days per employee (FTE) per year lost through sickness absence.

One indicator is performing slightly below target, but within the 5% tolerance threshold:

- % Council Tax collected.

Two indicators are performing below target at the end of quarter two and the reasons for areas of underperformance are listed in the table below:

Performance Indicator		Target	Performance
▲	Town Centre vacancy rate	8%	10.3%
Reason below target	There have been a number of business that have had to close as a result of the pandemic, increasing from the 9.7% recorded in quarter three. In comparison with other areas the figures for Chorley remain relatively low, and the latest report from October 2020 shows that the North West rate was 12.5%, and the National rate 11.3%.		
Action required	Promotional activities will continue to be delivered in order to advertise Chorley as a good place to do business. Investment in the town centre, such as the Covered Market and Civic Square, will further bolster Chorley's position as a vibrant commercial and business hub. In addition, empty properties owned by Chorley Council are being promoted through To Let signs and all enquiries are being passed to the letting agent.		
Trend:	Performance is worse than the figure recorded in 2019/20 (9.3%).		

Performance Indicator		Target	Performance
▲	Number of missed collections per 100,000 collections of household waste	30	47
Reason below target	The Covid-19 has continued to affect the volume of waste and recycling, which has increased significantly during the pandemic. This has placed additional pressures on collection services and resources, with temporary agency staff required to complete rounds and regular crews reallocated to complete alternative rounds. This has led to crews that are unfamiliar collection routes and incidences of missed collections. The provider of collection services has also struggled with retaining and recruiting HGV drivers due to high demand and competition within the industry.		
Action required	The impact of the pandemic on the volume of domestic waste should decrease as restrictions are eased. This will reduce the pressure on operations and collection services. The provider of collection services continues to monitor performance, with underperformance being addressed at the crew level in order to reduce the number of missed collections. Contractual performance penalties also continue to be enforced for underperformance, which will further act as an incentive to improve performance and achieve the target.		
Trend:	Performance is worse than the figure recorded in 2019/20 (43) and 2018/19 (40), which were also below target.		

Performance of Corporate Strategy Key Measures 2020/21

The Corporate Strategy includes key measures to make it possible to monitor progress towards achieving priorities and long-term outcomes. The measures were selected to demonstrate the progress made in achieving the ambitions of the council. Performance in 2020/21 was worse than the previous year however most targets have been negatively affected by Covid-19.

★ **Performance is better than target** ● **Worse than target but within threshold** ▲ **Worse than target, outside threshold**

Indicator Name	Polarity	Target	Performance Quarter 4	Symbol	Trend[1]
% service requests received online	Bigger is better	35%	**52.74%**	★	Better than Q4 19/20
% customers dissatisfied with the service they have received from the council	Smaller is better	20%	**15.79%**	★	Worse than Q4 19/20
Number of volunteer community groups supported to improve by the Council	Bigger is better	75	**105**	★	Worse than Q4 19/20
Number of affordable homes delivered	Bigger is better	100	**47**	▲	Worse than Q4 19/20
Number of long-term empty properties in the borough	Smaller is better	150	**165**	▲	Worse than Q4 19/20
Number of parks, open spaces, and playing pitches improved linked to strategy delivery	Bigger is better	12	**19**	★	Worse than Q4 19/20
% of the population with NVQ level 3 and above	Bigger is better	57%	**58.1%**	★	Worse than Q4 19/20
Household waste sent for reuse, recycling or composting	Bigger is better	43.7%	**42.8%**[2]	●	Worse than Q3 19/20
Overall employment rate	Bigger is better	80%	**74.6%**	▲	Worse than Q4 19/20
Number of projected jobs created through Chorley Council support or intervention	Bigger is better	120	**366**	★	Worse than Q4 19/20
The % of 16-17 year olds who are not in education, employment or training	Smaller is better	3.0%	**3.5%**	▲	Worse than Q4 19/20
Median Workplace Earnings better than	Bigger is better	£559.6	**£498**	▲	Better than Q4 19/20

Strategic Risk Register

Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels.

Compiling the Strategic Risk Register requires a collective effort involving Shared Senior Management Team (SMT) to identify the key strategic risk issues facing the Council. The Strategic Risk Register is stored and managed within the Council's risk management system GRACE. SLT are responsible for identifying, owning monitoring and mitigating strategic risk including ensuring that any actions against each risk are completed. The GRACE system also contains separate risk registers for individual projects and service level risk registers owned and controlled by individual services managers and project managers.

All strategic risks are now contained and embedded within the GRACE system have been reviewed to inform this latest position. Directors and service leads continue to own individual risks with actions being owned by the most relevant Senior Officer within the organisation.

All risks are stored within the GRACE system and are scored on a 4x4 risk matrix as outlined below:

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

The table below outlines the highest scoring risks on the Strategic Risk Register for 2020/21.

Risk No.	Description of Risk	Matrix Score July 2021	Change in risk level from 2020
R1	Failure to realise the value of large budget investments and achieve return on investments	**16** (High)	➔ (no change)
R16	Not managing the recovery after COVID-19 effectively	**12** (High)	➔ (no change)
R17	Incidents affecting ICT service delivery / business continuity	**16** (High)	➔ (New Risk)
R18	Cyber-attacks that impact business continuity and delivery	**16** (High)	➔ (New Risk)

All the risks have been reviewed in light of COVID-19 and amended appropriately to reflect the long-term impact that this crisis will have on the Council and services it delivers. Overall, the majority of strategic risk levels have remained similar to 2020 as mitigating actions and controls have ensured that the risks have been effectively managed and have therefore not escalated across the year. Moreover, all actions have been reviewed and updated against these risks and any changes recorded within the GRACE system.

The highest scoring risks continue to focus on delivering Council priorities, including large scale investment projects, partnership working, and cyber security. There are significant challenges facing the organisation within the coming year, including budgetary pressures, internal and external change, and the ever-increasing demand for our services.

The risk score for R1 ‘failure to realise the value of large budget investments and achieve return on these investments’ continues to be the highest rated risk for the Council. This risk includes the Council’s investment into large scale developments such as the Digital Office Park, Market Walk and investment into key employment sites, such as Alker Lane. This remains high to reflect the impact of COVID-19 on the economy and the increase in development costs, which may mean lower returns on investment projects. The high risk also reflects the need to see a return on long-term investments to assist the Council in achieving a sustainable financial position in future years.

R16, which encompasses risks related to COVID-19 and remains scored as high due to changing legislative landscape and associated challenges as we emerge from the pandemic. Furthermore, a review will be undertaken in order to quantify any backlog in service delivery as a result of prioritising the pandemic response and recovery.

Two new risks have been added to the register, which have been scored as high risk as they both relate to the increased reliance on technology to deliver services and the significant impact to service operations if that technology was disrupted. The significance has been increased as remote working now takes place as a matter of routine which creates a greater reliance on cloud technology to store information. The risk R17 refers to incidents effecting the ICT service and its ability to delivery business as usual. This has been removed from R12 ‘incidents effecting business delivery’ to create a new risk, reflecting the Council’s reliance on technology. Furthermore, the risk R18 refers specifically to cyber threats and their potential to disrupt Council operations.

The Structure of the Council

Chorley Borough Council is part of a two-tier system in Lancashire that consists of a County Council, two Unitary Councils and 12 District Councils. Chorley Borough Council works collaboratively with a wide range of partners to deliver its vision of the Council being:

A proactive community leader, supporting the borough and all its residents, whether in rural or urban areas, to reach their full potential through working in partnership to deliver services that achieve the best outcomes for local people and protect vulnerable people

During 2020/21, the Council underwent significant changes in its Senior Management structure as part of the sharing of services with South Ribble Borough Council.

Shared Senior Management Team

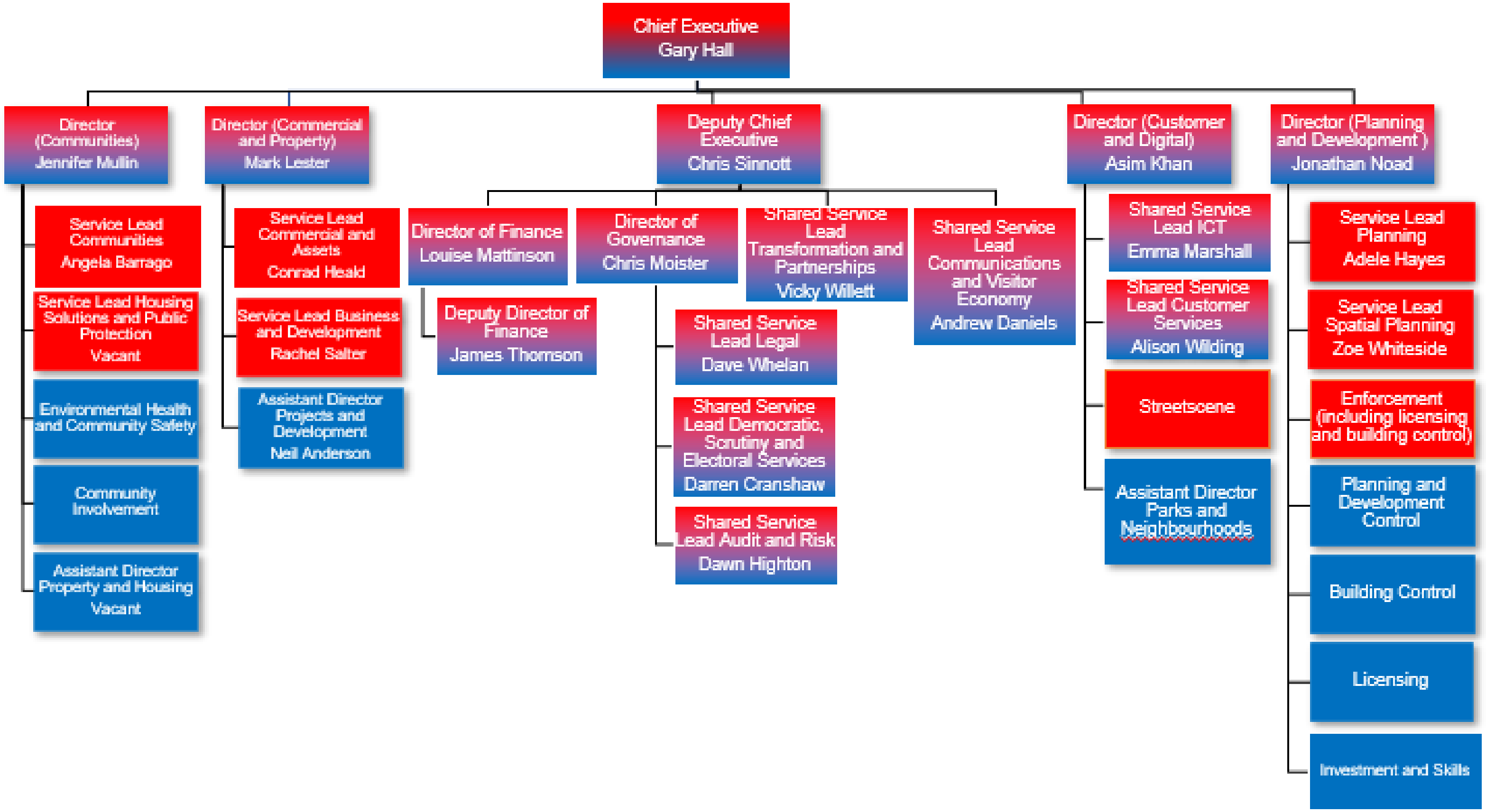
The Senior Management Team is shared across Chorley and South Ribble Borough Councils and consists of the Chief Executive, a Deputy Chief Executive and Directors as shown below. The Senior Management Team meets weekly and is responsible for developing, identifying resources, delivering and reviewing the delivery of the Council's corporate priorities.

The Senior Management Structure of the Council was reviewed during 2020/21 to enhance service sharing arrangements with South Ribble Borough Council. The following additional roles were shared during 2020/21:

- Chief Executive
- Director Commercial
- Director Customer & Digital
- Director Communities
- Director Development & Planning

The remainder of the posts shown below are a mix of shared posts and those individual to each council. Chorley BC posts are shaded red and those specific to South Ribble BC are shaded blue, while the joint posts are shown as a blend of two colours.

Leadership and Management Structure – Chorley Council



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Agenda Item 3

The Transformation Board

The Council continues to work towards delivering the transformation strategy with the Transformation Board overseeing its delivery. The purpose of the Transformation Board is to:

- Monitor project progress and issues
- Ensure proposals meet with the overall objectives of the Transformation Strategy and anticipated savings
- Consider dependencies between projects to make sure that activity is coordinated (particularly with regard to consultation/service reviews) and monitor overall demands on capacity

There are currently a number of ongoing projects that the transformation board monitors and supports in order to deliver the transformation strategy.

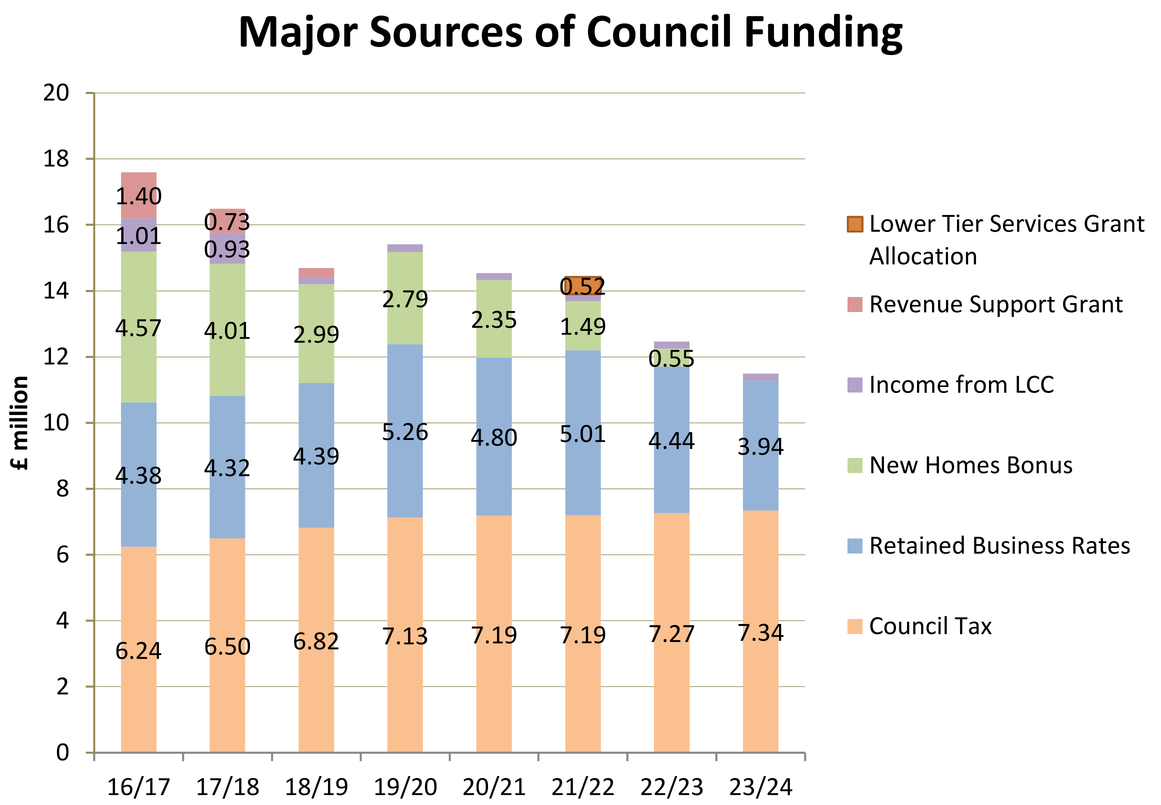
Context for the 2020/21 Accounts

Following the Spending Round 2020, councils received a one-year settlement, with the planned changes from the Fair Funding Review and implementation of 75% Business Rates retention delayed, at that stage. As a result of the Covid 19 pandemic, this has since been further postponed until at least April 2023, with another one-year Settlement put in place for 2022/23.

The outcomes of the Fair Funding Review are uncertain and therefore there remains a concern that once it is completed, the Council may experience significant reductions in funding over the proceeding three years as well as having to manage inflationary budget pressures. It also certain that the Council will lose any remaining New Homes Bonus by 2023/24 with no indication that the funding source will be replaced.

The uncertainties regarding funding levels from 2021/22 onwards are a major issue in carrying out effective financial planning. It is expected that over the medium term the Council will experience a reduction in funding of over £3m. This is mainly assumed to be due to a reduction in future retained business rates income. Financial uncertainty has been exacerbated by the impact of the Covid 19 pandemic. The additional financial commitments which this has placed upon the Council have largely been met by additional grant funding, but the situation has been, and remains, subject to considerable uncertainty and to ongoing changes. At this point in time it is not possible to forecast exactly how the reforms and the pandemic will impact the Council. It is vital that this is kept under close review to ensure the organisation continues to deliver its corporate priorities as well as maintaining its financial sustainability.

Chorley Borough Council has experienced and may continue to experience in the coming three years, large reductions in its major funding sources. The forecast reductions in the largest funding sources are outlined in the chart below that is taken from the Council's Medium Term Financial Strategy (MTFS) that was approved by Council on 23 February 2021.



The 2021/22 MTFS identified a projected budget gap over the period 2021/22 to 2023/24 of £4.168m and continued to plan a route by which the budget deficit would be reduced whilst still delivering the Council's Corporate Strategy priorities.

As a result of these uncertainties and in order for the Council to manage the changes required over the medium term, the Council will maintain general balances at £4m as well as increasing earmarked reserves to manage the potential short to medium term impact Brexit, Business Rates Reform and Covid-19 may have on the Council, the local economy and residents of Chorley. See the Movement in Reserves Statement on page 47 for more details.

This Council continues to be 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. 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. For 2020/21 and 2021/22, the position has reverted to 50% local retention and the membership of the Lancashire Pool has been offered once more by the Government for 2022/23.

Financial Performance in 2020/21

Despite the financial challenges outlined above, the financial standing of the Council is robust, with sound budget setting and monitoring practices. The Council's 2021/22 Revenue Budget, Capital Programme, MTFS and Treasury Management Strategy were approved at Council on 23 February 2021. Thereafter, budget monitoring reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council's website.

In 2020/21, the Council continued its successful track record in achieving budgetary savings whilst also maintaining services. The following budget efficiency savings and additional income has been achieved since 2014/15 to 2019/20 with further being achieved in 2020/21 to close the budget deficit, through expanded shared services and additional income from investments.

Saving/Increased Income	Cumulative Savings and Income Achieved 2014/15 to 2019/20 £m	Savings and Income Achieved 2020/21 £m	Total £m
Efficiency Savings	1.985	0.270	**2.255**
Review of Contracts	1.100	0.000	**1.100**
Review of Income Streams	0.202	0.000	**0.202**
Income from Capital Investments	0.892	0.212	**1.104**
Saving/Increased Income	**4.179**	**0.482**	**4.661**

Council Spending in 2020/21

The Council's revenue outturn for 2020/221 reported a £57k underspend against a final budget of £14.219m. The underspend is analysed below.

Expenditure	Provisional Adjusted (Income)/ Expenditure Budget	Outturn	Underspend/ (Overspend)
	£'000s	£'000s	£'000s
Customer & Digital	6,094	5,808	286
Policy & Governance	4,584	4,434	149
Early Intervention	2,693	2,389	304
Business, Development & Growth	1,186	1,432	(245)
Directorate Total	**14,557**	**14,063**	**493**
Pension Account & Deficit Recovery	637	603	34
Benefit Payments	(47)	98	(146)
Market Walk Shopping Centre	(2,287)	(1,192)	(1,095)
Investment Properties	(67)	(67)	0
TVS Logistics House	(1,633)	(1,633)	0
LCC Transition Fund	140	90	50
Primrose Gardens	(331)	(390)	59
Strawberry Fields	(168)	250	(418)
Covid-19	(506)	(506)	0
Net Financing Transactions & Contributions to Capital	3,226	3,672	(446)
Parish Precepts	700	700	0
Total Expenditure	**14,219**	**15,688**	**(1,469)**
Financing			
Council Tax	(7,980)	(7,980)	0
Business Rates	(4,535)	(4,535)	0
Government Grants	(10)	(27)	17
CIL Admin	(50)	(106)	56
New Homes Bonus	(2,346)	(2,346)	0
Use of Earmarked Reserve	703	(121)	824
Covid-19 New Burdens and Fees & Charges Compensation	0	(886)	886
Slippage to 2021/22		256	(256)
Total Financing	**(14,219)**	**(15,745)**	**1,526**
Total Variance Reported in Budget Monitoring Report	**0**	**(57)**	**57**

<u>Analysis of Outturn</u>

The following explains the main variances during 2020/21:

An underspend of £765k on staffing costs arose during 2020/21 predominantly a result of vacant posts and delayed recruitment to a number of positions, both as a result of the Covid-19 lockdown and the implementation of new departmental structures. Of this underspend £150k contributed to the vacancy savings target of £150k that is budgeted for every year.

Due to the effects of Covid-19 many parts of the Council's officers were vacant during 2020/21. This resulted in an underspend in utilities and maintenance totalling £154k.

In addition, Covid-19 also impacted on the income streams the Council usually brings in. This includes a £234k reduction in car parking income and a £195k reduction in income through the support the Council offered to market traders during the pandemic. The net loss in income, excluding major projects was £188k. This was the net effect of a £777k shortfall with £589k of Government assistance to help the Council manage 75% of its lost income due to Covid-19.

The Council's' major projects include Market Walk Extension, Primrose Gardens Retirement Village, Strawberry Fields Digital Office Park and the purchase of Logistics House. The pandemic has resulted in a £862k shortfall in budget for the Market Walk and Market Walk Extension sites. This is due to income being £372k less than budgeted as some units became vacant and the new extension did not complete its signing of new tenants as budgeted for in 2020/21. In addition, an increase in bad debts provision of £438k was set aside for Market Walk to manage any uncertainty surrounding future rental payments. The pandemic also impacted negatively on the Strawberry Fields site with a shortfall of income of £431k. The Council in 2021/22 is experienced a renewed interest in the site with new tenants taking office space at the office park.

The Council sets a prudent financing budget so that it can pay for additional borrowing, if required, to manage cash flow throughout the year. The Council received over £40m of funding during 2020/21 to manage the Covid-19 business and restriction grants. This funding and other grant funding meant that the Council was not required to borrow further during 2020/21 resulting in a £312k underspend in its financing budget.

There were other variances during the year. Details were included in the Provisional Revenue and Capital Outturn report to Executive Cabinet on 17 June 2021.

Requests to carry forward underspends into 2020/21 are approved by the Chief Finance Officer. In 2020/21 there were £256k of approved 'slippage' requests. This includes funds identified for continued investment in ICT, funding to continue investing in neighbourhood priorities and funding to deliver the Council's events programme in 2021/22.

The (surplus) on General Fund balance noted in the Expenditure and Funding Analysis is £6.226m. This relates to the 2020/21 in-year underspend as well as other movements in reserves described below.

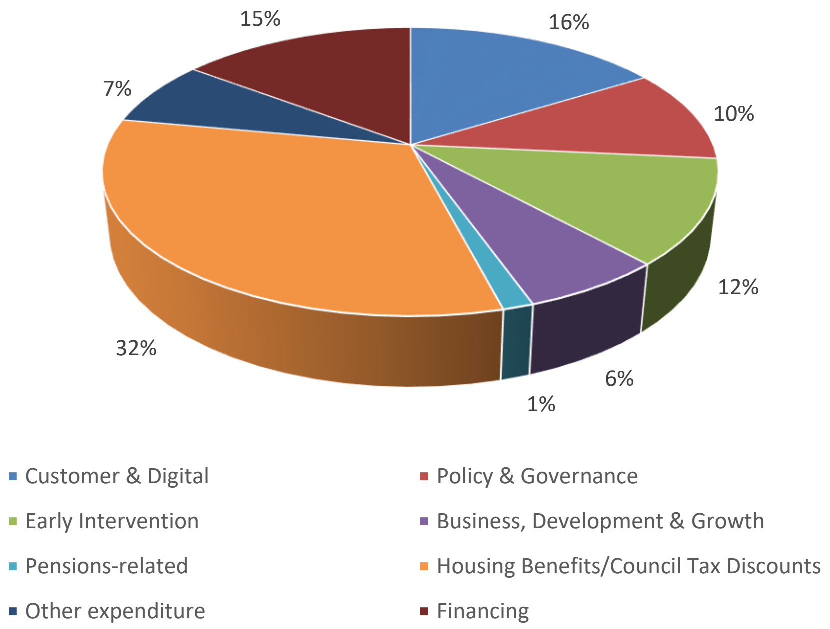
	General Balances £'000s	Earmarked Reserves £'000s	Total General Fund Balance £'000s
Balance at 31 March 2020	**(4,000)**	**(6,762)**	**(10,762)**
Transfers (to) from General Balances			
In-year contributions to General Balances	**(57)**	**0**	**(57)**
Transfers (to) from Earmarked Reserves			
Rephasing of Expenditure	0	233	233
Restructuring of Services	0	0	0
Grants Reserved for Specific Expenditure	0	106	106
Planning Appeals Reserve	0	(74)	(74)
Capital Financing Reserve	0	76	76
Elections Reserves	0	(70)	(70)
Maintenance Reserves	0	63	63
Income Equalisation Reserve	0	(451)	(451)
Business Rates Retention Reserve	0	(260)	(260)
Business Rates Grants Exceptional Payments	0	(4,923)	(4,923)
Covid-19 Funding	0	(901)	(901)
Transfers to Other Earmarked Reserves	0	32	32
Net Transfer (to)/from Earmarked Reserves	**0**	**(6,169)**	**(6,169)**
Total transfers (to) from Balances 2020/21	**(57)**	**(6,169)**	**(6,226)**
Balance at 31 March 2021	**(4,057)**	**(12,931)**	**(16,988)**

The net transfer to earmarked reserves is the net result of drawing down and (adding to) earmarked reserves. The net transfer to earmarked reserves is outlined further in note 11.

The outturn for the Council, outlined in the Note 1 Expenditure and Funding Analysis, identifies balances of £16.988m. Of these balances £12.931m are earmarked general balances that will be used to deliver Corporate Strategy priorities and the remaining £4.057m is set aside to enable the Council to manage the peaks and troughs in expenditure and income it may experience throughout the MTFS period.

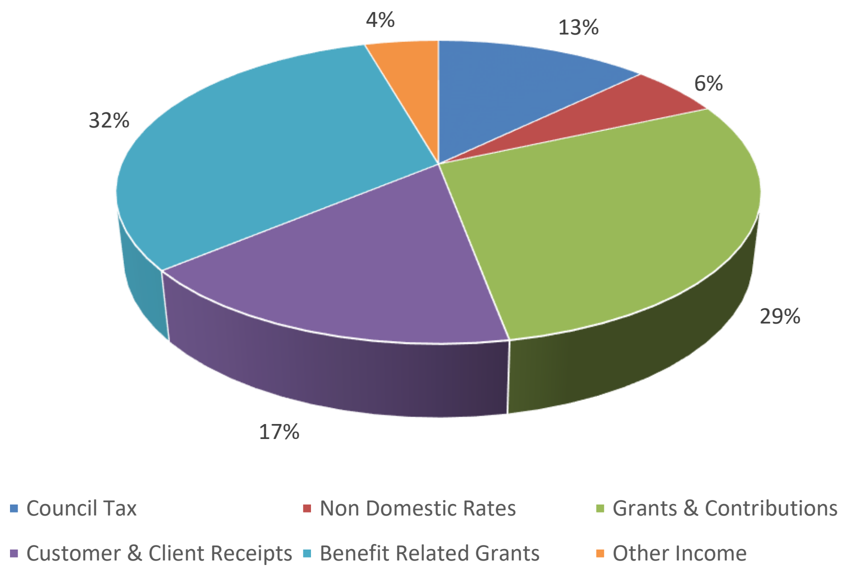
Where the Council's budget was spent

The gross expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement (page 46). In 2020/21 it consisted of:



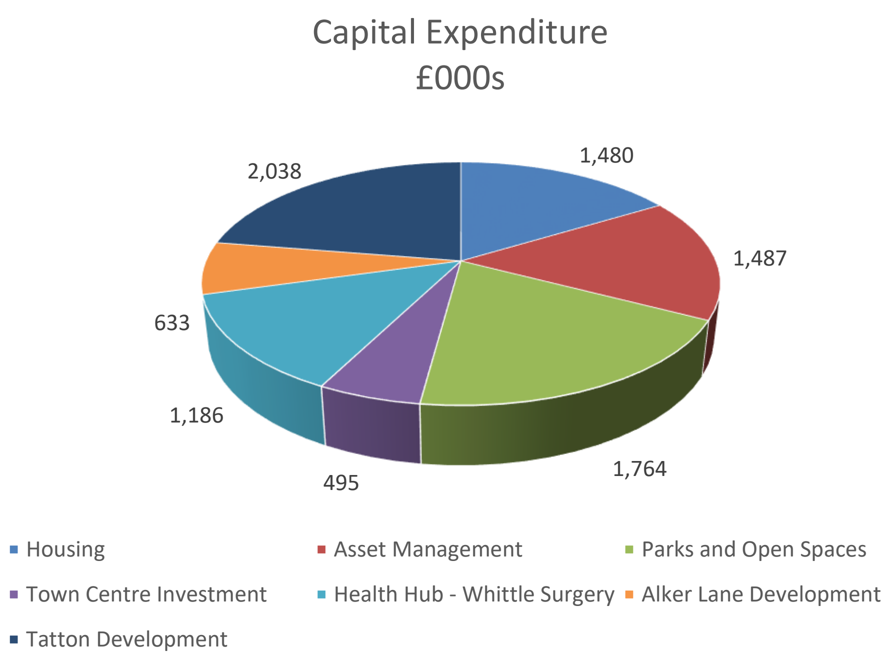
How the Council's spend was funded

The gross income for the Council is disclosed in the Comprehensive Income and Expenditure Statement. It consisted of:

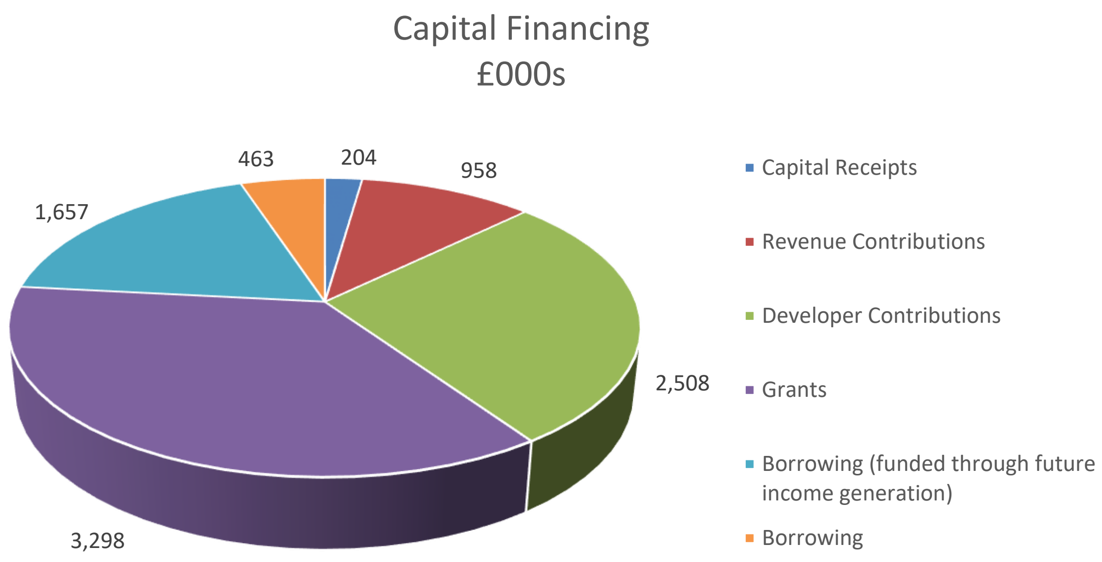


Capital Programme 2020/21

In 2020/21 the Council invested a total of £9.088m of capital expenditure in key projects and areas of development, marking a significant contribution to the economic prosperity of the borough and in the Council's own future service delivery capacity. The detail of the spending for 2020/21 is set out in the chart below.



The Council has financed this expenditure through a number of different sources outlined in the charts below.



The Council continues to have ambitious plans for future capital investment. At the end of 202/21, forecast expenditure for the next three years totalled £50.578m.

Reserves and Balances

The Council's 2016/17 Medium Term Financial Strategy specified that general balances should be increased to £4.0m by 2018/19. This was achieved during 2018/19 and has been maintained for 2019/20 and increased to £4.057m in 2020/21.

Total earmarked reserves for specific purposes were £12.931m as at 31 March 2021. A full list of these earmarked reserves, together with a description of the purpose of each, can be found at Note 11 to the statement of accounts.

Treasury Management

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

The key facts for 2020/21 were:

- Investments were short-term, in call accounts and money market funds. The maximum period permitted by the Council's Treasury Strategy for term deposits in banks and building societies is one year.
- Cash and cash equivalents (note 21) were £9.276m at the end of the year, which was higher than at the end of 2019/20 (£8.933m). The main reason for high cash balances is that the Council has received a large amount of cash support for Covid related support to its businesses and residents.
- Investment returns dropped to historically exceptionally low levels from late March 2020 onwards and remained there throughout 2020/21. When the treasury management strategy for the year was approved, the Bank Rate stood at 0.75% and was expected to remain at that level throughout 2020/21. What happened was that the rate fell sharply, first to 0.25% and then to 0.10%, in response to the economic impacts of the Covid-19 pandemic abruptly. It then remained unchanged throughout the year. This has inevitably had a significant impact on investment rates, taking them down to well below even the historically relatively low returns available in 2019/20.
- 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 (CFR). During the year the CFR increased from £88.865m to £89.271m. Further detail of the financing of capital expenditure is shown in Note 35.

Note 19 Financial Instruments presents details of treasury operations, and the management of risk.

Pension Fund Liability

The pension fund deficit has increased during the year, by £13.653m, from £43.050m to £56.703m, being the net pension liabilities. This reflects the value of pension liabilities which the Council is required to pay in the future when they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contributions into the fund. The latest valuation was in 2019 which reported a funding level of just over 100%, the result of the Lancashire County Pension Fund being one of the most successful Local Authority funds in the country. The Council has a deficit recovery plan in place with the Administering Authority to maintain a 100% funding level by making additional Deficit Recovery Contributions over a 16 year period.

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

Council Tax Base

The revision to the 2019/20 Tax Base, resulting in an increase of 520.21 to the number of Band D equivalent properties (as shown in the Table below), produced a net increase in Council Tax income of circa. £0.097m.

	2018/19	2019/20	2020/21
Number of Band D equivalent dwellings	36,614.18	37,134.39	37,438.52
Change from previous year	680.54	520.21	304.13

Collection Fund

Payments out of the Collection Fund for in-year Council Tax from 2018/19 to 2020/21 are set out below showing the funding for each Precepting Body. Further detail is available within the Collection Fund Statement on page 118 of this document.

	2018/19 £000	2019/20 £000	2020/21 £000
Lancashire County Council	47,413	50,005	52,426
Chorley Council	7,495	7,814	7,886
Police and Crime Commissioner	6,497	7,481	7,916
Lancashire Fire and Rescue	2,470	2,580	2,653
Total	**63,875**	**67,880**	**70,881**

Payments out of the collection fund for in-year Business Rates from 2018/19 to 2020/21 are set out below showing the funding for each precepting body prior to the top up and tariff adjustments being applied. As the collecting body, the tariff reduces Chorley Council's receipt and top ups increase the amount received by Lancashire County Council and Lancashire Fire and Rescue. Further detail is available within the Collection Fund Statement starting on page 118 of this document.

	2018/19 £000	2019/20 £000	2020/21 £000
Central Government	12,283	6,106	12,328
Lancashire County Council (before Top-Up grant received)	2,211	4,274	2,219
Chorley Council (prior to Tariff deduction)	9,826	13,678	9,862
Police and Crime Commissioner (not part of BRR regime)	n/a	n/a	n/a
Lancashire Fire and Rescue (before Top-Up grant received)	246	366	247
Total	**24,566**	**24,424**	**24,656**

Coronavirus Pandemic

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

The Council received over £40m of business grants to distribute to local businesses and thanks to the hard work of officers, the vast majority of this funding was distributed in 2020/21. In addition to these grants the Council also successfully distributed various other grants that supported the Test and Trace system, supported enhanced care for the homeless and supported Chorley's critically extremely vulnerable residents.

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

Provision of Services

Because of the business continuity plans the Council has, front line service provision was largely unaffected by the lockdown instruction. Leisure facilities and some community facilities had been subject to temporary closures and arrangements implemented for re-opening when allowed. All other services were maintained as a result of business continuity arrangements and where possible staff redeployment to high priority areas. Although reception areas were closed at some points during 2020/21, public services were maintained by digital service provision and use of other communication means. The Council has fully implemented government schemes including offering business rates relief, providing council tax hardship support and providing grants to support business, protecting the economic stability of its area.

A major impact on service provision was the requirement for the Council to bring its leisure services in-house during 2020/21. The previous tenders received pre-Covid from bidders for the management of the leisure centres were no longer valid after the outbreak of the pandemic. The Council took the decision to bring the services in-house with the view to deliver the services through a wholly owned leisure trust.

Workforce

In line with government instruction, the Council issued a 'stay at home' instruction to its staff from 23rd March 2020. The majority of staff are still able to work from home where it is practical to do so however the Council is now encouraging staff to return to the workforce when it is safe to do so. The stay at home directive during 2020/21 has maintained service provision at a satisfactory level and has greatly reduced the risk that Council staff might become infected. As staff were protected, the Council was able to deploy its staff where suitably trained to other areas.

Supply Chains

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

Reserves, Financial Performance and Financial Position

At 31st March 2021, the Council's usable revenue reserves were £16.988m. Of these, £12.931m were earmarked for specific purposes, leaving £4.057m in general reserve. It is considered this level of reserves is sufficient for the Council at present. It is acknowledged that although government have provided funding this may not be sufficient to offset future increased expenditure and lost income. The Council will closely monitor its financial position and future budget planning to ensure it remains financially sustainable. The Council will reassess its capital programme and funding throughout the year as by their nature capital projects are vulnerable to delay and cost overrun. It is possible these delays could be exacerbated by the pandemic.

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

Cash Flow Management

The Council closely manages its cash flows ensuring management costs are kept to a minimum while gaining the maximum return on surplus balances. The loss of income from rentals and fees and charges was temporarily offset by the cash payments received from government for business grants. Cash balances will be managed in accordance with the approved treasury strategy.

Major Risks

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

- Increased spending on services;
- Loss of service income;
- Delay in capital projects;
- Increase in sickness levels in staff.

The monitoring and arrangements in place to minimise these risks but cannot eliminate them.

Plans for Recovery

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

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

Looking Ahead – Future Challenges, Opportunities and Financial Outlook

Challenges

- **A growing and aging population –** it is estimated that between 2016 and 2041 the population of Chorley will increase by 16.4%, the highest predicted growth rate by far across Lancashire. Over the same period, the borough's population will grow older, with the percentage of the population aged over 75 continuing to rise.
- **Supporting Communities** – the council continues to face challenges, in supporting neighbourhoods under stress, and concentrations of unemployment to promote social and economic growth. Our challenge will be to support this activity, alongside reduced public sector funding. Obviously, this has been increased because of the Corona Virus pandemic.
- **Brexit –** the UK's withdrawal from the European Union in January 2020 and the subsequent end of the transition period, leading to full withdrawal, may have implications for the Council over the coming year. The key impacts for our council will be around the potential for a reduction in economic growth and the implications for our local economy, the impact on the national workforce and reductions in the supply of local labour and the uncertainty around the replacement for the current EU funding programmes which have previously been vital in the creation of jobs and boosting local growth.
- **Effective partnership working** – The ongoing increase and changing demand placed upon the Council, coupled with reducing budgets will increase the need for all public sector organisations to transform the way they work. The Council will need to support, invest and maintain its focus on partnership working, ensuring the capacity exists to generate savings, and protect the interests of the borough and residents.
- **Financial climate** – the Council will experience future reductions in funding as the government's austerity measures continue. The 2020/21 MTFS identified a cumulative net budget shortfall of £2.794m by 2023/24. The impact of this deficit will influence the work of the transformation programme that will deliver efficiency savings in services, drive down the cost of its contracts as well as identifying additional income through charging for the services the council provides and generating additional income streams.

  Over the past year, the Council has successfully responded to the significant financial restrictions that have been imposed on local government. Since 2014/15 the Council has made savings and generated additional income of £4.661m.

- **Business Rates -** starting in 2023 (this was originally scheduled for 2021), the revaluations of business rates will take place every three years and with new valuations there is a potential for a significant increase in appeals. This change in revaluation frequency and increased appeals could potentially result in further decrease in rateable values and a subsequent erosion of any growth the Council can retain. The largest risk to the value of business rates that the council retains comes in April 2023 when a new funding methodology is expected to be introduced (this was originally due to happen in 2020/21, but has since been postponed three times). The new system includes a revised calculation as to how much of the retained business rates income the council 'needs' relative to other councils, this could result in the council receiving less of the national 'pool' of business rates income. In addition, the new system could revise the split of retained business rates between district and borough councils, county councils and other preceptors. It is possible that more of the income collected by district and borough councils will be redistributed to county councils.

Opportunities

- Current levels of **interest rates** for borrowing are low due to the economic situation from the Corona Virus pandemic (currently at 0.1%). This provides the opportunity for the Council to invest in capital projects to deliver Corporate Strategy priorities including the generation of new income streams, and may stimulate further economic growth. .

- The **development of new employment sites** provides the council with the opportunity to deliver employment and income generating opportunities, possibly through new service delivery models such as joint ventures with other public or private entities.

- The newly created **Integrated Community Wellbeing Service** continues to focus public services that relate to promoting health and wellbeing of individuals, tackling prevention and early intervention.

- Workforces from a range of partners, who deliver reform within Chorley are working collectively to drive forward **new ways of working**, and delivering efficiencies, particularly in the support of the health agenda. This work is now delivering a range of projects that will seek to achieve savings across the public sector through reduced duplication, reduced demand and increased preventative activity.

Delivering Chorley Council's Priorities – The Medium-Term Financial Strategy

These challenges and risks can have both a significant positive or negative effect on the Council's resources and its ability to deliver services to residents. The Council's annually approved Medium Term Financial Strategy (MTFS) provides a clear and concise view of the Council's future sustainability and the strategies the council will pursue to address any budget gaps whilst translating the Council's corporate strategy into deliverable options for the future.

A balanced budget for 2021/22 was approved at Full Council on 23 February 2021. Despite the budget savings identified in the MTFS there remains a net forecast budget deficit of £1.749m in 2022/23 and £2.794m in 2023/24. To achieve a sufficient reduction in net expenditure the Council's strategy will be:

1. **To make the council more financially self-sufficient with specific emphasis on creating investment that provides benefits to residents and businesses whilst also generating income.**

2. **To realise savings through the procurement of its contracts including joint contractual arrangements with South Ribble Council.**

3. **To identify efficiencies through investment in infrastructure, ICT and through exploring alternative delivery models that will enable the Council to balance the budget whilst seeking to minimise the impact on front line service users**

The summary of the forecast savings and income generation is given below:

	2021/22 £m	2022/23 £m	2023/24 £m
NET DEFICIT / (SURPLUS)	**0.143**	**1.749**	**2.794**
Council Tax Increase – 1.99% 21/22, 22/23 & 23/24	(0.143)	(0.292)	(0.447)
Parking Income	0.000	(0.200)	(0.200)
Investment Sites	0.000	(0.200)	(0.400)
TOTAL SAVINGS & ADDITIONAL INCOME	**(0.143)**	**(0.692)**	**(1.047)**
REVISED DEFICIT / (SURPLUS)	**0.000**	**1.057**	**1.748**
Directorate Savings	0.000	(0.318)	(0.513)
Future Efficiency Savings & Income Generation	0.000	(0.739)	(1.235)
REVISED DEFICIT / (SURPLUS)	**0.000**	**0.000**	**0.000**

The Council will continue to keep the MTFS under review given:

- the level of efficiency savings and income generation required to balance the budget over the medium term. The timing of the delivery of these targets will need to be closely managed and where necessary reserves utilised to meet temporary delays in transformation strategy net budget reductions.
- the high degree of uncertainty surrounding the changes to Government policy such as business rates retention and the fair funding review.

Going Concern

Chorley Council's MTFS outlines the strategies it will pursue to meet current and future funding shortfalls. The approval of a balanced budget for 2021/22 has already been given and there is no reason to believe that the risks to the approval of the council's budget in future years will not be entirely mitigated through the transformation programme. We have accordingly considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

Receipt of Further Information

If you would like to receive any further information about these accounts, please contact Chorley Borough Council on 01257 515151.

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 2020/21 (the Code).

In preparing this Statement of Accounts, he has:

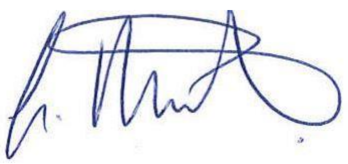
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the local authority Code.

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 2021 and its Income and Expenditure for the year ended 31 March 2021.



Louise Mattinson
Director of Finance and Section 151 Officer
Date 15 October 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.

2019/20				2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
10,756	(3,149)	7,607	Customer & Digital	9,714	(2,862)	6,852
6,293	(1,679)	4,614	Policy & Governance	6,283	(1,471)	4,812
4,686	(1,861)	2,825	Early Intervention	7,074	(2,004)	5,070
5,132	(2,094)	3,038	Business, Development & Growth	3,830	(1,174)	2,656
			Budgets excluded from Directorate monitoring			
3,161	0	3,161	• Pensions-related	824	0	824
20,155	(20,265)	(110)	• Housing Benefits/Council Tax Discounts	19,304	(19,286)	18
5,000	(2,328)	2,672	• Market Walk (excluding financing costs)	(295)	(2,053)	(2,348)
8,504	(327)	8,177	• Other expenditure	4,119	(6,579)	(2,460)
63,687	**(31,703)**	**31,984**	**Cost of Services**	**50,853**	**(35,429)**	**15,424**
556	0	556	Other operating expenditure (note 12)	600	0	600
4,887	(4,673)	214	Financing and investment income and expenditure (note 13)	8,868	(4,263)	4,605
10,119	(29,821)	(19,702)	Taxation and non-specific grant income (note 14)	6,845	(28,318)	(21,473)
		13,052	**(Surplus)/deficit on provision of services**			**(844)**
		(5,700)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(623)
		(6,510)	Re-measurement of the net defined benefit liability (note 37d)			11,999
		(12,210)	**Other Comprehensive (Income) and Expenditure**			**11,376**
		842	**Total Comprehensive (Income) and Expenditure**			**10,532**

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 24) £'000	Unusable Reserves (note 25) £'000	Total Reserves £'000
Current Year								
Balance at 31 March 2020	**(4,000)**	**(6,762)**	**(10,762)**	**(973)**	**(13,223)**	**(24,958)**	**(171)**	**(25,129)**
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	(844)	0	**(844)**	0	0	**(844)**	11,376	**10,532**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(5,382)	0	**(5,382)**	84	(729)	**(6,027)**	6,027	**0**
Increase or decrease in 2020/21 before transfers to/(from) earmarked reserves	**(6,226)**	**0**	**(6,226)**	**84**	**(729)**	**(6,871)**	**17,403**	**10,532**
Movement in Earmarked Reserves (Note 11)	6,169	(6,169)	**0**	0	0	**0**	0	**0**
Increase or decrease in 2020/21	**(57)**	**(6,169)**	**(6,226)**	**84**	**(729)**	**(6,871)**	**17,403**	**10,532**
Balance at 31 March 2021 carried forward	**(4,057)**	**(12,931)**	**(16,988)**	**(889)**	**(13,952)**	**(31,829)**	**17,232**	**(14,597)**

	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 24) £'000	Unusable Reserves (note 25) £'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	13,052	0	**13,052**	0	0	**13,052**	(12,210)	**842**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(13,740)	0	**(13,740)**	98	807	**(12,835)**	12,835	**0**
Increase or decrease in 2019/20 before transfers to/(from) earmarked reserves	**(688)**	**0**	**(688)**	**98**	**807**	**217**	**625**	**842**
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)**	**(171)**	**(25,129)**

Balance Sheet

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

31 March 2020 £’000		Notes	31 March 2021 £’000
91,977	Property, Plant & Equipment	15	96,589
2,531	Heritage Assets	16	2,530
35,677	Investment Property	17	32,783
50	Intangible Assets	18	36
4,655	Long-Term Debtors	19	5,323
134,890	**Long-Term Assets**		**137,261**
6,423	Short-Term Debtors	20	13,157
8,933	Cash and Cash Equivalents	21	9,276
15,356	**Current Assets**		**22,433**
(6,663)	Short-Term Borrowing	19	(2,182)
(10,241)	Short-Term Creditors	22	(23,768)
(1,867)	Provisions	23	(1,222)
(18,771)	**Current Liabilities**		**(27,172)**
(1,325)	Long-Term Creditors	19	(1,438)
(62,159)	Long-Term Borrowing	19	(60,264)
(42,761)	Other Long-Term Liabilities – pensions	37	(55,561)
(15)	Other Long-Term Liabilities – other		(16)
(86)	Grant Receipts in Advance - Capital	33	(646)
(106,346)	**Long Term Liabilities**		**(117,925)**
25,129	**Net Assets**		**14,597**
24,958	Usable Reserves	MiRS, 24	31,829
171	Unusable Reserves	25	(17,232)
25,129	**Total Reserves**		**14,597**

The unaudited accounts were issued on 15 October 2021.

Louise Mattinson
Director of Finance
Date: 15 October 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.

2019/20 £'000		2020/21 £'000
(13,052)	Net surplus or (deficit) on the provision of services	844
17,963	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26a)	23,032
(4,304)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 26b)	(6,709)
607	Net cash flows from Operating Activities (Note 26)	**17,167**
(42,229)	Investing Activities (Note 27)	(2,264)
47,638	Financing Activities (Note 28)	(14,560)
6,016	Net increase or (decrease) in cash and cash equivalents	**343**
2,917	Cash and cash equivalents at the beginning of the reporting period	8,933
8,933	**Cash and cash equivalents at the end of the reporting period (Note 21)**	**9,276**

Cash and Cash Equivalents at the beginning and end of the 2020/21 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.

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Directorate	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
5,554	2,053	7,607	Customer & Digital	5,751	1,101	6,852
4,696	(82)	4,614	Policy & Governance	4,246	566	4,812
2,216	609	2,825	Early Intervention	2,308	2,762	5,070
1,613	1,425	3,038	Business, Development & Growth	1,774	882	2,656
			Budgets excluded from Directorate monitoring			
1,181	1,980	3,161	• Pensions-related	603	221	824
(133)	23	(110)	• Housing Benefits/Council Tax Discounts	(64)	82	18
(1,918)	4,590	2,672	• Market Walk (excluding financing costs)	(2,069)	(279)	(2,348)
409	7,768	8,177	• Other expenditure	(2,392)	(68)	(2,460)
13,618	**18,366**	**31,984**	**Net Cost of Service**	**10,157**	**5,267**	**15,424**
(14,306)	(4,626)	(18,932)	Other Income and Expenditure	(16,383)	115	(16,268)
(688)	**13,740**	**13,052**	**(Surplus)/Deficit in year**	**(6,226)**	**5,382**	**(844)**
(10,074)			**Opening General Fund Balance at 1 April**	**(10,762)**		
(688)			**Add (Surplus)/Less Deficit on General Fund Balance in Year**	(6,226)		
(10,762)			**Closing General Fund Balance at 31 March**	**(16,988)**		

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

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

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. A major repair and renovation scheme commenced on the hall in 2020/21, with £300k being spent during the financial year. At 31 March 2021, works remained at a relatively early stage, with a further £1.347m to be spent over the following two financial years, before the hall re-opens in the first half of 2022/23. Consideration will be given to the appropriate carrying value for the asset at 31 March 2022 and a full valuation will be carried out when the works are complete in early 2022/23.

Other Heritage Assets

The council's other heritage assets are all are 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:

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

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

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

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

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

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Group Accounts
The Authority does not consider that the preparation of group accounts is required. In reaching this conclusion, consideration has been given the status of Logistics House, the major warehousing and distribution facility held as an investment property by the council at the end of 2019/20, and the council wholly owned company set up to manage it. The transfer of ownership to the company under the terms of a long-term lease was completed in April 2021, with the lease backdated to 1 April 2020. However, this occurred too late to affect the substance of the transactions which took place during the financial year, when the council remained in direct ownership of the asset throughout the year and directly received the income from the rent payable by the tenant. To match the substance of this, the asset is again shown as an investment property held by the council as at 31 March 2021 and the income is recognised directly in the CIES.

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

Business Rates Appeals

With business rates, ratepayers who consider the rateable values of their properties to be too high can lodge an appeal with the Valuation Office to have it reviewed. Any resulting reduction in bills can be backdated, perhaps over several years. This creates an uncertainty, because it means that the amount of income for the year from business rates, which has been included by the council in this Statement of Accounts, may later be reduced. Given that the gross income (before reliefs) in each financial year is over £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, together with information on the numbers and potential values of cases at the ‘Check’ and ‘Challenge’ stages of the process for 2017 list appeals. These, together with comments by the Valuation Office that the approach adopted for the 2017 revaluation was the same as for earlier valuations and a review of the approaches adopted by other authorities, supports the view that the level of provision made by the council at the end of 2020/21 is of an appropriate level.

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

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

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

Item	**Uncertainty**	**Effect if actual results differ**
Pensions liability and assets	The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions. The scheme holds a varied portfolio of assets, details of which are shown at Note 37i. The valuations shown in this Statement are those assessed as at 31 March 2021 and again these are provided by a firm of consulting actuaries.	Sensitivity to the factors contributing to this estimate is shown in Note 37j. Small changes have major impacts on the pension deficit. At 31 March 2021, a 1% increase in the council’s pensions obligations would increase the net liability by £1.695m, while a 1% increase in the scheme’s assets would reduce the net liability by £1.128m. The council anticipates that it will spend £1.810m on current pension contributions in 2021/22 (see Note 37h). A 1% upward variation on this would produce an increased cost of £18k.
Asset valuations	Note 15 shows that Property, Plant & Equipment (PPE) assets valued at £85.668m (£83.584m of Operational Land and Buildings, £1.611m of Community Assets and 0.473m of Surplus Assets) are carried at either current value or depreciated replacement cost value. Note 17 shows that Investment Properties valued at £32.783m are carried at current value. The valuations have been carried out by qualified valuers in accordance with Royal Institution of Chartered Surveyors Guidance. All PPE assets which had a valuation date of earlier than 31st March 2017 were subject to assessment by Management on the grounds that the value may have changed materially. The council also revalued four PPE assets which have valuation amounts which are individually	The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred. 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 £3.278m charge to the CIES. Likewise, a 10% fall in the value of other assets valued at current value would

	significant to the overall total. These were the Market Walk Shopping Centre (valued at £18.500m at 31 March 2021, Market Walk Extension (£10.500m), Strawberry Fields Digital Office Park (£4.500m) and Primrose Gardens Retirement Village (£6.725m) All assets classed as Investment Properties were subject to review. These include Logistics House, a major warehousing and distribution facility purchased in 2019/20, which was valued at £31.500m at 31 March 2021.	produce a variation of £8.567m. How much, if any, of this would be chargeable to the CIES would depend on the individual assets affected and whether or not there were associated balances in the Revaluation Reserve.
Provisions	A provision of £1.208m has been recognised for the best estimate of the amount that businesses have been overcharged business rates up to 31 March 2021. The estimate in respect of appeals against the rating lists prior to that for 2017 has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. In respect of the 2017 list, there have, as yet, been only a very limited number of appeals at a national level and so the appropriate level of provision is more difficult to gauge. The council's provision has been set at 4% of the net rates payable for each year. Benchmarking information indicates that this is a little higher than the average for councils of this size and type. See Note 23.	If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority's services. Similarly, an increase in the provision to cover such appeals would be a charge to the Collection Fund which would also reduce the local share of business rates income available to fund the Authority's services. A 1% increase in the provision would result in an additional charge to the Collection Fund of £0.030m, of which this Authority's share of the cost would be 40% or £0.012m.
Fair value measure-ments	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. 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.	The Council uses the market approach to value of some of its investment properties and financial assets. The unobservable inputs used in the fair value measurement include management assumptions regarding rent yield and growth, vacancy levels (for investment properties). Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement for the investment properties and financial assets.

6 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the main financial statements. For the purposes of this note the council considers material items to be those greater than £1.015m (2019/20 £1.030m). This equates to 1.9% (2019/20 1.9%) of the council's gross service expenditure for the preceding financial year and matches the threshold stated by the council’s auditor in their Audit Plan, although the actual audit materiality level that will be applied for 2020/21 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 15 October 2021. Subsequent events are not reflected in the financial statements or in the notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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 51.

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.

2020/21 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A) £'000	Net change for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Statutory Adjustments £'000	Other Adjustments (Note D) £'000	Total Adjustments £'000
Customer & Digital	845	206	21	1,072	29	1,101
Policy & Governance	352	117	3	472	94	566
Early Intervention	2,664	79	19	2,762	0	2,762
Business, Development & Growth	813	67	2	882	0	882
Budgets excluded from Directorate monitoring						
• Pensions-related	0	221	0	221	0	221
• Housing Benefits/Council Tax Discounts	1	0	0	1	81	82
• Market Walk (excluding financing costs)	(729)	11	1	(717)	438	(279)
• Other expenditure	(83)	15	0	(68)	0	(68)
Cost of Services	**3,863**	**716**	**46**	**4,625**	**642**	**5,267**
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,182)	967	4,972	757	(642)	115
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(1,319)**	**1,683**	**5,018**	**5,382**	**0**	**5,382**

2019/20 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A) £'000	Net change for the Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Statutory Adjustments £'000	Other Adjustments (Note D) £'000	Total Adjustments £'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)	4,584	2	0	4,586	4	4,590
• Other expenditure	7,761	2	5	7,768	0	7,768
Cost of Services	**16,399**	**2,171**	**34**	**18,604**	**(238)**	**18,366**
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,345)	1,102	(621)	(4,864)	238	(4,626)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**11,054**	**3,273**	**(587)**	**13,740**	**0**	**13,740**

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

	2019/20 £'000	2020/21 £'000
Expenditure/Income		
Expenditure		
Employee benefits expenses	15,539	13,305
Other service expenses	32,761	34,590
Depreciation, amortisation, impairment	15,625	3,858
Interest payments	4,649	4,907
Precepts, tariffs and levies	10,805	7,324
Loss on the disposal of assets	(130)	(100)
Changes in the fair values of investment properties	0	3,282
Total expenditure	**79,249**	**67,166**
Income		
Fees, charges and other service income	(9,713)	(10,354)
Interest and investment income	(2,608)	(2,534)
Changes in the fair values of investment properties	(1,125)	0
Income from council tax and non-domestic rates	(21,948)	(12,808)
Government grants and contributions	(26,653)	(37,351)
Other grants and contributions	(4,150)	(4,963)
Gain on the disposal of assets	0	0
Total income	**(66,197)**	**(68,010)**
Surplus or Deficit on the Provision of Services	**13,052**	**(844)**

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.

2020/21	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 25d)	(1,684)	0	0	1,684
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	0	0	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25e)	(4,972)	0	0	4,972
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25f)	(46)	0	0	46
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 25b)	(2,200)	0	0	2,200
Total Adjustments to Revenue Resources	**(8,902)**	**0**	**0**	**8,902**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS)	120	(120)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 26b)	1,713	0	0	(1,713)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 26b)	958	0	0	(958)
Total Adjustments between Revenue and Capital Resources	**2,791**	**(120)**	**0**	**(2,671)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS)	0	204	0	(204)
Application of capital grants to finance capital expenditure (MiRS)	729	0	(729)	0
Total Capital Resources	**729**	**204**	**(729)**	**(204)**
Total Adjustments	**(5,382)**	**84**	**(729)**	**6,027**

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 are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25d)	(3,274)	0	0	3,274
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	0	0	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25e)	621	0	0	(621)
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25f)	(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 25b)	(14,560)	0	0	14,560
Total Adjustments to Revenue Resources	**(17,246)**	**0**	**0**	**17,246**
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 25b)	569	0	0	(569)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	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	**(13,740)**	**98**	**807**	**12,835**

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 2019	Transfers		Balance 31 March 2020	Transfers		Balance 31 March 2021
		Out	(In)		Out	(In)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rephasing of planned expenditure	**(818)**	382	(462)	**(898)**	(162)	183	**(877)**
Rephasing of New Investment Projects	**(1,138)**	552	(323)	**(909)**	0	212	**(697)**
Grants reserved for specific expenditure	**(269)**	126	(155)	**(298)**	0	106	**(192)**
Financing of capital expenditure	**(1,490)**	525	(946)	**(1,911)**	(870)	946	**(1,835)**
Planning purposes including appeals	**(248)**	29	(127)	**(346)**	(51)	110	**(287)**
Restructuring of services	**(314)**	226	(162)	**(250)**	0	0	**(250)**
Retail Investment	**(97)**	97	(46)	**(46)**	(112)	29	**(129)**
Apprenticeships and Graduates	**(123)**	61	0	**(62)**	0	41	**(21)**
Resource equalisation	**(1,033)**	0	(589)	**(1,622)**	(711)	0	**(2,333)**
Maintenance of Council buildings	**(398)**	48	(50)	**(400)**	0	73	**(327)**
Maintenance of Grounds	**(24)**	0	(10)	**(34)**	(10)	0	**(44)**
Elections	**(61)**	30	0	**(31)**	(70)	0	**(101)**
Covid-19 funding	**0**	0	0	**0**	(901)	0	**(901)**
Business Rates grants exceptional payments	**0**	0	0	**0**	(4,923)	0	**(4,923)**
Other	**(59)**	158	(54)	**45**	(165)	106	**(14)**
Total	**(6,072)**	**2,234**	**(2,924)**	**(6,762)**	**(7,975)**	**1,806**	**(12,931)**

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 £121k, slippage from 2020/21 and earlier years £480k, Shared Services implementation £32k, 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 2021/22 £259k and an investment fund for realising income generation £438k.

- **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 2020/21 funding from the reserve was used to finance works on a number of schemes, including £506k for Leisure Centre expenditure, £120k on Astley Hall and £180k on Asset Improvements. Money was also set aside for the funding of future schemes, producing a year end balance of £1.835m.

- **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 and Graduates –** 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 £1,415k and income equalisation reserves for Market Walk (£468k) an established to minimise the risk of fluctuations in future income levels from Business Rates and from the council owned shopping precinct and warehousing and distribution facility.

- **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.

- **Covid-19 funding** – this has three elements: an Ongoing Commitments Reserve, to cover existing Covid-19 commitments that will be incurred in 2021/22 (£497k); a Recovery Reserve, to support the borough's recovery from the pandemic (£300k); an Additional Grant Funding Reserve to cover the cost of grants awarded which will fall into 2021/22 (£104k).

- **Business Rates grants exceptional payments** - in 2020/21, because of the Government support measures in respect of the Covid 19 pandemic, the balance of income relating the Business Rates, between actual rates income and government grants, shifted significantly towards grants. The result was a significant surplus in grant income, offset by a corresponding deficit on the Collection Fund. But whereas the surplus falls immediately into 2020/21, the impact of the Council's share of the deficit will not be felt until 2021/22 and later years. The surplus has therefore been set aside to meet this.

- **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

2019/20 £'000		2020/21 £'000
686	Parish council precepts	699
6	(Gains)/losses on disposal of non-current assets	20
(99)	Capital receipts from the sale of previously transferred housing stock	(21)
(37)	Other capital receipts	(98)
556	**Total**	**600**

13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20 £'000		2020/21 £'000
1,075	Interest payable and similar charges	1,430
1,102	Net interest on the net defined benefit liability (asset)	967
(68)	Interest receivable and similar income	(36)
(2,133)	Income and Expenditure in relation to investment properties and changes in their fair value	1,582
238	Allowance for impairment of outstanding debts	662
214	**Total**	**4,605**

14 TAXATION AND NON-SPECIFIC GRANT INCOME & EXPENDITURE

2019/20 £'000		2020/21 £'000
(7,863)	Council tax income	(7,849)
(3,966)	Non-domestic rates income and expenditure	1,665
(5,023)	Non ring-fenced government grants	(8,952)
0	Covid-19 support grants	(589)
(2,850)	Capital grants and contributions	(5,748)
(19,702)	**Total**	**(21,473)**

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

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

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

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

In respect of the second, the Covid-19 support of £589k shown in the table is a grant received in compensation for overall losses of sales, fees and charges. This amount cannot readily be attributed to individual service lines and so appears here. Further grants, totalling £5.062m, are included within the Net Cost of Services (see Note 33), where they directly support related expenditure.

In respect of the third, the amount of additional grant received was £4.927m. The reverse side of this is the reduction shown in business rates income which, after deducting the tariff payable to the government, produced a net cost to the council of £1.665m (for more detail see under 'Accounting For Business Rates' in the Collection Fund Note 3 on pages 119-120), although it should be noted that part of the reduction, compared to 2019/20, is attributable to the reversion from a 56% share of income in 2020/21 to 40% in 2020/21 (see below). The Collection Fund deficit resulting from reduced rating income will be distributed in 2021/22 and future years. The council's share of the deficit is £4.903m.

The additional grant income has been transferred to a newly established Earmarked Reserve (see Note 11). This will be released in future years to match against the distribution of the deficit. The overall impact on the council's income from Business Rates is therefore broadly neutral.

14(b) LANCASHIRE BUSINESS RATES POOL

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

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

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

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

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

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

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

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

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

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

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

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

15 PROPERTY PLANT AND EQUIPMENT

	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 2020	**85,384**	**6,109**	**748**	**4,617**	**473**	**979**	**98,310**
Additions	1,502	385	12	61	0	5,593	**7,553**
Donations	0	0	0	0	0	0	**0**
Revaluations recognised in Revaluation Reserve	408	0	0	0	0	0	**408**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,200)	0	0	4	0	0	**(2,196)**
De-recognition – disposals	0	(97)	0	0	0	0	**(97)**
De-recognition – other	0	(763)	0	0	0	0	**(763)**
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	0	**0**
At 31 March 2021	**85,094**	**5,634**	**760**	**4,682**	**473**	**6,572**	**103,215**
Depreciation and Impairment							
At 1 April 2020	**(657)**	**(4,030)**	**(397)**	**(1,251)**	**0**	**0**	**(6,335)**
							0
Depreciation charge	(1,480)	(509)	(29)	(209)	0	0	**(2,227)**
Depreciation written out of Revaluation Reserve	361	0	0	0	0	0	**361**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,045	0	0	0	0	0	**1,045**
Impairment (losses)/reversals recognised in the Revaluation Reserve	(146)	0	0	0	0	0	**(146)**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(165)	1	0	0	0	0	**(164)**
De-recognition – disposals	0	77	0	0	0	0	**77**
De-recognition – other	0	763	0	0	0	0	**763**
Other movements in depreciation and impairment	0	0	0	0	0	0	**0**
At 31 March 2021	**(1,042)**	**(3,698)**	**(426)**	**(1,460)**	**0**	**0**	**(6,626)**
Net Book Value							
At 31 March 2021	**84,052**	**1,936**	**334**	**3,222**	**473**	**6,572**	**96,589**

	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 2019	**63,271**	**5,843**	**585**	**3,832**	**473**	**25,038**	**99,042**
Additions	1,365	265	164	290	0	8,188	**10,272**
Donations	0	0	0	0	0	0	**0**
Revaluations recognised in Revaluation Reserve	4,332	0	0	(91)	0	0	**4,241**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(14,592)	0	0	(646)	0	0	**(15,237)**
De-recognition – disposals							**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	**85,384**	**6,109**	**748**	**4,617**	**473**	**979**	**98,311**
Depreciation and Impairment							
At 1 April 2019	**(2,374)**	**(3,551)**	**(376)**	**(1,120)**	**0**	**0**	**(7,421)**
Depreciation charge	(1,244)	(479)	(21)	(146)	0	0	**(1,891)**
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)**
Net Book Value							
At 31 March 2020	**84,727**	**2,079**	**352**	**3,366**	**473**	**979**	**91,976**

The valuations are carried out with a valuation date of 31st March 2021.

Fixed Assets Valuations

During 2020/21 the valuations were carried out by Lea Hough 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	**1,510**	**5,634**	**760**	**3,071**	**0**	**6,572**	**17,547**
Valued at fair value as at:							
31 March 2021	61,830	0	0	0	18	0	61,848
31 March 2020	15,525	0	0	1,580	0	0	17,105
31 March 2019	5,325	0	0	5	11	0	5,341
31 March 2018	295	0	0	26	230	0	551
31 March 2017	609	0	0	0	214	0	823
Total cost or valuation	**85,094**	**5,634**	**760**	**4,682**	**473**	**6,572**	**103,215**

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 2020/21, 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 2021, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years budgeted to cost £27.196m. The major commitments are:

- Astley Hall renovation & conservation – **£0.891m.**
- Construction of the pavilion, car parking and access at Westway Sports Hub - **£0.207m.**
- Grass Pitch improvements at Westway Sports Hub - **£0.107m.**
- Installation of an Artificial Grass Pitch at Westway Sports Hub - **£0.896m.**
- Refurbishment of furniture and doors in the Council Chamber and Mayor's Parlour, provision of 4 AV screens, a microphone and voting system, PA system and speakers, infra-red assistive listening devices and transmitter - **£0.130m.**
- Works to Covered Market to include replacement of fascias and soffits; New external awnings; Gutter improvements internally; New feature entrances; New food and beverage zone including upgrades to trading units; Refurbishment of public WC facilities
- Construction of new GP surgery in Whittle - **£1.844m.**
- Demolition of former Ribble Bus depot; Construction of 62 bed extra care facility; Community facility; GP Practice & Pharmacy; Improvement to the existing Tatton recreation ground - **£13.692m.**
- Construction of light industrial units with associated circulation roads, parking and service yards - **£9.071m.**

Impairment Losses

During 2020/21, the authority has recognised an impairment loss of £387,640 in relation to Tatton Community Centre. The Community Centre is located on the site of a major capital scheme which will deliver an assisted living facility, GP surgery and potential pharmacy, community centre (with Nursery), Café and Hairdressers as well as a proposal for 14 private residential houses.

At 31st March 2021 the Community Centre was still in situ and as such was valued at its Existing Use Value at that date. However, in order to progress the development it was due for imminent demolition and as such the recoverable amount has been reduced to the land value only and an impairment loss charged to the Comprehensive Income and Expenditure Statement.

Following the revaluation of the relevant assets in 2020/21, there have also been three reversals of previous impairments. These are in respect of:

- Market Place Public Conveniences - £30,000
- Site of Chorley Youth Zone - £46,373
- Playground Equipment - £631

Material Items of Expenditure

During 2020/21 the authority made additions to PPE assets of £7.553 million which is around 26% lower than the figure from 2019/20 figure of £10.272 million.

This is mainly due to a reduction in expenditure on assets under construction.

16 HERITAGE ASSETS

Cost or Valuation	2019/20 £'000	2020/21 £'000
As at 1 April	2,530	2,530
Additions	0	301
Donations	0	0
Revaluations recognised in Revaluation Reserve	0	0
Disposals	0	0
Revaluations recognised in CI&ES	0	(301)
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 2015/16 to 2020/21. 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. A major repair and renovation scheme commenced on the hall in 2020/21, with £300k being spent during the financial year. At 31 March 2021, works remained at a relatively early stage, with a further £1.347m to be spent over the following two financial years, before the hall re-opens in the first half of 2022/23. Consideration will be given to the appropriate carrying value for the asset at 31 March 2022 and a full valuation will be carried out when the works are complete in early 2022/23.

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. Within this framework, during 2020/21, a major scheme for the refurbishment of the hall commenced. This is currently due to be completed in early in 2022/23. 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.

	2019/20 £'000	2020/21 £'000
Rental Income from Logistics House	(941)	(1,661)
Rental Income from other investment properties	(67)	(67)
Direct operating expenses arising from investment property	0	28
Net gain/(loss)	**(1,008)**	**(1,700)**

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.

	2019/20 £'000	2020/21 £'000
Fair value at the start of the year	885	35,677
Additions	33,668	388
Disposals	0	0
Net gain/(loss) from fair value adjustments	1,125	(3,282)
Transfers:		
(To)/From Property, Plant and Equipment	0	0
Value at year-end	**35,677**	**32,783**

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 2020/21 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:

	2019/20 £'000	2020/21 £'000
Balance at the start of the year		
Gross carrying amount	1,238	1,238
Accumulated amortisation	(1,174)	(1,188)
Net carrying amount at year start	**64**	**50**
Movements in the year		
Additions in year	0	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	**50**	**36**

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 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Financial Assets				
Carried at Amortised Cost				
Cash & cash equivalents (note 21) net of bank overdraft	0	0	8,933	9,276
Debtors	4,655	5,323	3,895	2,851
Total Debtors	**4,655**	**5,323**	**12,828**	**12,127**
Financial Liabilities				
Carried at Amortised Cost				
Borrowing - Principal	(62,160)	(60,264)	(6,366)	(1,894)
Borrowing – Accrued Interest	0	0	(297)	(288)
Creditors	(1,325)	(1,438)	(2,079)	(4,783)
Total Creditors	**(63,485)**	**(61,702)**	**(8,742)**	**(6,965)**
Memo: Items that are not Financial Instruments				
Debtors	0	0	2,528	10,306
Creditors	0	0	(8,162)	(18,985)

In respect of Long Term Debtors, in 2020/21, 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 £0.676m. At 31 March 2021, the total outstanding in respect of such payments was £4.959m (31 March 2020 £4.283m). 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.

19b Income, Expense, Gains and Losses

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

	2019/20			2020/21		
	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expenses	1,075	0	1,075	1,431	0	1,431
Impairment Increase/ (Reduction)	(398)	0	(398)	3,282	0	3,282
	677	**0**	**677**	**4,713**	**0**	**4,713**
Interest income	0	(68)	(68)	0	(36)	(36)
Total income	**0**	**(68)**	**(68)**	**0**	**(36)**	**(36)**
Net (gain)/loss for the year			**609**			**4,677**

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	2019/20		2020/21	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt	(64,323)	(61,438)	(62,446)	(63,780)
Short Term Borrowing	(4,500)	(4,500)	0	0
Short Term Creditors	(2,079)	(2,079)	(4,783)	(4,783)
Long Term Creditors	(1,325)	(1,325)	(1,438)	(1,438)
Total Liabilities	**(72,227)**	**(69,342)**	**(68,667)**	**(70,001)**

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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £63.780m 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 £73.510m, 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	2019/20		2020/21	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents	8,933	8,933	9,276	9,276
Short Term Debtors	3,895	3,895	2,851	2,851
Long Term Debtors	4,655	4,728	5,323	5,396
Total Assets	**17,483**	**17,556**	**17,450**	**17,523**

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.

<u>Sundry Debtors</u>

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 £5.152m (£6.664m at 31 March 2020) and the maximum exposure to credit loss was assessed as £2.301m (£1.799m at 31 March 2020).

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 2021 vary between 1.32% and 4.34%, and the maturity analysis of its borrowing is as follows:

	31 March 2020 £'000	31 March 2021 £'000
Less than 1 year	6,663	2,182
Between 1 and 2 years	1,895	1,924
Between 2 and 5 years	5,512	5,364
More than 5 years	54,753	52,976
Total	**68,823**	**62,446**

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	(138)
Gain - Impact on Comprehensive Income and Expenditure Statement	**(138)**
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(8,329)

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 2020 £'000	31 March 2021 £'000
Trade Receivables	5,132	7,738
Prepayments	644	588
Other Receivables*	2,955	7,928
Gross Carrying Amount	**8,732**	**16,254**
Less Bad Debt Provisions	(2,308)	(3,097)
Net Carrying Amount	**6,423**	**13,157**

21 CASH AND CASH EQUIVALENTS

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

	31 March 2020 £'000	31 March 2021 £'000
Cash held by the Authority	148	167
Bank current and call accounts	9,512	9,136
Bank overdraft	(727)	(27)
Total Cash and Cash Equivalents	**8,933**	**9,276**

22 SHORT TERM CREDITORS

	31 March 2020 £'000	31 March 2021 £'000
Trade Payables	(1,690)	(4,351)
Other Payables	(8,551)	(19,417)
Total	**(10,241)**	**(23,768)**

23 PROVISIONS

The movements in provisions during the year were as follows.

	Balance 1 April 2020 £'000	Movements: Reapportion-ment of Opening Balance (see below) £'000	Movements: Used £'000	Movements: Added £'000	Balance 31 March 2021 £'000
Municipal Mutual Insurance	**(14)**	0	0	0	**(14)**
Business rates appeals	**(1,852)**	529	141	(26)	**(1,208)**
Total	**(1,866)**	**529**	**141**	**(26)**	**(1,222)**

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 £3.019m was shared, in the same proportions as the business rates income for the year, between the council (40%),the Ministry for Housing, Communities and Local Government (50%), Lancashire County Council (9%) and the Lancashire Fire Authority (1%). This compares to the 75% local retention that was applicable for 2019/20, when the council was in a Pilot Area and the council's share was 56% and the respective shares for the other bodies were Ministry for Housing, Communities and Local Government 25%, Lancashire County Council 17.5% and the Lancashire Fire Authority 1.5%. Had these percentages remained in place at the end of 2020/21, then the council's share of the provision would have been £1.691m.

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 47). The purpose of General Fund Earmarked Reserves is detailed in Note 11.

	31 March 2020 £'000	31 March 2021 £'000
General Fund Working Balance	(4,000)	(4,057)
General Fund Earmarked Reserves	(6,762)	(12,931)
Total General Fund Balance	(10,762)	(16,988)
Capital Receipts Reserve	(973)	(889)
S106 Contributions from developers	(7,500)	(9,000)
Community Infrastructure Levy (CIL)	(5,723)	(4,935)
Other Capital Grants and Contributions	0	(17)
Total Capital Grants and Contributions Unapplied	(13,223)	(13,952)
Total Usable Reserves at year-end	**(24,958)**	**(31,829)**

25 UNUSABLE RESERVES

	31 March 2020 £'000	31 March 2021 £'000
Revaluation Reserve (Note 25a)	(15,710)	(16,083)
Capital Adjustment Account (Note 25b)	(26,580)	(27,504)
Deferred Capital Receipts Reserve (Note 25c)	(289)	(289)
Pensions Reserve (Note 25d)	42,761	56,444
Collection Fund Adjustment Account (Note 25e)	(544)	4,428
Accumulated Absences Account (Note 25f)	191	236
Total Unusable Reserves at year-end	**(171)**	**17,232**

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 into the Capital Adjustment Account.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**(10,172)**	**(15,710)**
Upward revaluation of assets	(7,976)	(1,592)
Difference between fair value and historic cost depreciation	162	251
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement	2,276	968
Accumulated gains/losses on assets sold or scrapped	0	0
Balance at 31 March	**(15,710)**	**(16,083)**

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.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**(36,566)**	**(26,580)**
Reversal of items relating to capital expenditure debited or credited to the CI&ES		
Charges for depreciation & impairment of non-current assets	1,891	2,227
Revaluation losses on Property, Plant and Equipment	13,720	1,618
Amortisation of intangible assets	14	14
Revenue expenditure funded from capital under statute	2,111	847
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	6	20
	17,742	**4,726**
Adjusting amounts written out of the Revaluation Reserve		
Difference between fair value and historic cost depreciation	(162)	(251)
Accumulated gains/losses on assets sold or scrapped	0	0
	(162)	**(251)**
Net written out amount of the cost of non-current assets consumed in the year	*17,580*	*4,475*
Capital financing applied in the year		
Use of Capital Receipts Reserve to finance new capital expenditure	(234)	(204)
Capital grants & contributions credited to the CI&ES that have been applied to capital financing	(2,057)	(1,742)
Application of grants to capital financing from Capital Grants Unapplied	(2,863)	(4,064)
Statutory & voluntary provision for the repayment of debt	(569)	(1,713)
Capital expenditure charged to the General Fund Balance	(746)	(958)
	(6,469)	**(8,681)**
Movements in the market value of Investment Properties debited or credited to the CI&ES	(1,125)	3,282
Balance at 31 March	**(26,580)**	**(27,504)**

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.

	2019/20 £'000	2020/21 £'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.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**45,997**	**42,761**
Remeasurement of the net defined benefit liability	(6,510)	11,999
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	5,752	3,694
Employers contributions and direct payments to pensioners payable in the year	(2,478)	(2,010)
Balance at 31 March	**42,761**	**56,444**

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.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**77**	**(544)**
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	(621)	4,972
Balance at 31 March	**(544)**	**4,428**

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.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**157**	**191**
Settlement or cancellation of accrual made at the end of the preceding year	(157)	(191)
Amounts accrued at the end of the current year	191	236
Amount by which officer remuneration charged to the CI&ES on accruals basis differs from remuneration chargeable in year in accordance with statutory requirements	34	45
Balance at 31 March	**191**	**236**

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2019/20 £'000	2020/21 £'000
Interest received	68	36
Interest paid	(1,075)	(1,431)
	(1,007)	**(1,395)**

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

Note 26a: Non-cash movements	2019/20 £'000	2020/21 £'000
Depreciation	1,891	2,227
Impairment and downward valuations	13,721	1,616
Amortisation	14	14
Increase/(decrease) in creditors	2,825	22,840
(Increase)/decrease in debtors	(3,316)	(7,123)
Movement in pension liability	3,274	801
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	6	20
Other non-cash items charged to the net surplus or deficit on the provision of services	(452)	2,637
	17,963	**23,032**

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	2019/20 £'000	2020/21 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(136)	(119)
Any other items for which the cash effects are investing or financing cash flows	(4,168)	(6,590)
	(4,304)	**(6,709)**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2019/20 £'000	2020/21 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(44,233)	(8,445)
Other payments for investing activities	(4,193)	(668)
Proceeds from the sale of assets.	136	119
Other receipts from investing activities	6,061	6,730
Net cash flows from investing activities	**(42,229)**	**(2,264)**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2019/20 £'000	2020/21 £'000
Cash receipts from short- and long-term borrowing	48,990	0
Repayments of short- and long-term borrowing	(1,331)	(11)
Repayment of Short and Long Term Borrowing	0	(6,366)
Other receipts from financing activities	(21)	(8,183)
Net cash flows from financing activities	**47,638**	**(14,560)**

Reconciliation of Liabilities arising from Financing Activities

	1 April 2020	Financing cash flows		Other non-cash changes	31 March 2021
		Acquisition	Repayment		
	£'000	£'000	£'000	£'000	£'000
Long-term borrowing	62,160	0		(1,896)	60,264
Short-term borrowing	6,663	0	(6,366)	1,885	2,182
Total borrowing	68,823	0	(6,366)	(11)	62,446
Creditors - Council Tax & NNDR due to Preceptors & Central Government	2,940	(8,183)			(5,243)
Total	**71,763**	**(8,183)**	**(6,366)**	**(11)**	**57,203**

29 MEMBERS ALLOWANCES

	2019/20 £'000	2020/21 £'000
Allowances	311	309
Expenses	3	0
Total	**314**	**309**

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)	2020/21	84	0	0	35	**119**	14	**133**
Deputy Chief Executive (b)	2020/21	103	0	2	0	**105**	17	**122**
Director (Customer and Digital) (c)	2020/21	83	0	0	0	**83**	14	**97**
Director (Commercial and Property) (d)	2020/21	77	0	0	0	**77**	13	**89**
Deputy Director of Finance (S151 Officer) (e)	2020/21	77	0	1	0	**78**	13	**91**
Director of Governance (f)	2020/21	13	0	1	0	**13**	2	**15**

Note a: The Chief Executive left the Authority on 27th March 2021. For the duration of the financial year the postholder took on the additional role of Interim Chief Executive at South Ribble Borough Council (Head of Paid Service). His time was divided equally between the two councils and an additional payment was received in respect of the additional duties. South Ribble Borough Council have been charged 50% of the cost of the post for the duration that the interim arrangements were in place and the figures above are net of this contribution. From 5th April 2021 he will be employed by South Ribble Borough Council as Chief Executive for both councils and 50% of the costs will be recharged to Chorley Borough Council. Salary and allowances includes an ex-gratia payment of £40k, which is 50% funded by South Ribble Borough Council.

Note b: The post is shared with South Ribble Borough Council and has been for the duration of the financial year. The postholder is formally employed by Chorley Borough Council and South Ribble Borough Council have been charged 50% of the cost of the post.

Note c: The post has been shared with South Ribble Borough Council with effect from the 1st January 2021 following the expansion of shared services between the two councils. The postholder is formally employed by Chorley Borough Council and South Ribble Borough Council have been charged 50% of the cost of the post from this date.

Note d: The post was re-designated from Director of Commercial Services as Director (Commercial and Property) following the expansion of shared services between Chorley and South Ribble Borough Councils. The post has been shared with South Ribble Borough Council with effect from the 1st January 2021. The postholder is formally employed by Chorley Borough Council and South Ribble Borough Council have been charged 50% of the cost of the post from this date.

Note e: The postholder has held responsibility for the role of Section 151 Officer (Chief Financial Officer) for the duration of the financial year whilst the post of Director of Finance has been vacant. Additional payments were received in respect of the additional duties. This is a shared post with

South Ribble Borough Council, the postholder is formally employed by Chorley Borough Council and South Ribble Borough Council have been charged 50% of the cost of the post.

Note f: The post was transferred to South Ribble Borough Council with effect from 1st June 2020 following the expansion of shared services between the two councils. For the period of April – May 2020 the post was shared with South Ribble Borough Council however the postholder was formally employed by Chorley Borough Council and South Ribble have been charged 50% of the cost of the post for that period. From 1st June 2020 formal employment transferred to South Ribble Borough Council who have then charged Chorley Borough Council 50% of the cost of the post, a total of £50k, for the remainder of the financial year. The post has responsibility as the Monitoring Officer.

Note g: Following the expansion of shared services with South Ribble Borough Council a new shared management structure was implemented. In addition to the posts detailed above there are two additional posts: Director (Communities) and Director (Planning and Development) that report directly to the Chief Executive. In both cases the postholders are formally employed by South Ribble Borough Council and Chorley Council are charged 50% of the cost of the posts. For the 2020-21 financial year those charges totalled £12.3k for the Director (Communities) and £12.3k for the Director (Planning and Development).

The comparative information for the preceding year is 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 was formally employed by Chorley Borough Council and South Ribble Borough Council was 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.

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

Remuneration Band	2019/20 Number of Employees	2020/21 Number of Employees
£50,000 - £54,999	4	3
£55,000 - £59,999	2	1
£60,000 - £64,999	3	4
£65,000 - £69,999	1	1
£70,000 - £74,999	-	-
£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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	0	0	7	2	7	2	57	20
£20,001 - £40,000	0	0	1	1	1	1	36	35
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	1	1	1	70	114
£80,001 - £100,000	0	0	2	0	2	0	175	0
£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	**0**	**0**	**11**	**4**	**11**	**4**	**338**	**169**

32 EXTERNAL AUDIT COSTS

The fees due from the Council to the external auditors for works carried out relating to the year of account 2020/21 were as follows.

	2019/20 £'000	2020/21 £'000
Fees for statutory inspection and audit	44	42
Planned variations *	17	17
Fees for the certification of grant claims and returns	16	19
Total	**77**	**78**

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

33 GRANT INCOME

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

	2019/20 £'000	2020/21 £'000
Credited to Taxation and Non-Specific Grant Income & Expenditure (Note 14)		
New Homes Bonus grant	(2,790)	(2,346)
Covid-19 Funding Grants	0	(589)
Section 31 Grants - Business Rates Reliefs	(1,995)	(6,541)
Other revenue grants	(238)	(65)
Capital Contributions – S106 Contributions	(1,426)	(2,816)
Capital Contributions – Community Infrastructure Levy	(974)	(1,100)
Capital other grants and contributions	(450)	(2,054)
Total	**(7,873)**	**(15,511)**
Credited to Services		
Grants – benefits related	(20,240)	(19,399)
Covid-19 Funding Grants	0	(5,062)
Grants – other	(1,091)	(1,225)
Contribution – County Council reimbursement	(271)	(223)
Contributions – other	(1,328)	(895)
Total	**(22,930)**	**(26,804)**

In addition to the above amounts, a further £31.034m was paid to the council, by the government, and distributed to local businesses in the form of business support grants (£22.574m, including retail, hospitality and leisure support grants) and local restrictions grants (£8.460m). Given that the eligibility criteria for these grants were determined by the government and that the council has been fully reimbursed for the amounts paid out, the council has effectively acted as an intermediary and distribution point for the grants, rather than at its own discretion. In these circumstances, the council is deemed to be an agent acting on behalf of the grant funder, rather than in its own right, so the expenditure and related grant income is accounted for separately to the council's own Statement of Accounts.

The significant increase in Section 31 Grants to compensate for Business Rate Reliefs, from £1.995m in 2019/20 to £6.541m in 2020/21, is to compensate for the additional retail discounts and nursery reliefs granted in response to the Covid-19 pandemic. The additional income is offset by the corresponding reduction in Business Rates income. See Note 14 for further details.

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 2020/21 (and also at the end of 2019/20), there were no individual material amounts. The totals were as follows:

Grant Receipts in Advance - Capital	2019/20 £'000	2020/21 £'000
Various grants and contributions	(86)	(646)
Total	**(86)**	**(646)**

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 officers.

- **Chorley Youth Zone**
  Chorley Youth Zone opened on 5th May 2018 and 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. The council has also commissioned services from the Youth Zone at a total of £41k during the 2020-21 financial year. Chris Sinnott, Deputy Chief Executive at Chorley and South Ribble Councils 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 2020/21 this totalled £0.21m (2019/20 £0.098m).

An outstanding CCH debtor as of 31st March 2020 amounts to £21,040.46.

- **Partnerships, Companies and Trusts**

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

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

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

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

An outstanding creditor as at 31st March 2021 amounts to £1.614m.
An outstanding debtor as at 31st March 2021 amounts to £0.499m

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

Chorley and South Ribble Shopmobility
Payment of subsidy of £15k was made to Chorley & South Ribble Shopmobility to supply Shopmobility services for the community of Chorley and District with wheelchairs and Mobility Scooters for the year 2019/20 (£17k 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.

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.

	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	49,284	88,865
Capital investment		
Property, Plant and Equipment (Note 15)	10,272	7,552
Heritage Assets (Note 16)	0	301
Investment Properties (Note 17)	33,668	388
Intangible Assets (Note 18)	0	0
Revenue Expenditure Funded from Capital under Statute	2,111	847
Sources of finance		
Capital Receipts	(234)	(204)
Government Grants and Other Contributions	(4,921)	(5,806)
Sums set aside from revenue		
Revenue Financing (Note 25b)	(746)	(958)
Minimum Revenue Provision – statutory (Note 25b)	(569)	(1,713)
Closing Capital Financing Requirement	**88,865**	**89,271**
Explanation of movements in year		
Increase in prudential borrowing	40,150	2,119
Provision made for debt repayment	(569)	(1,713)
Increase/(Decrease) in Capital Financing Requirement	**39,581**	**406**

It was always the case, given the major investments undertaken in 2019/20, that both the level of capital spending and any increase in the council's underlying borrowing requirement in 2020/21 would be significantly lower in comparison to the previous year, but the impacts of the Covid-19 pandemic have reduced both still further. Investment in the council's assets during the year nonetheless totalled £8.241m, with the most significant projects within this being the Tatton development site (£2.038m), the Westway Sports Campus (£1.480m) and the Whittle Surgery Health Hub (£1.186m).

The council utilised just over £5.8m of capital grants and developer contributions in 2020/21. This was principally for the funding of the three major schemes identified above, all of which were fully funded from grants, works on the Tatton scheme by a grant from Homes England and the Westway and Whittle schemes from developer contributions.

36 LEASES

36a Authority as lessee

<u>Finance leases</u>

The Council has no finance leases

<u>Operating leases</u>
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 2020		31 March 2021	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	375	0	368	0
Later than 1 year, not later than 5	1,008	0	1,189	0
Later than 5 years	888	0	666	0
Minimum lease payments	**2,271**	**0**	**2,223**	**0**

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

	2019/20 £'000	2020/21 £'000
Minimum lease payments	502	431
Sub-lease payments receivable	(32)	(10)
Total payable rentals	**470**	**421**

36b Authority as Lessor

<u>Finance leases</u>

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 2020 £'000	31 March 2021 £'000
Finance lease debtor (present value of minimum lease payments)		
• Current	0	0
• Non-Current	289	289
Unearned finance income	2,116	2,092
Gross investment in the lease	**2,405**	**2,381**

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

	Gross investment in the lease		Minimum lease payments	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Not later than 1 year	24	24	24	24
Later than 1 yr. not later than 5	95	95	95	95
Later than 5 years	2,286	2,263	2,286	2,263
Total	**2,405**	**2,381**	**2,405**	**2,381**

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 2020 £'000	31 March 2021 £'000
Not later than one year	4,532	4,102
Later than one year and not later than five years	14,438	13,651
Later than five years	62,040	57,618
Total receivable rentals	**81,010**	**75,371**

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 37j.

37d Transactions relating to retirement benefits

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

	2019/20 £'000	**2020/21 £'000**
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Administration	50	49
Current service cost	2,832	2,569
Past service cost	1,656	0
Settlement and curtailment	112	109
Net interest on the net defined benefit liability:		
Interest costs	3,565	3,465
Expected return on scheme assets	(2,463)	(2,498)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	**5,752**	**3,694**
Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement		
Re-measurement of the net defined benefit liability:		
Return on plan assets, excluding amount included in interest expense	827	(8,855)
Actuarial experience gains & losses	166	(3,217)
Actuarial gains & losses from changes in demographic assumptions	(5,060)	0
Actuarial gains & losses from changes in financial assumptions	(2,443)	24,071
Total re-measurements recognised in Other Comprehensive Income	**(6,510)**	**11,999**
Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	**(758)**	**15,693**
Movement in Reserves Statement		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(5,752)	(3,694)
Actual employer contributions to the scheme	2,478	2,010

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	
	2019/20 £'000	2020/21 £'000
Present value of the defined benefit obligation	(146,219)	(169,487)
Fair value of plan assets	103,169	112,784
Net liability arising from defined benefit obligation	**(43,050)**	**(56,703)**

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

	Scheme Assets Local Government Pension	
	2019/20 £'000	2020/21 £'000
Opening fair value of scheme assets	**103,684**	**103,169**
Interest income	2,463	2,498
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	(827)	8,855
Employer contributions	2,459	2,040
Employee contributions	562	541
Benefits paid	(5,122)	(4,270)
Other	(50)	(49)
Closing fair value of scheme assets	**103,169**	**112,784**

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

	Scheme Liabilities Local Government Pension	
	2019/20 £'000	2020/21 £'000
Opening Balance at 1 April	**(149,951)**	**(146,219)**
Current service cost	(2,832)	(2,569)
Interest cost	(3,565)	(3,465)
Contributions by scheme participants	(562)	(541)
Re-measurement gains and (losses)		
Changes in demographic assumptions	5,060	0
Changes in financial assumptions	2,443	(24,071)
Experience (gain) or loss	(166)	3,217
Other	0	0
Benefits paid	5,122	4,270
Curtailment	(112)	(109)
Past service costs	(1,656)	0
Closing Balance at 31 March	**(146,219)**	**(169,487)**

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 £1.810m 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			
	2019/20 £'000	Percentage total of asset %	2020/21 £'000	Percentage total of asset %
Cash				
Cash and cash equivalents	0	0.00%	0	0.00%
Cash Accounts	2,889	2.80%	2,785	2.47%
Net Current Assets	(1,754)	-1.70%	(294)	-0.26%
	1,135	**1.10%**	**2,491**	**2.21%**
Bonds				
UK corporate	1,237	1.20%	0	0.00%
Overseas corporate	1,341	1.30%	0	0.00%
Government	0	0.00%	0	0.00%
Overseas Fixed Interest	0	0.00%	0	0.00%
Sub-total bonds	**2,578**	**2.50%**	**0**	**0.00%**
Property				
Offices	0	0.00%	50	0.04%
Retail Warehouse	103	0.10%	0	0.00%
Shops	0	0.00%	111	0.10%
Commercial	1,342	1.30%	1,772	1.57%
Sub-total property	**1,445**	**1.40%**	**1,933**	**1.71%**
Private equity				
UK	0	0.00%	0	0.00%
Overseas *	8,254	8.00%	9,049	8.02%
Sub-total private equity	**8,254**	**8.00%**	**9,049**	**8.02%**
Other				
Infrastructure	14,237	13.80%	13,526	11.99%
Indirect Property Funds	7,325	7.10%	14,130	12.53%
Credit funds	16,301	15.80%	15,076	13.37%
Pooled Fixed Income	5,468	5.30%	3,759	3.33%
UK Pooled Equity Funds	0	0.00%	1,153	1.02%
Overseas Pooled Equity Funds *	46,426	45.00%	51,667	45.82%
Sub-total alternatives	**89,757**	**87.00%**	**99,311**	**88.06%**
	103,169	**100.00%**	**112,784**	**100.00%**

* These were previously amalgamated in the 2019/20 statement and have been separated for clarity.

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

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

	Impact on the defined benefit obligation in the scheme £'000
Longevity (increase 1 year)	5,163
Rate of inflation (increase of 0.1% p.a.)	2,853
Salary inflation (increase of 0.1% p.a.)	297
Rate for discounting scheme liabilities (increase of 0.1%)	(2,805)
Change in 2020/21 investment returns (increase of 1.0%)	(1,137)

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 2021 there are 4 years of the liability period outstanding.

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 two years to run. The amount receivable will depend on the numbers sold and cannot be predicted.

Collection Fund Statement

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

2019/20 Business Rates £'000	2019/20 Council Tax £'000	Collection Fund	2020/21 Business Rates £'000	2020/21 Council Tax £'000
		INCOME		
	68,775	Council Tax Receivable		70,728
26,051		Business Rates Receivable	13,674	
26,051	**68,775**	**Total Income**	**13,674**	**70,728**
		EXPENDITURE		
		Apportionment of previous year's estimated Surplus/(Deficit)		
(292)		Central Government	(28)	
(234)	70	Chorley Council (Note 14)	(62)	94
(53)	445	Lancashire County Council	(20)	605
(6)	23	Lancashire Combined Fire Authority	(2)	31
	61	Police & Crime Commissioner for Lancashire		91
(585)	599		(112)	821
		Precepts, Demands and Shares		
6,106		Central Government	12,328	
13,678	7,814	Chorley Council (Note 14)	9,862	7,886
4,274	50,005	Lancashire County Council	2,219	52,426
366	2,580	Lancashire Combined Fire Authority	247	2,653
	7,481	Police & Crime Commissioner for Lancashire		7,916
24,424	67,880		24,656	70,881
23,839	**68,479**	**Total Expenditure**	**24,544**	**71,702**
		Transfers From General Fund		
		Discretionary Discounts		(808)
		Charges to Collection Fund		
14	109	Write offs of uncollectable amounts	13	198
89	314	Increase/(Decrease) in Bad Debt Provision	816	800
405		Increase/(Decrease) in Provision for Appeals	64	
131		Cost of Collection	129	
261		Transitional Protection Payments	253	
900	**423**	**Total Charges to Collection Fund**	**1,275**	**190**
1,312	**(127)**	**Surplus/(Deficit) arising during the year**	**(12,145)**	**(1,164)**
		Collection Fund Balance		
(585)	1,354	Balance brought forward at 1 April	727	1,227
1,312	(127)	Surplus/(Deficit) for the year	(12,145)	(1,164)
727	**1,227**	**Balance carried forward at 31 March**	**(11,418)**	**63**
		Allocated to		
407	137	Chorley Council - Collection Fund Adjustment Account	(4,433)	6
182		Central Government	(5,919)	
127	907	Lancashire County Council	(956)	46
11	137	Lancashire Combined Fire Authority	(110)	2
	46	Police & Crime Commissioner for Lancashire		9
727	**1,227**	**Surplus/(Deficit) at 31 March**	**(11,418)**	**63**

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 2020/21 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	17.25	5/9	9.60
A	14,989	12,567.87	6/9	8,378.60
B	11,804	10,392.25	7/9	8,082.90
C	9,554	8,663.50	8/9	7,700.90
D	6,815	6,294.00	9/9	6,294.00
E	5,208	4,913.25	11/9	6,005.10
F	2,242	2,126.75	13/9	3,072.00
G	950	905.50	15/9	1,509.20
H	69	49.50	18/9	99.00
Total	**51,631**	**45,929.87**		**41,151.30**
Less adjustments for anticipated losses on collection				**(570.11)**
Add adjustment for new properties/technical changes to discounts				**329.20**
Less local Council Tax Support Scheme discounts				**(3,471.87)**
Band D Equivalent Number of Properties				**37,438.52**

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 £1,874.57 for 2020/21 (£1,809.46 for 2019/20). 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 2020/21 was £112k, being the estimated deficit for 2019/20 included on the council's NNDR1 form, as completed in January 2020. The amount the can be distributed in 2020/21 is restricted to this figure. The actual outturn position at the end of 2019/20 was a surplus of £727k, leaving a balance of £839k for distribution in 2021/22.

Note 14 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2020/21 to be a net cost of £1.665m (compared to net income in 2019/20 of £3.966m). This can be reconciled to Chorley Council's share of Business Rates Income in the Collection Fund statement in the following table:

2019/20 £'000		2020/21 £'000
13,678	Chorley Council share of Business Rates	9,862
(10,116)	Tariff payable to Lancashire Business Rates Pool	(6,503)
	Levy payable to Lancashire Business Rates Pool	(121)
(3)	Payment to County Wide Fund	0
641	Chorley Council share of surplus or (deficit) for year (transferred to Collection Fund Adjustment Account - Note 25e)	(5,310)
(234)	Chorley Council share of previous year's surplus or (deficit)	407
3,966	**NNDR net income per Note 14**	**(1,665)**

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

The additional reliefs introduced by the government in response to the Covid-19 pandemic do not affect the amount of business rates income receivable by the council for 2020/21, because this was fixed by the NNDR1 return completed in January 2020. They have, however, had a significant effect on the council's share of the surplus/deficit at the end of the year, producing the deficit of over £4.903m (£5.310m - £0.407m) shown above. In terms of actual income to the council, this deficit is offset by additional government grants. For more detail of this, see Note 14 on page 76.

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 49.9p in 2020/21 (49.1p in 2019/20); and one for larger businesses at 51.2p in 2020/21 (50.4p in 2019/20).

The Business Rates Income after reliefs was £12.78m for 2020/21 (£25.54m for 2019/20).

The rateable value for the Council's area at the end of the financial year 2020/21 was £67.60m (£67.69m in 2019/20).

Annual Governance Statement (AGS)

The AGS for 2020/21 was approved by Governance Committee on 26 May 2021 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 local 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 2021 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

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

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

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

Good governance means:-

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

Our Local Code was reviewed and updated this year and approved by Governance Committee on 1 April 2021.

Impact of Covid on the Council's governance arrangements

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

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

4. 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 Governance Group / Officer arrangements

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

- Chief Executive
- Deputy Chief Executive
- Director of Governance (Monitoring Officer)
- Director of Finance S151 Officer

- Shared Service Lead (Transformation and Partnerships)
- Shared Service Lead Audit and Risk

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

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

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

Management Team / Leadership Team

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

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

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

Programme Board

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

Monitoring Officer

As the Council's Monitoring Officer, the Director of Governance 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 Audit and Risk 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 Public Sector Internal Audit Standards require the Head of Audit to provide an opinion on the overall adequacy and effectiveness of the organisation’s framework of control, risk management and governance. Members may recall that CIPFA issued guidance relating to the opinion and that a limitation of scope may be applicable due to the impact that COVID.

It has been reported to members over the course of 2020 that the impact of COVID-19 on the Internal Audit Service has been considerable and as can been seen in the table at paragraph 8, the results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation’s framework of **control.**

It is however, possible to provide an opinion on the overall adequacy and effectiveness of the organisations framework of **risk management and governance** and the Head of Audit can confirm that the arrangements are of an **adequate** standard.

Although the Internal Audit work has been limited, the opinion on risk management and governance is based upon a number of factors namely:

- Chorley Council is able to demonstrate that it has a sound governance framework in place and over the past few years, no significant areas of non-compliance have been identified.
- Work recently undertaken on risk management has confirmed that whilst there are good arrangements across some aspects of Council activity further work is required to fully embed risk management.

Although the Head of Audit is am unable to form an opinion on the control environment of the Council, members can be assured of the following:

- The limited work carried out during 2020-21 did not identify any control failures;
- Advisory work has been undertaken on new processes introduced as a result of COVID 19;
- Despite the lack of a systematic monitoring process for the implementation of agreed management actions emanating from Internal Audit Reports, a large proportion of actions have been implemented.

It must be stressed, that it is anticipated that as the committee have already approved a comprehensive audit plan, it is fully anticipated that they will be able to provide a complete opinion 2021-2022.

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:

Table A

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	**Complete – the Risk Management Framework has been reviewed and the council have recommitted to the GRACE risk management system.** **Carried forward - Training has commenced and will be completed shortly**
2. Fraud	2.1 To Review and update Anti-fraud policies	- To review and update the Anti-fraud policies	**Outstanding** **The review of the Anti-Fraud Policies has been undertaken.**
	2.2 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.	
	2.3 To compile and monitor a fraud risk register	- Fraud risk register to be compiled and monitored on a regular basis	
3. Transparency	3.1 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; • Publication of contracts	**Outstanding**
4. Compliance with Contract Procedure Rules (CPRs)	4.1 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	**Complete**
5. Shared Services	a. Implement enhanced Shared Services Governance Arrangements b. To review the staffing and resourcing of Internal Audit	- To review and update the shared services agreement to specifically address matters that have arisen and the extension of shared services - To review staffing and resourcing of Internal	**Complete**

	c. To review the Business Continuity and Emergency Plans and service resourcing	Audit in light of changes to staff - To review and update Business Continuity and Emergency Plans in light of learning occasioned by the Covid Pandemic	

The Council will have identified the following improvements which will strengthen our corporate governance arrangements:

Table B

Themes	Improvement Required
Induction/Recruitment	To ensure all new employees receive a comprehensive induction covering all core areas, the corporate induction will be updated to include welcome videos from the senior management, introduction to the borough and mandatory training covering core policies and health and safety. Continued focus on HR System transformation is required to ensure a robust administrative process is operational and suitable controls are in place for all aspects of Human Resources and Organisational Development
Corporate Information Source for Officers (The Loop)	To improve the user experience for employees and ensure essential information is easy to access. The following improvements to The Loop should be considered: • Defined area on The Loop for all core policies. • Service areas to review information they have published on he Loop and to remove outdated material. • Create a manager zone within The Loop to ensure all essential guidance and resources for managerial responsibilities are easily sourced.
Risk Management	Ensure risk management is embedded throughout the organisation and within all Council activities.
GDPR - RoPA	A full review will be undertaken to ensure that the register is up to date with data responsibilities correctly defined, and continue to monitor and expedite the outstanding data disposal actions to ensure they are implemented imminently.
Key Corporate Policies	Adopt a standardised version control format for all policies and strategies. Review and update key policies and strategies and ensure that the latest version is available on The Loop and the Council's website where appropriate.

Value for Money	Adopt an organisation wide Transformation Strategy & Programme incorporating a value for money elements to deliver efficient services through service reviews and shared services.
Inventories	Directors will ensure that inventories are compiled and maintained in accordance with the Councils guidance notes for service unit fixed assets registers.
Transparency Act	Publish up to date information and include all mandatory criteria.

You will note a different presentation of the areas to be strengthened this year. This is to reflect the re-establishment of the Corporate Governance Group who will lead on the monitoring of the implementation of these improvements. The CCG will take the improvements to the Senior Management team and allocate a Senior Responsible Officer to lead on the delivery. The improvements will be entered as management actions onto the Grace system. Progress will be monitored by the Corporate Governance Group.

Although there are 9 areas listed, it must be noted that most of the improvements are continuations of existing works or consequences of recent changes to the Council. There is a clear need to embed improvements that have already been made, so whilst it is correct they are identified here as areas to be strengthened, it should also be recognised that the actions are planned or already underway.

None of the areas proposed to be strengthened is viewed as a significant failing of the governance environment, indeed the ones already identified suggest that the framework is working.

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.

A. W. Bradley

Cllr. A. Bradley
Leader of the Council
Date: 26 May 2021

G Hall

G Hall
Chief Executive
Date: 26 May 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 and 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).

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Our ref:
Your ref:
Date: 16th March 2022

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Dear Ms Jones,

Chorley Borough Council
Financial Statements for the year ended 31 March 2021

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

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

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v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and building assets, valuations of investment properties and valuation of defined benefit pension net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements, and for which International Financial Reporting Standards and the Code require adjustment or disclosure, have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. We have considered the estimated liability with regard to Business rate appeals and consider that it has been made appropriately.

xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

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

xvii. We have considered the year end value for heritage assets and we are satisfied that the basis of valuation remains appropriate and assets are not materially misstated.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.

Chorley Council

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements. This includes the recognition policy and accounting for funds received through Covid-19 support measures where we consider that the Council has acted as agent on behalf of the grant funder.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council’s Governance Committee at its meeting on 16 March 2022

Yours sincerely

Name Councillor Debra Platt

Position: Chair of Governance Committee

Date: 16th March 2022

Name Louise Mattinson

Position: Director of Finance (S151 Officer)

Date: 16th March 2022

Signed on behalf of the Council

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Appendix : Unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The reconciliation of employee benefits expenditure reported in the Comprehensive Income and Expenditure Statement to the supporting payroll data identified an unresolved difference indicating an overstatement of expenditure.	(85)	85	(85)	Adjustment immaterial and does not impact the financial performance of the Council
Overall impact	(85)	85	(85)	

Grant Thornton

The Audit Findings for Chorley Borough Council

Year ended 31 March 2021

16 March 2022

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Georgia Jones

Name : Georgia Jones
For Grant Thornton UK LLP
Date : 16 March 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Chorley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was conducted remotely during October - February. Our findings are summarised on pages 4 to 19.

We have identified two adjustments to the financial statements. These have not resulted in an overall adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A.

We have also raised recommendations for management as a result of our audit work in Appendix F.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix C or material changes to the financial statements (other than that set out above), subject to the following outstanding matters;

- Review of Covid-19 grant funding disclosure – outstanding query
- Review of amendments to the financial statements and disclosures
- Fees and charges sample testing – outstanding queries
- Review of the final version of the financial statements
- Managements consideration of events after the reporting period
- Final file reviews by the engagement manager and engagement lead
- Receipt of management representation letter;

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix E to this report. We expect to issue our Auditor's Annual Report by 30 June 2022 at the latest. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Major capital projects

Our work on these risks is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

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

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

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in June 2022

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks
- The Council has not prepared group financial statements because income from investment property has been received directly by the Council and there are no transactions or balances in the subsidiary company during 2020-21. Therefore, we have not performed any group audit procedures.

Conclusion

We have substantially completed our audit of your financial statements and subject to the items listed on page 3, we anticipate issuing an unmodified audit opinion, as detailed in Appendix C.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our audit plan presented to the Governance Committee on 28 July 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote accessing financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the entity and access to key data from Council staff .

We have encountered some difficulty in obtaining supporting evidence requested for the audit of the draft statements. This was due to the capacity of the finance team to service the requests for audit evidence whilst continuing to delivering their normal duties.

2. Financial Statements

Our approach to materiality

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

We have revised our materiality levels due to the actual gross expenditure changing significantly from that at the planning stage, resulting in a review of the appropriateness of the materiality figure.

We detail in the table aside our determination of materiality for Chorley Borough Council

	Planning (£)	Final (£)	Qualitative factors considered
Materiality for the financial statements	1,015,000	966,000	This is equivalent to approximately 1.9% of the gross revenue expenditure.
Performance materiality	761,000	725,000	The performance materiality has been set at 65% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	51,000	48,000	Triviality is set at 5% of materiality
Materiality for senior officer remuneration	20,000	20,000	Senior officer remuneration due to the public interest in the disclosures.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Chorley Borough Council mean that all forms of fraud are seen as unacceptable	Following receipt of draft financial statements, we analysed the Council's material revenue and expenditure streams and identified that it was still appropriate to rebut those income streams based on the logic detailed in our audit plan. As we do not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures. Our testing in this area is ongoing. Performance of procedures to sample test income have not identified any matters to report to date.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • evaluating the design effectiveness of management controls over journals • analysing the journals listing and determine the criteria for selecting high risk unusual journals • testing unusual journals made during the year and after the draft accounts are produced for appropriateness and corroboration • gaining an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness (see detailed assessment of estimates on pages 11-14) • evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions Our work in this area is substantially complete and we have not identified any issues in respect of management override of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council revalues its land and buildings on a rolling five-yearly basis. This valuation of £85.094m (2019-20: £85.384m) represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. Investment Properties: All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £32.783m (2019-20: £35.677m) represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings, including investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. At the time of writing our work in this area is substantially complete and we have not identified any issues in respect of valuation of land and buildings and investment properties.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£56.703m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • obtained assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We have not identified any material issues in respect of the valuation of the Council's pension fund net liability. We identified that the payment in advance of the deficit recovery contribution had initially been accounted for as a prepayment on the balance sheet. However, the Code requires that early payment of pension contributions should be accounted for as a reduction of the pension liability and this has been adjusted by management.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuations of Land and Building (85.094m) and Investment Properties (£32.783m)	Other land and buildings includes specialised assets such as leisure centres which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Lea Hough & Co to complete the valuation of properties as at 31 March 2021 on a five yearly cyclical basis. 63% of total assets were revalued during 2020/21. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2021 and have concluded that no uplift is needed. Management's assessment of assets not revalued has identified no material change to the properties. This has been supported by a desktop review of assets by Lea Hough & Co.	We have • undertaken an assessment of management's experts • reviewed the completeness and accuracy of the underlying information used to determine the estimate • reviewed the impact of any changes to valuation method • checked the consistency of estimate against near neighbours • agreed the reasonableness of the increase/decrease in estimate • reviewed the adequacy of disclosure of estimate in the financial statements. The valuation method remains consistent with the prior year. The Valuer has prepared their valuations in accordance with RICS Valuation – Global Standards. At the time of writing our work in this area is substantially complete and we have not identified any issues in respect of valuation of land and buildings and investment properties. We have obtained sufficient and appropriate audit assurance to conclude that: • the basis of the valuation of land and buildings and investment properties is appropriate • the assumptions and processes used by management in determining the estimate of valuation of property are reasonable. • the valuation of land and buildings disclosed in the financial statements is reasonable. • management's approach to this significant estimate is appropriate • management's assessment of assets not revalued is reasonable	Light purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £56.703m	The Council's [total] net pension liability at 31 March 2021 is £56.703m comprising the Lancashire Pension Fund Local Government Scheme and £3.283m of unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements..	We have: • Undertaken an assessment of management's expert • Reviewed and assessed the actuary's roll forward approach taken, • Used an auditors expert (PwC) to assess the actuary and assumptions	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.1%	2.1-2.2%	●
Pension increase rate	2.8%	2.8%	●
Salary growth	4.2%	3.95-4.2%	●
Life expectancy – Males currently aged 45 / 65	23.9 / 22.4	22.5-24.7 / 20.9-23.2	●
Life expectancy – Females currently aged 45 / 65	26.9 / 25.1	25.9-27.7 / 24.0-25.8	●

We have also reviewed:

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

We have also obtained assurances from the auditor of the Local Government Pension scheme in order to conclude our work in this area.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NDR appeals - £1.208m	The Council are responsible for repaying a proportion of successful rateable value appeals. Chorley's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) for the 2010 listing and previous success rates. Whilst earlier outstanding appeals have fallen, the Council has included an estimate for appeals in 2017-18, 2018-19, 2019-20 and 2020-21 of approximately 4.0 per cent. Due to re-apportionment following the pilot for increased local retention of Business Rates that was applicable for 2019-20 only, the provision has decreased by £0.483m in 2020-21.	We have: • reviewed the appropriateness of the underlying information used to determine the estimate • reviewed the impact of any changes to valuation method • checked the consistency of estimate against industry practice • agreed the reasonableness of the increase in estimate • reviewed the adequacy of disclosure of estimate in the financial statements. We have not identified any material issues in respect of the appeals provision.	Light Purple
Grants Income Recognition and Presentation- £42.315m	The Council receives a number of grants and contributions and must determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council is acting as the principal and credited the following grants, to the Comprehensive Income and Expenditure Statement: • Covid-19 funding • Benefits related grants • Business rates reliefs • Developer contributions The Council is acting as an agent and does not recognise grant income in respect of £31.034m of Covid-19 funding to support local businesses. The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.	Our audit work included consideration of: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • Completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • Adequacy of disclosure of judgement in the financial statements Our work in this area is ongoing. We have identified a discrepancy in the amounts not recognised as grant income and have requested management to update the disclosures.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.713m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The Council's policy for MRP for pre 2008 borrowing is a charge at the rate of 4% in accordance with the Regulatory Method. In the case of all capital spend finance by Prudential Borrowing; this is subject to MRP under the Asset Life Method – equal instalments charged over the estimated useful life of the asset. MRP is based on the estimated life of the assets, in accordance with the regulations. The year end MRP charge was £1.713m, a net increase of £1.144m from 2019/20.	At 31 March 2021, the Council's MRP was £1.713m. At 31 March 2020 the MRP was £0.569m. The MRP represents 1.92% of the Council's overall Capital Financing Requirement. This has increased from 0.64% at 31 March 2020. This is measure of the pace at which charges to revenue (GF) are being made to finance capital expenditure that has not previously been financed. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of taxpayers. We have recommended that the Council review its MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges. See Appendix F for this recommendation.	Light Purple
Heritage assets - £2.530m	The Council holds Astley Hall as a heritage asset which is valued using the historical cost basis which is permitted in the CIPFA Code where it is not practicable to obtain a valuation. The building was revalued to a nominal £1 at 31 March 2011 following a condition survey. During 2020-21, the Council capitalised £0.3m of expenditure in relation to the restoration of Astley Hall. At 31 March 2021, the building was then revalued to £1.	At 31 March 2021, the restoration works are underway, but with substantial works remaining to complete the project and bring the property into operational use. As the restoration works progress towards completion in 2022-23, the current valuation basis will no longer be appropriate. We have recommended that the Council reviews the basis of valuation for Astley Hall going forward to ensure the value is not materially misstated. See Appendix F for this recommendation.	Light Purple

Assessment

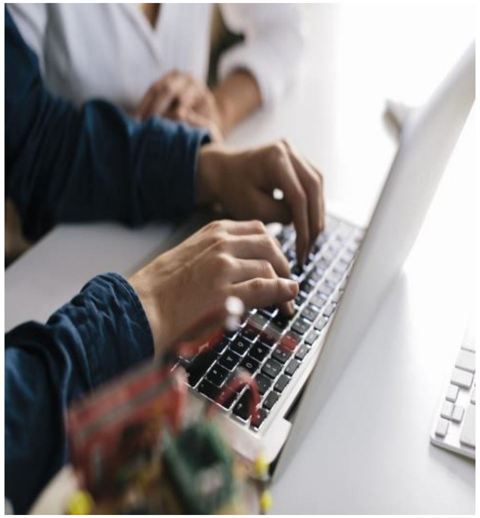
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is appended to this report. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the Business rates appeal provision, consideration of assets not subject to external valuation during the year and the basis of valuation for heritage assets; specifically Astley Hall.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers. This permission was granted and the requests were sent and were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	We have encountered some difficulty in obtaining supporting evidence requested for the audit of the draft statements. We acknowledge that the Council experienced difficulties due capacity of the finance team to service the requests for audit evidence whilst continuing to delivering their normal duties.

2. Financial Statements - other communication requirements

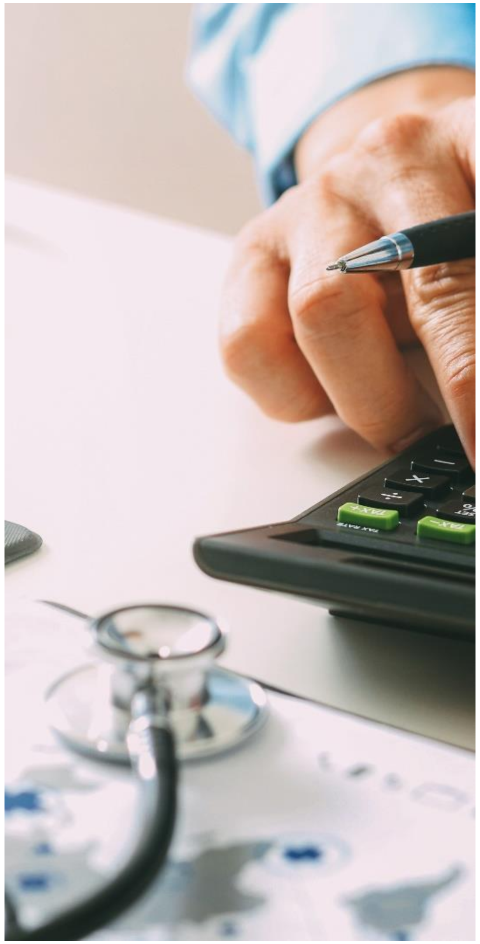
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix C
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness We have nothing to report on these matters. As part of our VFM procedures, we are reviewing the Council's progress in responding to the areas identified in the section 24 recommendation issued in December 2020 and we will report in full in the Auditor's Annual Report.



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2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. However, the Council is below the threshold (as set out in the Group Instructions) and therefore no further work is required.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Chorley Borough Council in the audit report, as included in Appendix C, due to VFM work being incomplete.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by 30 June 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. In our audit plan we identified the risks set out in the table below. Our work on these risks is underway and an update is set out below.

Risk of significant weakness	Work performed to date
Major capital projects The 2019-20 Annual Audit Letter reported weaknesses in the Council's arrangements to support informed decision making for major acquisitions and investments. The processes were not sufficiently robust and the risks not fully considered in line with the Council's own risk management framework. Several recommendations for improvement were identified to strengthen the arrangements, should the Council undertake other major investment and capital projects. We will follow up progress on implementation of these recommendations and assess arrangements in place for a sample of other major capital projects	As part of our risk assessment, we have completed a review of key documentation relevant to these risks, including Council and Committee papers and reports from Internal Audit. We have engaged colleagues from our specialist VFM team to undertake a focussed review and requested additional information from management. We have undertaken a review of the overall governance arrangements in place at the Council in accordance with the VFM evaluation criteria although this work is ongoing. At this stage, we have identified no material weaknesses to bring to your attention. However our work is ongoing and we will report more fully in our Auditor's Annual Report.

5. Independence and ethics

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

5. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	19,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,200 in comparison to the total fee for the audit of £58,816 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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

Appendices

A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Incorrect classification between the Trade receivables and prepayments of £1.695m	-	Trade payables (£1,695) Prepayments £1,695	-
Pensions deficit recovery contributions adjustment to remove prepayment balance and reduce net pension liability	-	Pension liabilities £883 Prepayments (£883)	--
Overall impact	-	£0	-

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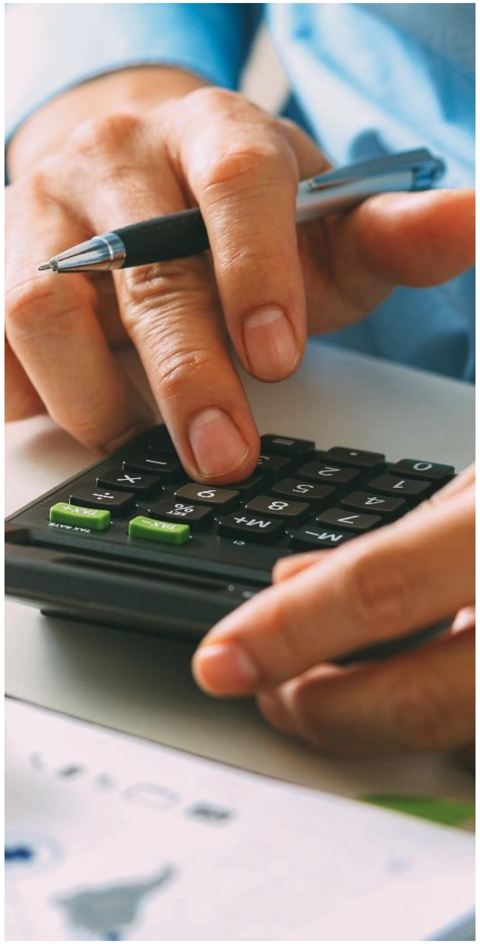
A. Audit Adjustments



Impact of unadjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The reconciliation of employee benefits expenditure reported in the Comprehensive Income and Expenditure Statement to the supporting payroll data identified an unresolved difference indicating an overstatement of expenditure.	Employee benefits expenditure (£85)	General reserve £85	(£85)
Overall impact	(£85)	£85	(£85)

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

A. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Details	Adjusted?
Prior year comparatives	The Council made some amendments to the prior year comparative figures which had been brought forward into the draft accounts inaccurately.	✓
Accounts consistency	Updates made to references in the accounts and minor amendments to ensure consistency.	✓
Narrative report	Updates made to figures drawn from the accounts to ensure consistency	✓
Remuneration disclosures	The Council made some amendments to the disclosures in the Officers Remuneration note. We identified some inaccuracies in the disclosures of exit packages paid during the year.	✓
Grants disclosures	The Council added further information to the explanation of the accounting and recognition of funds received from Covid-19 grants and amended the disclosure of grant funding received but where the Council is acting as an agent.	✓
Critical judgements & uncertainty	The Council has amended the disclosures in notes 4 and 5 where there are no critical judgements applied or significant uncertainty likely to result in material future adjustment to transactions or balances in the account.	✓
Financial instruments	Updates made to disclosures of financial instruments and reconciliation to the balance sheet	✓
Audit fees	Updates made to disclosure the full external audit costs in the accounts.	✓

B. Fees

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

The fees reconcile to the financial statements.

Audit fees	Proposed fee	Final fee
Council Audit	£58,816	tbc
Total audit fees (excluding VAT)	£58,816	tbc

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing Benefit Claim	£19,200	tbc
Total non-audit fees (excluding VAT)	**£19,200**	**tbc**

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Chorley Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

C. Audit opinion

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

C. Audit opinion

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 45, the Authority is required to make arrangements for the proper administration of its financial affairs and to 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. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that impacted income and expenditure or posted during the accounts production
  - potential management bias in accounting estimates; and
  - transactions outside the normal course of business.

C. Audit opinion

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus manual journals including those postings with a net impact on the income and expenditure;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

C. Audit opinion

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Chorley Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

D. Management Letter of Representation

Chorley Borough Council
Financial Statements for the year ended 31 March 2021

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

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and building assets, valuations of investment properties and valuation of defined benefit pension net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

D. Management Letter of Representation

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. We have considered the estimated liability with regard to Business rate appeals and consider that it has been made appropriately.

xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

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

xviii. We have considered the year end value for heritage assets and we are satisfied that the basis of valuation remains appropriate and assets are not materially misstated.

Information Provided

xviii. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements. This includes the recognition policy and accounting for funds received through Covid-19 support measures where we consider that the Council has acted as agent on behalf of the grant funder.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

   a. management;

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the financial statements

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

D. Management Letter of Representation

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

xxix. The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 16 March 2022

E. Audit letter in respect of delayed VFM work

Chair of Governance Committee
Chorley Borough Council
Civic Offices
Union Street
Chorley
Lancashire
PR7 1AL

16 March 2022

Dear Chair

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 30 June 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones

Georgia Jones

Director

F. Action plan – Audit of Financial Statements

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Valuation of heritage assets The Council holds Astley Hall as a heritage asset which is valued using the historical cost basis which is permitted in the CIPFA Code where it is not practicable to obtain a valuation. The building was revalued to a nominal £1 at 31 March 2011 following a condition survey. During 2020-21, the Council capitalised £0.3m of expenditure in relation to the restoration of Astley Hall. At 31 March 2021, the building was then revalued to £1. As the restoration works progress towards completion in 2022-23, the current valuation basis will no longer be appropriate.	Management should review the basis of valuation for Astley Hall going forward to ensure the value is not materially misstated. Management response Further to the restoration work undertaken on Astley Hall over the course of 2021/22, the basis of valuation used for the asset will be reviewed and the resulting revaluation will be appropriately included in the 2021/22 statutory accounts.
Medium	Minimum Revenue Provision At 31 March 2021, the Council's MRP was £1.713m. At 31 March 2020 the MRP was £0.569m. The MRP represents 1.92% of the Council's overall Capital Financing Requirement. This has increased from 0.64% at 31 March 2020. This is measure of the pace at which charges to revenue (GF) are being made to finance capital expenditure that has not previously been financed. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of taxpayers.	Review the Council's MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges. Management response The council undertook a review of its MRP Policy in January 2022 and this was approved by Council on 22nd February 2022. The review undertaken, and the resulting changes made, ensure that the provision continues to be prudent and is sufficient to finance capital expenditure that has not been previously financed through the application of capital receipts, capital grants or direct revenue charges.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

Grant Thornton

Chorley Borough Council audit plan

Year ending 31 March 2021

Chorley Borough Council

February 2022

Contents

Your key Grant Thornton team members are:

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Key matters

Factors

Local Government and the wider economy

Local economies have struggled under lockdown and this is impacting the financial stability of local authorities. While there will be some opportunities arising, such as greater use of online service delivery channels, carbon reduction and property portfolio optimisation, these will need to be fully understood before they can be realised. With conflicting public service priorities, there is uncertainty over whether there will be growth to funding levels going forward.

The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Impact of Covid 19 pandemic

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has faced many front-line challenges such as administration of grants to businesses, council tax reliefs and closure of leisure centres alongside the additional challenges of reopening services under new government guidelines. Finance staff have had to work at home.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit in recognition of the challenges in returning to the 31 July deadline, the Ministry of Housing, Communities and Local Government, in the response to the Redmond Review have extended the deadline for audited financials statements to 30 September for the 2020-21 financial statements.

Chorley BC Property Ltd

In March 2020, the Council established a new wholly owned company to support its ambitions to develop the provision of affordable residential properties, to manage its commercial activities and generate new income streams.

During the 2019-20 financial year, the Council completed the purchase of a new investment property, Logistics House, which will be managed by the new company. Additional assets are expected to be acquired in future as part of the Council's residential property acquisition strategy.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Chief Executive.
- We will consider your arrangements for managing and reporting your financial resources as part of our Value for Money work.
- We will continue to provide you with sector updates via our Governance Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic and we expect uncertainty will continue in 2020/21. We identified a significant risk in regards to the valuation of properties

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Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Chorley Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw* your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of the subsidiary Chorley BC Property Ltd.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.015m (PY £1.029m) for the Council, which equates to 1.90% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.051m (PY £0.051m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has been updated following the completion of the 2019-20 audit and we have identified the following risks of significant weakness:

- Major capital projects

Under the new VFM arrangements review (set out further on pages 14 and 15 of this plan) we will be considering your arrangements across the three key criteria areas of finance, governance and performance. We will continue to monitor and update our risk assessment and responses until we issue Auditor's Annual Report.

Audit logistics

Our audit of the final accounts will take place in August and September 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £58,816 (PY: TBC) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The Council will need to complete an assessment of the group boundary for preparing consolidated financial statements however, we expect to perform audit procedures on the material transactions and balances within the subsidiary company.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Chorley Borough Council	Yes		Management override of controls Valuation of land and buildings Valuation of net pension fund liability	Full scope audit performed by Grant Thornton UK LLP
Chorley BC Property Ltd	No		Management override of controls	Specific scope procedures on rental income to be performed by the audit team.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions – rebutted	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Chorley Borough Council mean that all forms of fraud are seen as unacceptable	As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement. We note that there are previous examples, as highlighted by Internal Audit, where management may have over-ridden controls relating to procurement.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions

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Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements The pension fund net liability (2019-20: £43.050m) is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	The Council revalues its land and buildings on a rolling five-yearly basis. This valuation of (2019-20: £130.060m) represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. Investment Properties: All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings, including investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures which* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

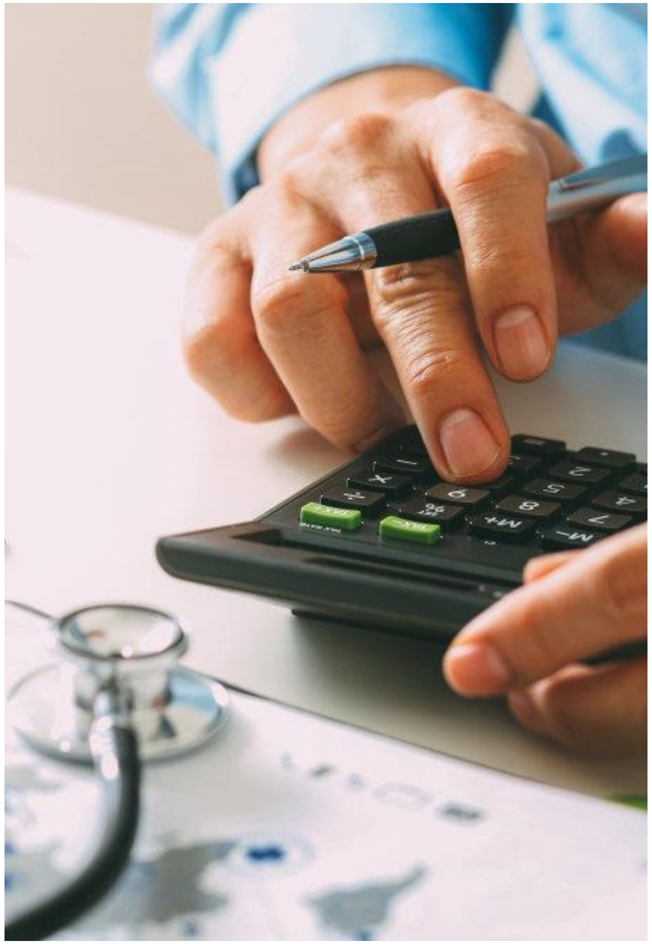
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



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Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- Business rates appeals provisions and significant accruals,
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 investments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainly is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have submitted inquiries to management to set out how management has identified and considered each of its material estimates, the uncertainty attaching to each, and how it has concluded its approach is appropriate in determining the estimate.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.015m for the group and £1.015m (PY £1.029m) for the Council, which equates to 1.90% of your prior year gross expenditure.

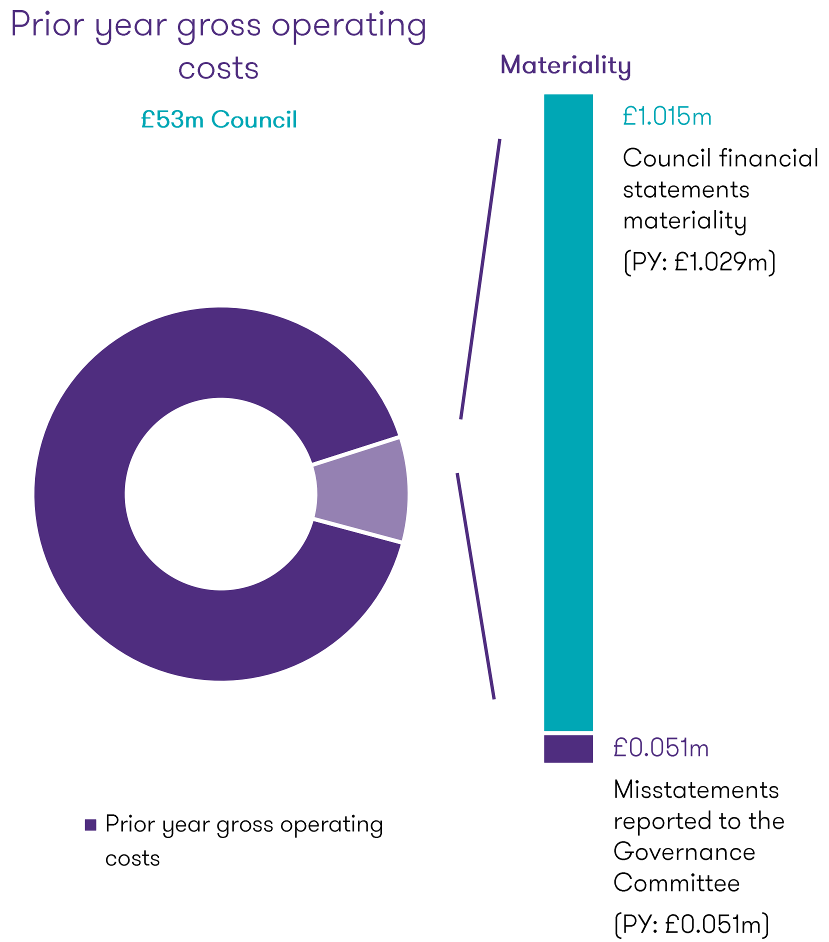
We design our procedures to detect errors in specific accounts balances or disclosures at a lower level of precision. The senior officer remuneration disclosure in the financial statements has been identified as an area requiring lower level of materiality of £20,000, due to the sensitive nature of the disclosure.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.051m (PY £0.051m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

At the planning stage of our audit work we did not identify any significant weaknesses. Our risk assessment has been updated following the completion of the 2019-20 audit and we have identified a risk of significant weakness in the Council's arrangements for managing major capital projects.

Our findings will be summarised in the Auditor's Annual Report.

Major capital projects

The 2019-20 Annual Audit Letter reported weaknesses in the Council's arrangements to support informed decision making for major acquisitions and investments. The processes were not sufficiently robust and the risks not fully considered in line with the Council's own risk management framework.

Several recommendations for improvement were identified to strengthen the arrangements, should the Council undertake other major investment and capital projects.

We will follow up progress on implementation of these recommendations and assess arrangements in place for a sample of other major capital projects.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Agenda Page 211

Agenda Item 6

Audit logistics and team

Planning and risk assessment

Governance committee
28 July 2021

Audit Plan

Year end audit
November 2021 – February 2022

Governance committee
16 March 2022

- Audit Findings Report
- Audit Opinion
- Draft Auditor's Annual Report

* The requirement is for the Auditor's Annual Report to be issued within three months of the audit opinion

Georgia Jones, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Matt Derrick, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

Nicole Doroja, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2017, PSAA awarded a contract of audit for Chorley Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £34,846. Since that time, there have been a number of developments which are detailed at page 18. A number of these developments in respect of the increased level of risk and audit testing required, for example on land and buildings valuations and the pension liability, have been communicated to you during both our 2018-19 and 2019-20 audits. The additional level of testing on these areas will continue in our 2020-21 audit. In addition, the NAO introduced a revised audit code from 2020-21 onwards to local audit and there are new ISAs(UK) which are applicable from the 2020-21 audit cycle.

As referred to on page 14, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £3,500 (5%). This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Chorley Borough Council Audit	£68,321	£tbc	£58,816
Total audit fees (excluding VAT)	£68,321	£tbc	£58,816

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£34,846
Ongoing increases to scale fee first identified in 2019/20	
Raising the bar/regulatory factors	£1,970
Enhanced audit procedures for Property, Plant and Equipment	£1,750
Enhanced audit procedures for Pensions	£1,750
Local risk issues	£1,500
Audit fee 2019/20 (TBC). This amount is prior to the final fee for 2019/20 being agreed once the audit for that year is complete. The items listed above are those which continue to carry over into 2020/21.	**£41,816**
New issues for 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£6,500
Local risk factors	£1,500
Proposed increase to 2019/20 fee	**£17,000**
Total audit fees (excluding VAT)	**£58,816**

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Subsidy Grant	19,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,200 in comparison to the total fee for the audit of £58,816 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor's Statutory Right and Duty to Report to Regulators od Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✔
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	✔
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✔
ISA (UK) 570 – Going Concern	September 2019	✔
ISA (UK) 580 – Written Representations	January 2020	✔
ISA (UK) 600 - Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✔
ISA (UK) 620 – Using the Work of an Auditor's Expert	November 2019	✔
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✔

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor's Report	January 2020	✓
ISA (UK) 720 – The Auditor's Responsibilities Relating to Other Information	November 2019	✓
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	✓

Grant Thornton

grantthornton.co.uk

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Chorley Council

Report of	Meeting	Date
Director of Finance	Governance Committee	Wednesday, 16 March 2022

Homes England Compliance Audit

Is this report confidential?	No

Is this decision key?	No

Purpose of the Report

1. To acknowledge receipt of Homes England Compliance Audit report as required by Homes England.

Recommendations to Governance Committee

2. Acknowledge receipt of this report as required by Homes England

3. Note there are no breaches recorded and the report is green meeting all requirements.

Reasons for recommendations

4. Acknowledgement is required by Homes England

Other options considered and rejected

5. None – this is a requirement of the audit.

Executive summary

6. Attached is the Homes England Compliance Audit relating to the Tatton Development. Compliance audits are required on schemes where Homes England funding is received. Grant Thornton were engaged to conduct the audit which has now been reviewed by Homes England and judged to meet all requirements.

Corporate priorities

7. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	**An ambitious council that does more to**

	meet the needs of residents and the local area

Background to the report

8. Homes England have provided funding to the value of £3.72m towards the Tatton capital scheme as a result there is a requirement periodically to meet their audit requirements.

Compliance Audit Report

9. The Homes England report is attached as Appendix 1. The outcome of the audit has been:
    - On review of the evidence provided, the outcome of the audit has shown the provider (Chorley Council) has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified.

Climate change and air quality

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

Equality and diversity

11. N/A

Risk

12. N/A

Comments of the Statutory Finance Officer

13. The outcome of the audit is that no breaches were identified. The council will continue to assume the full approved grant funding from Homes England will be received and applied to the project.

Comments of the Monitoring Officer

14. There are no issues of concern from a Monitoring officer perspective.

Appendices

Appendix 1 – Homes England Compliance Audit Report

Report Author:	Email:	Telephone:	Date:
Neil Halton (Principal Management Accountant)	Neil.Halton@chorley.gov.uk	n/a	19.01.22

Homes England

Compliance Audit Report – 2021/22

30UE – Chorley Council

Final Grade	Green - Meets requirements
Independent Auditor Organisation	Grant Thornton UK
Independent Auditor Name	Paul Dossett

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided on page 2 of this document.

Further information is available at: https://www.gov.uk/guidance/compliance-audit.

Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit System by your Compliance Audit Lead on behalf of your Board's Chair or equivalent. Online acknowledgement should be completed within three calendar months of the report email notification being sent.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.

Homes England

Compliance Audit Grade Definitions

Green Grade	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report will show that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
Amber Grade	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
Red Grade	One or more high level severity breaches identified, the Homes England audit report will show that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.

Compliance Audit Grade and Judgement

Final Grade	Green - Meets requirements
Judgement Summary	On review of the evidence provided, the outcome of the audit has shown the provider has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified.

Scheme/Completions details

Scheme ID/ Completion ID	**Address/Site ID**	**Scheme type**
1010561	Tatton Development,PR6 0QA	Rent

Homes England

Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	0
Number of High Severity Breaches	0
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	0

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Chorley Council

Report of	Meeting	Date
Service Lead Audit and Risk	Governance Committee	Wednesday, 16 March 2022

Internal Audit Plan April to September 2022

Is this report confidential?	No

Is this decision key?	No

Purpose of the Report

1. This report sets out the programme of work to be undertaken by the Internal Audit Service. The Internal Audit Plan is the vehicle by which audit workload is identified and prioritised.

   The main purposes of the report are to:

- Remind members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council;
- Provide details of the Internal Audit Plan and associated performance indicators;
- Seek the Committee's approval of the Audit Plan;
- Seek the Committee's approval of the Internal Audit Charter.

Recommendations to Governance Committee

2. That the Committee approve the Internal Audit Plan and associated indicators.
3. That the Committee approve the Internal Audit Charter.

Corporate priorities

4. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	**An ambitious council that does more to meet the needs of residents and the local area**

The Role of Management and Internal Audit

5. The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Shared Senior Management Team. Directors and Service Leads need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.

6. Internal Audit is an independent appraisal function whose core objective is to evaluate and report on the adequacy of the Council's system of governance, risk management and internal control. In the main this is achieved through an annual programme of reviews, following a detailed risk assessment of audit need.

Development of the Internal Audit Plan

7. Professional standards for Internal Audit in local government specify that "the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

8. Historically the Internal Audit Plan has been compiled and approved by the Senior Management Team and Members on an annual basis, however it has become more evident in recent years that a change in methodology is required to keep pace with the Council's strategic agenda and transformation programme. Reducing the audit planning period cycle would ensure greater flexibility and responsiveness to ongoing changes in priorities, strategy, operational arrangements; and external factors that may increase the Council's exposure to risk. An Internal Audit Service that is able to adapt in this way would add more value to the organisation.

9. To enable Internal Audit to be flexible and responsive to emerging risks across the organisation, it is proposed that the Internal Audit Plan is only developed for April to September. The intention is then to revisit the audit needs analysis and to liaise with key stakeholders to consider any new and emerging risks to identify the work plan for October to March 23.

10. Adopting this methodology will strengthen Internal Audit's approach to risk-based auditing ensuring that resources are focused on the highest risks within the Council. Furthermore, it will ensure that the opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control as required by the Public Sector Internal Audit Standards is reflective of current environment that the Council is operating in.

11. By adopting this way of working will also allow us to accurately tailor the plan to the resources we have available during each 6-month period.

Compilation of the Audit Plan

12. The Internal Audit Plan April – September has been constructed after taking into consideration the following:

- The Council's priorities / strategic plan;
- A review of corporate strategies;

- The corporate risk register;
- Information taken from other assurance processes within, and external to, the Council, including External Audit and inspection reports;
- Direct engagement with Directors;
- The skills, knowledge and experience of audit staff;
- Professional judgement on the risk of fraud and error;
- Annual Governance Statement and Service Assurance Statements.

13. The Internal Audit Plan contains the programme of reviews for the period of April 22 to September 22 and is shown at **Appendix A.** This clearly shows the link between the work of Internal Audit, strategic and operational risks and corporate objectives. The reviews are clearly highlighted with the quarter for completion. The plan also details our involvement with key project teams assisting with advice and guidance on risk management, internal control and governance.

Internal Audit Reviews of Chorley Leisure Limited

14. It has been agreed that the Internal Audit Service will provide 105 audit days to Chorley Leisure Limited (CLL). Whilst the outcome of each audit review will be reported to the Board of the Directors, the Governance Committee will receive an annual opinion on the adequacy and effectiveness of the internal control, risk management and governance arrangements for CLL.

Audit Resource

15. The plans for both the Council and CLL will be completed solely by the in-house team with external support procured for the specialist ICT reviews. For the period October 22 to March 23, it is intended to increase the capacity of the Internal Audit Service with the recruitment to an audit trainee post and with the use of agency staff. The current level of resource is detailed in the table below:

Service Lead Audit and Risk	0.6 FTE
Senior Auditor	0.8 FTE
Auditor	2 x FTE
Bought in resource	30 days

Internal Audit Performance Indicators

16. For the forthcoming period of April 22 to March 23, there is no change to the performance indicators or targets. Progress will be monitored throughout the period and reported to the Governance Committee three time per year.

Performance Indicator	Target
% of Planned time used	90%
% of Audit Plan completed	90%
% satisfaction rating (assignment level)	90%
% of agreed actions implemented by management	90%

Internal Audit Charter

17. From 1st April 2013, the CIPFA Code of Practice for Internal Audit in Local Government 2006 was replaced by new UK Public Sector Internal Audit Standards (PSIAS). The Attribute Standard of the PSIAS "*Purpose, Authority and responsibility*" specifically requires the production of an Internal Audit Charter and for it to be periodically reviewed to ensure it is fit for purpose and compliant with the PSIAS. Whilst the Charter was last reviewed in April 2021, it has now been amended to include Chorley Leisure Limited.

18. The reviewed Internal Audit Charter is included at **Appendix B**.

Climate change and air quality

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

Equality and diversity

20. The material presented and discussed in this report has no direct implications on equality and diversity.

Risk

21. Risks are outlined throughout the body of the report.

Appendices

Appendix A – Internal Audit Plan April to September 22
Appendix B - Internal Audit Charter

Report Author:	Email:	Telephone:	Date:
Dawn Highton	Dawn.highton@chorley.gov.uk		7/3/22

Internal Audit Plan - April 2022 to September 2022	QTR	CBC	Detailed Rationale	Links to Risk Registers (strategic & operational) / Corporate Plan Projects / Business plans
Annual Governance Statement	1	15	To support the 2021 Annual Governance Statement	Annual Governance Statement (AGS)
Anti-Fraud & Corruption	ALL	1	Review and update of probity policies	AGS
Customer Services				
Revenues and Benefit project support	ALL	2.5	Proactive support to assist with the aligning of processes.	Business plans / transformation
ICT				
Project support	1&2	15	Proactive support to assist with Digital Strategy project	Corporate Plan project
Planning / Development Control				
COVID - Grant assurance / COVID recovery fund / business loans	ALL	6.5	Continued support with grants / BEIS liaison and provision of eligibility requests.	AGS
Commercial & Assets				
Utilities management	1	15	Risk based review	Operational risk register / Value for Money
Strawberry Fields	1	15	Facilities management risk based review.	Operational risk register
Project support	ALL	2.5	Proactive support to assist corporate plan projects	Corporate Plan projects
Safeguarding	1	10	Deferred from 21/22. Awareness / compliance review	Operational risk register
Absence Management	2	10	Awareness / compliance review of new shared policy	Operational risk register

Appendix A

Internal Audit Plan - April 2022 to September 2022	QTR	CBC	Detailed Rationale	Links to Risk Registers (strategic & operational) / Corporate Plan Projects / Business plans
GOVERNANCE				
Code of Conduct	2	5	Awareness / compliance review	AGS
VAT	2	10	Risk based review	Operational risk register
GENERAL AREAS				
Post Audit Reviews	ALL	2.5	Follow up of agreed actions	
Contingency / Irregularities	ALL	2.5	Unplanned reviews / contingency	
PSIAS - PEER REVIEW	ALL	2.5	Peer Review process	
Residual Work from 21.22	1	15	Finalise 21/22 reviews	
Committee Reporting / Effectiveness Review	All	5	Preparation of reports and attendance at Audit & Standards Committee	
TOTALS		**135**		

Internal Audit Charter

March 2022

SOUTH RIBBLE BOROUGH COUNCIL forward with South Ribble
Chorley Council
WORKING TOGETHER

INTERNAL AUDIT CHARTER

1.0 PURPOSE AND MISSION

1.1 The purpose of the Internal Audit Service is to provide independent, objective assurance and consulting services designed to add value to the operations of South Ribble Borough Council (SRBC), Chorley Council (CBC) and their respective wholly owned companies, South Ribble Leisure Limited (SRLL) and Chorley Leisure Limited (CLL). The Internal Audit Service helps the organisations listed above to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

1.2 Whilst it is the responsibility of the each Council and Leisure company to establish and maintain effective risk management and control systems, Internal Audit plays a key role in providing assurance to them that these systems are not only in place but are operating effectively. Any necessary action arising as a result of its work is designed to further strengthen the control environment and therefore assist with the achievement of the organisation's objectives.

1.3 Responsibility for and ownership of this Charter remains with each Council, however, while responsibility for its periodic review rests with the Service Lead for Audit and Risk (Head of Internal Audit), final approval resides with the Governance Committee.

2.0 MISSION STATEMENT

2.1 "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight"

3.0 STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDIT

3.1 The Charter establishes the Framework in which the Internal Audit Service operates and allows it to meet its professional obligation under the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors Professional Practices Framework, including its definition of Internal Auditing, Code of Ethics and international standards for the professional practice of Internal Auditing.

3.2 For the purposes of clarity, the terms "*Board*" and "*Senior Management*" as referred to in the PSIAS, relate to the Governance Committee and the Senior Management Team. The term "*Chief Audit Executive*" shall refer to the Service Lead for Audit and Risk.

3.3 In carrying out its work, the Internal Audit section has regard to the seven principles of public life i.e. Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

4.0 AUTHORITY

4.1 The Internal Audit Section derives authority from the Governance Committee, the company's Board of Directors and statute (Section 151 Local Government Act 1972 and the Accounts and Audit Regulations 2015).

4.2 Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties and personnel pertinent to carrying out any engagement. All employees of the organisations are requested to assist the Internal Audit Service in fulfilling its roles and responsibilities. The Internal Audit Service will also have free and unfettered access to the Governance Committee.

5.0 ORGANISATIONAL INDEPENDENCE & OBJECTIVITY

5.1 The Service Lead Audit and Risk operationally reports on day to day matters to the Director of Governance who is also the Monitoring Officer for both Councils, a member of the Senior Management Team and a Director of SRLL and CLL. In all other aspects, the Service Lead Audit and Risk reports to the Governance Committee / Board of Directors.

5.2 Internal Audit is independent of other services and has no other executive or operational responsibilities. It is organisationally independent in the planning, operation and reporting of its work and in exceptional circumstances and at his or her discretion, the Service Lead Audit and Risk has direct access to and freedom to report in his or her name to the Chief Executive and to the Chair of Governance Committee. In addition, the Service Lead for Audit and Risk also has direct access to all senior management and the Board of Directors.

5.3 The Service Lead Audit and Risk will confirm to the Governance Committee / Board of Directors, at least annually, the organisational independence of the Internal Audit Service.

5.4 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

5.5 The Service Lead for Audit and Risk is also operationally responsible for Insurance, Business Continuity, Emergency Planning and Health and Safety functions and for the administration and development of, and reporting on, the Risk Management Strategy. It is considered prudent that any internal audit engagement covering the above operational areas and the risk management framework, especially for the formation of the annual opinion on the effectiveness of the control environment, would be overseen by the Council's Monitoring Officer.

5.5 In any instances, in addition to those outlined above, where there is any real or perceived impairment to Internal Audit's independence or objectivity, assurance will also be sought from a third-party external to the organisation.

6.0 SCOPE OF ACTIVITIES

6.1 The PSIAS state that the provision of assurance services is the primary role of Internal Audit activity and requires the Shared Service Lead Audit and Risk to provide an annual opinion based on an objective assessment of the adequacy of the framework of governance, risk management and control. As such, the scope of its work relates to all of the Council's and the Companies activities, including those operated through partnerships with other organisations.

6.2 The role of Internal Audit is to understand the key risks of the Council and the Companies and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control. . Internal Audit, therefore, has unrestricted access to all activities undertaken by the Councils and the Companies, in order to review, appraise and report on:

- the adequacy and effectiveness of all systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
- the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and the Companies, and the extent of compliance with external laws and regulations;
- the economy, efficiency and effectiveness with which resources are employed;
- whether operations are being carried out as planned and corporate priorities are being met;
- the extent to which assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that business continuity plans exist;
- the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud, and loss of all kinds; and that the process aligns with the Council's and Companies' corporate priorities;
- the various sources of assurance that are available within the areas being reviewed and the extent to which these sources are effective in mitigating the risks. This is particularly the case where services may be provided in partnership and the Shared Service Lead Audit and Risk will decide, in consultation with all parties, whether Internal Audit will carry out work to derive the necessary assurance or rely on the assurance provided by partners;
- the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- the operation of the Council's and Companies' corporate governance arrangements;
- the operation of the Council's and Companies' risk management arrangements.

6.3 The Internal Audit Service will provide consultancy advice to management on all aspects of risk and control, on best financial practice, on interpretation of Financial and Contracts Procedure Rules, and on security arrangements. In addition, the section provides support and training on the GRACE system, all aspects of counter fraud, corruption, and bribery.

6.4 The Internal Audit Service will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud, Bribery and Corruption Strategy require the Shared Service Lead for Audit and Risk to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.

7.0 RESPONSIBILITIES

7.1 The Shared Service Lead Audit and Risk, is responsible for: -

- managing the Internal Audit Section and determining the scope and methods of audit activity;
- ensuring that Internal Audit staff operate within current auditing standards. For local authority auditors, these are mandatory and are laid down in the UK Public Sector Internal Audit Standards (PSIAS);

- ensuring that Internal Audit staff operate within ethical standards concerning professional behaviour issued by CIPFA (Statement of Professional Practice on Ethics) and the PSIAS (Code of Ethics);
- ensuring that Internal Audit staff have an impartial, unbiased attitude and avoid conflicts of interest;
- identifying areas of operation for Internal Audit review. Developing the Annual Audit Plan based on an assessment of materiality, risk factors and previous assurance, identifying the resources required to achieve the plan;
- Ensure trends and emerging issues that could impact upon the Councils and the Companies are considered and communicated to senior management and the Audit Committee as appropriate;
- consulting and agreeing the contents of the Annual Audit Plan with Senior Managers, Senior Management Team, and the Directors of SRLL/ CLL;
- submitting the Annual Audit Plan to the Governance Committee and the Board of Directors for approval;
- implementing the approved Annual Audit Plan;
- maintaining a suitably resourced, professional audit staff with sufficient knowledge, skills and experience to carry out the audit plan; in the event that resources are insufficient through either additional work being required or a loss of staff, the Shared Service Lead for Audit and Risk shall report this with a view to seeking approval for either additional temporary resources or a report be issued to Governance Committee informing them of the shortfall in resources and seeking their approval to a reduction in the audit plan;
- Review and adjust the audit plan as necessary, in response to changes in the Council's and Companies' risks, operations, programmes, systems and controls and agree any changes with the Governance Committee / Board of Directors;
- reporting to Management on the results of audit activities, identifying and agreeing improvements where necessary;
- giving an indication of the level of assurance that can be provided to Management and Governance Committee on the results of its audit work, using the Three Lines of Defence;
- reviewing and reporting on the Council's and Companies' risk management arrangements;
- reviewing the effectiveness of progress taken by Management to implement agreed actions;
- submitting audit reports to Governance Committee / Board of Directors on an ongoing basis and then on a periodic basis submitting audit plan work progress reports, including Internal Audit performance indicators and an annual Internal Audit report to the Governance Committee. The annual report must include a statement on conformance with the PSIAS;
- providing the Governance Committee / Board of Directors with an annual opinion of the overall adequacy and effectiveness of the Council's and Companies' internal control systems, in accordance with the Accounts and Audit Regulations, and at the same time providing assurance to the S 151 officer in relation to the above systems. This opinion will be an important element of the Council's and Companies' review of the effectiveness of its control environment and will be used by
- the Councils to inform their respective Annual Governance Statements.

- reviewing and reporting on the Council's Corporate Governance Framework to the Governance Committee;

8.0 REPORTING AND MONITORING

8.1 A written report will be prepared and issued by the Service Lead Audit and Risk following the conclusion of each Internal Audit engagement and will be distributed as appropriate. The Internal Audit report may include management's response and corrective action taken or to be taken regarding the specific findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The Internal Audit Service will be responsible for appropriate follow-up of findings and recommendations. All significant findings will remain in an open issues file until cleared. Internal Audit results will also be communicated to the Governance Committee / Board of Directors.

PERIODIC ASSESSMENT

9.1 The Service Lead Audit and Risk is responsible also for providing periodically a self-assessment on the Internal Audit Service as regards its consistency with the Audit Charter (purpose, authority and responsibility) and performance relative to its Plan.

9.2 In addition, the Service Lead Audit and Risk will communicate to the Senior Management Team and the Governance Committee on the Internal Audit Service's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

Chorley Council

Report of	Meeting	Date
Director of Governance	Governance Committee	Wednesday, 16 March 2022

GDPR Update

Is this report confidential?	No

Is this decision key?	Not applicable

Purpose of the Report

1. To inform members of the actions taken to review the Councils compliance with the General Data Protection Regulations (now Data Protection Act 2018).

Recommendations

2. That members note the report.

Reasons for recommendations

3. The report is for information and enables members to draw some assurance as to the compliance of the council with their obligations under the GDPR.

Other options considered and rejected

4. None.

Corporate priorities

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

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	**An ambitious council that does more to meet the needs of residents and the local area**

Background to the report

6. The requirements of the General Data Protection Regulations came into force in May 2018.
7. The Council delivered and adopted a compliant framework which met our obligations under the legislation. This included adoption of new policies on data use and processing, data use statements and internal controls. In addition, the councils standard terms of contract were updated to ensure clarity in responsibility between council and contractors.
8. It had been intended to undertake a full review in 2020/21. This was to review whether the adopted policies remained compliant but also whether they were being used appropriately.
9. This review was delayed due to the impact of covid. This was not seen as a significant risk to the organisation. The Council already had robust and compliant procedures in place to process personal data due to our longstanding obligations under the Freedom of Information and Data Protection Legislation. Further, our operating controls within our Information Security Framework are compliant for the purposes of securing access to digital data.
10. The review was undertaken by legal services in the final quarter of this year.

Policy compliance

11. Although the policies are owned by services, the review was undertaken by the legal team to provide some quasi independent assessment. The following policies were reviewed:-
    a. Corporate Data Use Policy
    b. Data Breach Policy
    c. Data Retention and Erasure Policy
    d. Employee privacy policy
    e. Information classification policy
    f. Information security policy
    g. Privacy notice
    h. Privacy standard
    i. Subject access policy
    j. International data transfer procedure.

    The policies were considered compliant with the legislation by legal services and they found only some minor amendments to be made.

12. It was noted however that there was no evidence of internal reviews by services owning the documents being undertaken. Teams were reminded that reviews should be recorded. This did not undermine council overall compliance.
13. This report has already referenced the council Information Security Framework. This was not reviewed by legal services as while compliance with it supports GDPR compliance it is not in itself a GDPR policy. IT who own this document have been asked to undertake a review of it.

Data retention

14. In addition to the corporate Data Retention and Erasure Policy which sets out the corporate approach and retention periods, individual teams could have their own specific policies setting out different periods. This is appropriate as data controllers should consider personal data on an individual basis and there will be no “one size fits all” position on data retention.
15. These policies have not been reviewed within this process as they follow the corporate model and only the periods change. In the course of the year the Data Protection Officer has reminded Data Controllers to review both the retention periods and compliance by the teams with them.

16. This will be subject to a piece of work by Internal Audit.

Data Controllers

17. The Council appointed a number of Data Controllers to lead on compliance within teams. It is apparent, that due to changes in working necessitated by covid, changes relating to shared services and the movement of staff that there are some outstanding vacant data controller roles.
18. This does not mean that the council are none compliant, however, it is harder to show ownership within teams of the issues. The current data controller list is being refreshed with teams nominating to vacant roles.

Training

19. The Council have on line training for all staff on the principles of data protection and enhanced training for data controllers. This training is mandatory. The training has been refreshed and will be rolled out in April. It will be mandatory for all staff to complete this training and it will form part of induction training also.

Data Breaches

20. The Council take a robust approach to self reporting to the Information Commissioners Office. Since 1 April 2021 we have self reported twice, neither incident was viewed as serious internally, however, we view data security seriously and accept the trust the public have placed in us needs to be maintained.
21. In both cases the council had acted swiftly to correct the issue but also to provide additional training or change processes to limit the risk of the incident happening again.
22. In light of our actions the ICO took no action on either self-report.
23. Members can take some assurance that the GDPR framework is operating and embedded due to the limited number of data breaches. It is also important to note that these are self identified breaches and not reports by third parties suggesting that staff are aware of mistakes and are prepared to raise them.

Adequacy Decision

24. One of the concerns that arose in relation to BREXIT was the sharing of data with other EU countries. This was resolved in June last year when the EU provided an adequacy decision confirming that the UK legislation, which implemented the GDPR, was compliant. This will run until June 2025.

Climate change and air quality

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

Equality and diversity

26. There are no equality and diversity implications in this report.

Risk

27. There are 2 key risks that arise through failing to have and maintain a robust GDPR framework.
28. As data controller the council have a significant financial risk should there be systemic failings in the processing of sensitive personal data. The ICO can levy fines in the order of £5million for serious breaches.
29. More importantly, there is a significant reputational risk should any systemic failings in data processing be identified. The Council hold a significant amount of personal data and need to do so in order to properly fulfil our functions and serve the public interest. If the trust in the council is undermined the public may not be willing to share this data and this will inhibit our ability to deliver services.

Comments of the Statutory Finance Officer

30. There are no direct financial implications of this report.

Comments of the Monitoring Officer

31. It is imperative that the Council ensures compliance with its obligations under Data Protection legislation. This review is a clear indicator that the Council takes this duty seriously.

Background documents
There are no background papers to this report.

Appendices
There are no appendices.

Report Author:	Email:	Telephone:	Date:
Chris Moister (Director of Governance)	chris.moister@southribble.gov.uk	01257 51	

Chorley Council

Report of	Meeting	Date
Director of Governance	Governance Committee	Wednesday, 16 March 2022

Local Code of Corporate Governance

Is this report confidential?	No

Is this decision key?	Not applicable

Purpose of the Report

1. To update members on the outcome of a review of the Local Code of Corporate Governance.

Recommendations

2. For members to approve the Local Code of Corporate Governance at Appendix A to this report.

Reasons for recommendations

3. It is good practice to have a Local Code of Corporate Governance which enables an improved understanding for members, officers and the public of how the Council discharges its obligations and functions.

Other options considered and rejected

4. The Council could choose not to have a local code. This would be lawful but the benefits of having a code would be lost.

Corporate priorities

5. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	**An ambitious council that does more to meet the needs of residents and the local area**

Background to the report

6. The Council have an adopted Local Code of Corporate Governance. This is compliant with CIPFA Guidance and follows best practice. The Local Code sets out how the Council delivers it's Corporate Governance Framework and explains how it operates.
7. The Local Code should be reviewed frequently to ensure it is up to date and reflects the current framework. If the Local Code is incorrect, members, officers and the public would be misled as to how the council operates significantly undermining the trust and confidence in the organisation and transparency in operation.

Changes

8. A number of policy families have been updated in the last 12 months and this is reflected in the tables. However, it should be acknowledged that the vast majority of the documents remain unchanged.
9. Specific to this Local Code there have been presentational changes this year. The table of interrelationships between principles, statutory obligations and corporate objectives and supporting documents and processes has been moved into the body of the document. Although a small change it clearly shows the core documents and processes which support our framework, making the relationships clearer.
10. The detail of the evidence of compliance has been moved into an appendix.

Climate change and air quality

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

Equality and diversity

12. There are no equality or diversity impacts in relation to this report.

Risk

13. There are no risks identified save that if the code incorrectly references documents this will mislead the public and users of the local code. This has been mitigated by sharing the document with stakeholders to check.

Comments of the Statutory Finance Officer

14. No comments.

Comments of the Monitoring Officer

15. No comments, the report addresses any issues I may raise.

Appendices

Appendix A Local Code of Corporate Governance

Report Author:	Email:	Telephone:	Date:
Chris Moister (Director of Governance)	chris.moister@chorley.gov.uk	01257 515160	

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CHORLEY BOROUGH COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

MARCH 2022

Chorley Borough Council

Local Code of Corporate Governance

1. Introduction

The "Local Code of Corporate Governance" (the Local Code) sets out and describes the Council's commitment to corporate governance and identifies the arrangements that have been developed and maintained to enable the transparent and fair delivery of the Council's work. Each year the Council prepares an annual governance statement which tests the internal control environment against our Local Code. The Local Code is an important document which provides the framework for our compliance with good governance standards.

2. Background

The framework "Delivering Good Governance in Local Government" was first published by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) late in 2007. This framework has been reviewed by CIPFA and Solace in 2015 and a revised framework published in spring 2016. It details 7 core principles which should form the basis for each council's Local Code. These will be considered below.

3. What is Corporate Governance?

Each local authority operates through a governance framework. It is a system that sets out how we manage our obligations and behaviours and how we make decisions. For the purpose of this Local Code, Chorley Borough Council has accepted the following definition of Corporate Governance:-

"Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local authorities are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities".

Chorley Borough Council recognises that effective local government relies upon establishing and maintaining the public's confidence in both the elected Members and officials, which then underpins the credibility and confidence in the services that we provide. Good governance should focus on outcomes for residents and service users.

Chorley Borough Council seeks to encourage the values of good governance to both our existing and potential partners through the promotion of these behaviours and by providing a clear and demonstrable lead.

4. Chorley Borough Council's Corporate Strategy

The Council's vision is:

"A proactive community leader, supporting the borough and all its residents, whether in rural or urban areas, to reach their full potential through working in partnership to deliver services that achieve the best outcomes for local people and protect vulnerable people".

The Council's corporate priorities are:

- **An ambitious council that does more to meet the needs of residents and the local area**
- **Involving residents in improving their local area and equality of access for all**
- **A strong local economy**
- **Clean, safe and healthy homes and communities.**

All the activities and work the council undertakes and delivers should be capable of being traced into the corporate priorities and the delivery or our vision. This ensures that residents can be clear as to why we are undertaking our works and making these decisions.

The priorities set what outcomes the Council is looking to deliver and the corporate projects the set how these outcomes will be delivered.

Also important for corporate governance, the corporate plan provides measures against which delivery can be assessed.

5. Framework for the Local Code

The following seven **core principles** are taken from the International Framework: Good Governance in Public Sector (CIPFA/IFAC 2014). Good governance means:

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

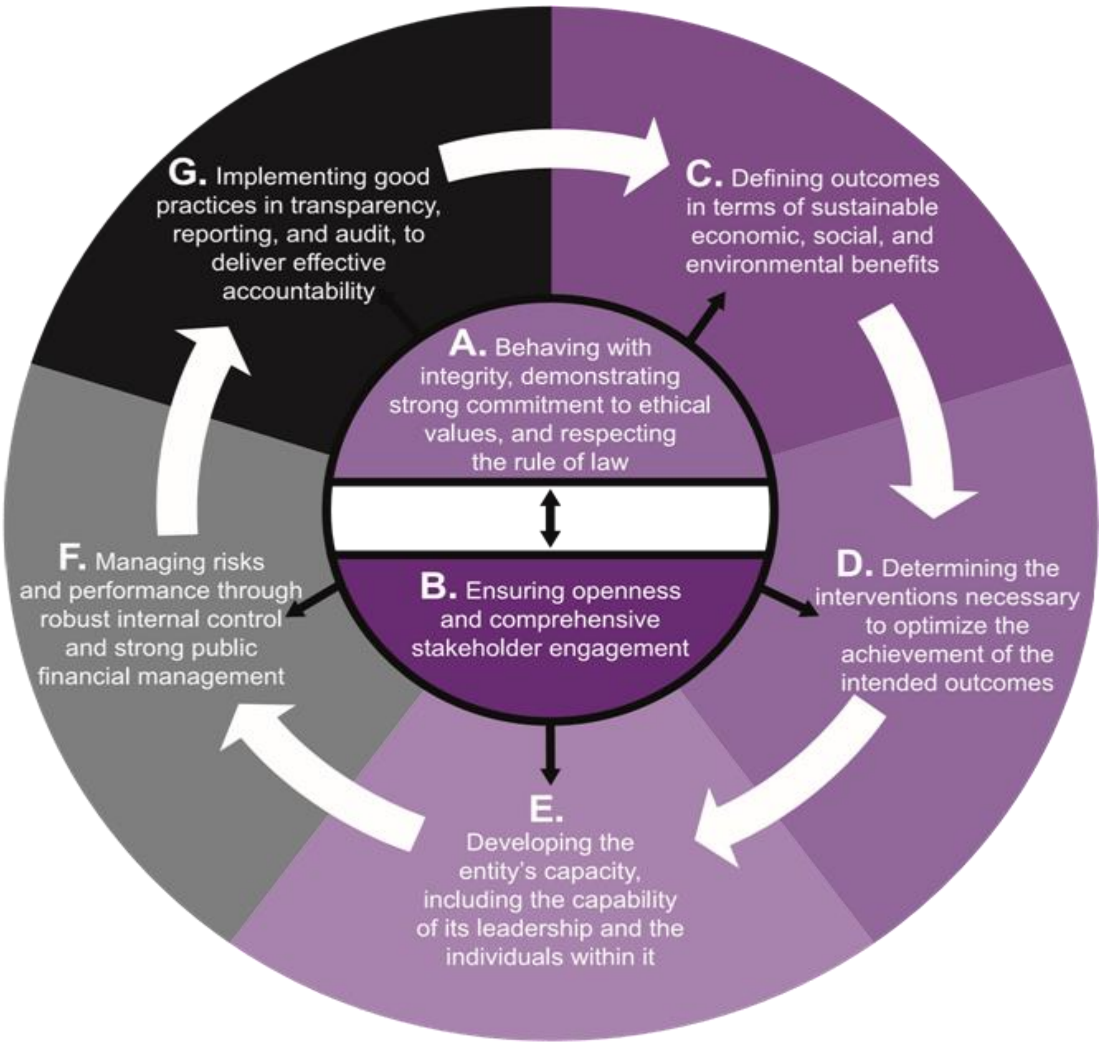
D. Determining the interventions necessary to optimize the achievement of the intended outcomes

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The diagram below, illustrates how the principles relate to each other.



To demonstrate a strong governance environment, we have to demonstrate how we comply with these principles.

The table below shows how the principles, statutory obligations and corporate priorities are supported by corporate documents and processes.

The tables at Appendix A set out the council's specific approach and processes which evidence compliance.

Chorley Council

CHORLEY BOROUGH COUNCIL CORPORATE GOVERNANCE FRAMEWORK

Principles, Statutory Obligations and Corporate Objectives

- Local Vision
- Corporate Objectives
- Working Together
- Community Focus
- Statutory Obligations
- Ethical Values
- Developing Individuals
- Effective Decisions

Corporate Governance comprises the systems and processes, cultures and values, by which local government are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

Key Documents: Annual Review

- Assurance Statements
- Community Engagement Strategy
- Constitution
- Corporate Strategy
- External Audit Plan & Report
- Governance Review, Statement & Action Plan
- Internal Audit Plan
- Medium Term Financial Strategy & Statement of Accounts
- Organisational & Member Development Plans
- Pay Policy
- Performance Framework
- Performance Report
- Risk Policies & Register
- Service Plans
- Treasury Strategy

Key Documents: Ad-Hoc Review

- Anti-Fraud Strategies & Plans
- Business Continuity Policy
- Codes of Conduct
- Communications Guidelines
- Complaints
- Contract & Procurement Rules
- Equalities Guidance
- Financial Regulations
- Freedom of Information and Data Protection Policies
- Health, Safety and Welfare
- Planning Procedures
- Information Security & Technology Strategies
- Insurance Guidelines
- Record of Decisions
- RIPA Policy
- Safeguarding
- Whistle Blowing Policy
- Strategic Risk Register

Supporting Processes

- Complaints Process
- Council & Cabinet Meetings
- Decision Making Process
- Employee Survey
- External Audits & Inspections
- Governance Group & Annual Review
- Governance, Scrutiny & Standards Committees
- Corporate Governance Services
- Service Lead Internal Audit and Risk
- Head of Paid Service/Section 151/Monitoring Officer
- Independent Remuneration Panel
- Induction & Training Programmes
- Performance & Financial Monitoring
- Performance Management Framework
- Job Descriptions
- Regulatory Committees
- Senior Leadership Team
- Senior Management Team
- Shared Assurance & Financial Services
- Shared Services Joint Committee

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A. Good governance means behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

We will:

Behave with integrity Demonstrate strong commitment to ethical values;
Respect the rule of law;

In order to achieve this we will:	Evidence
ensure that the Council's leadership sets a tone for the Council by creating a climate of openness, support and respect;	Corporate Strategy Constitution Standing Orders Ethical Procurement / Contract Procedure Rules Code of Conduct for Members Standards Complaints Procedure Declarations of Interests and register of interests for officers and members Provision of ethical governance training Staff Induction Organistional Development Strategy Staff Recruitment Policy Job/Descriptions and Specifications Continuing Professional Development Performance Management Framework Anti-Fraud and Corruption and Whistleblowing Policies Minutes of meetings showing declarations of interest Open Cabinet system Report Templates requiring s151 and MO comments Scrutiny of ethical decision making
ensure that standards of conduct and personal behaviour expected of members and officers, of work between them and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols;	
maintain arrangements to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;	
maintain shared values including leadership values for both the organisation and employees reflecting public expectations, and communicate these with members, officers, the community and partners;	
ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness;	
maintain an effective standards committee;	
use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within	

the Council;	Key Partnership Framework Compliance with Statutory Guidance Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government Self-Reporting to regulatory bodies
in partnering arrangements agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	

B. Good governance means ensuring openness and comprehensive stakeholder engagement

We will:

Be Open;
Engage comprehensively with institutional stakeholders;
Engage stakeholders effectively, including individual citizens and service users;

In order to achieve this we will:	**Evidence**
ensure that the Council's vision is delivered through the corporate plan and that it is clearly consulted, articulated and disseminated to all key stakeholders	Annual Report Annual Governance Statement Freedom of Information/Environmental Information Act publication scheme Online Council Tax Information Authorities Values Website Council Meeting Minutes Publication of Executive Member Decisions Publication process for Key Decisions Pro-Forma Report templates Comments of SFO and MO Council meeting calendar Use of Consultation Feedback / as highlighted by CIPFA
ensure that clear channels of communication are in place to enable the Council to engage with all sections of the community effectively and put in place monitoring arrangements to ensure effective operation;	
consider all stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required; These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;	
hold meetings in public unless there are good reasons for confidentiality;	
maintain a clear policy that supports consultation and engagement with the public and service users including an appropriate feedback	

mechanism for those consultees to demonstrate what has changed as a result;	Resident Survey Communications Strategy Record of stakeholders with whom the council should engage and for what purpose Record of public consultations Evidence based decision making Use of social media
publish an annual performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users;	
Scrutiny Committee to have clear responsibilities including accountability for external and community aspects;	
produce regular reports on the activity of the scrutiny function;	
ensure that the Council as a whole is open and accessible to the community, service users and its employees. That it is committed to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality where it is proper and appropriate to do so;	
maintain a clear policy on how employees and their representatives are consulted and involved in decision making.	

C. Good governance means defining outcomes in terms of sustainable economic, social, and environmental benefits

We Will:
Define outcomes;
Provide sustainable economic, social and environmental benefits;

In order to achieve this we will:	Evidence
promote and review the Council's purpose and vision;	Community engagement and involvement Corporate Strategy Monitoring Reports to Cabinet Project Management
review on a regular basis the Council's governance arrangements;	
foster effective relationships and partnerships with the public, private, community and voluntary sectors;	
ensure that partnerships are underpinned by a common vision of their	

work that is understood and agreed by all parties;	Performance Management Framework Risk Management and Grace System Capital Investment is structured to achieve appropriate life spans and adaptability for future use or that resources are spent on optimizing social economic and environmental wellbeing Medium Term Financial Strategy Record of decision making and supporting materials Reporting / register of environmental data Statement of Accounts and EA value for money opinion Corporate Priority – Community Wealth Building Social Value in Procurement Equality Impact Assessments Key Partnership Framework
decide how the quality of service for users is to be measured and make sure that the information needed to regularly review service quality is available;	
put in place effective arrangements to enable continuous improvement;	
decide how value for money is to be measured and make sure that the Council or partnership has the information needed to review value for money and performance effectively;	
measure the impact of policies, plans and decisions on the community and its environment.	

D. Good governance means determining the interventions necessary to optimise the achievement of the intended outcomes

We Will:

Determine interventions;
Plan interventions;
Optimise the achievement of intended outcomes;

In order to achieve this we will:	**Evidence**
Ensure that there are on-going discussions between members and officers on the information needs of members to ensure considered and robust decision making	Members Briefings Standing Orders Options Appraisals Medium Term Financial Strategy Council calendar of meetings
Ensure members understand what information they may ask for and	

associated timescales;	Communication Strategy Key Partnership Framework in development Risk Management Framework Project Management Toolkit Performance Management Framework Senior Management Team Corporate Strategy Social Value Policy Ethical procurement / contract procedure rules
Ensure that our Scheme of Delegation is fit for purposes and is complied with	
Ensure that accurate and detailed records of all decisions are maintained together with supporting material	
Ensure (wherever practicable) that decision makers are advised appropriately on all available options	
Have a robust Financial strategy	
Have a robust Corporate Risk Register	
Ensuring that the social value dimension is covered by any major procurement exercise that is carried out; ensuring that up to date and accurate advice is contained within our procurement guidance documents	
Wherever appropriate develop and report on Key Performance Indicators for service areas and report against them	

E. Good governance means developing the council's capacity, including the capability of its leadership and the individuals within it

We Will:

Develop the council's capacity;
Develop the capability of the council's leadership and other individuals;

In order to achieve this we will:	**Evidence**
provide induction programmes tailored to individual needs and	

<table>
<tr><td>opportunities for members and officers to update their knowledge on a regular basis;</td><td rowspan="13">Organisational Development Plan
Job Descriptions
Officer PDP’s
Access to update courses and information briefings on new legislation
Induction – both officers and members
HR policies
Staff forums
Clear statement of roles and responsibilities and how they will be put into practice
CE Performance Appraisal (member led)
Arrangements for succession planning Member Briefings
Member PDPS
Scheme of delegation reviewed regularly in the light or legal and organizational changes
Standing Orders reviewed on a regular basis
Efficient systems and technology used for effective support
Peer reviews</td></tr>
<tr><td>ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council;</td></tr>
<tr><td>assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively;</td></tr>
<tr><td>develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed;</td></tr>
<tr><td>ensure that effective arrangements are in place for reviewing the performance of Cabinet and other committees and their membership and agreeing action to address any training or development needs;</td></tr>
<tr><td>ensure that effective arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council;</td></tr>
<tr><td>ensure that career structures are in place for members and officers to encourage participation and development.</td></tr>
<tr><td>In order to achieve our aims we will detail within the Constitution:</td></tr>
<tr><td>a clear statement of the respective roles and responsibilities of the Cabinet and of each cabinet member individually and the authority’s approach towards putting this into practice;</td></tr>
<tr><td>a clear statement of the respective roles and responsibilities of each committee, elected members generally and of senior officers;</td></tr>
<tr><td>a clear statement of the role of Scrutiny including overview of Council activity and responsibility for holding Cabinet to account.</td></tr>
<tr><td>a scheme of delegation and reserve powers including a formal schedule of those matters specifically reserved for collective decision by full Council taking account of relevant legislation, and ensuring that it is monitored and updated when required;</td></tr>
<tr><td>a chief executive responsible and accountable to the authority for all</td></tr>
</table>

aspects of operational management;	
a protocol to ensure that the leader and chief executive share a clear understanding of their roles and objectives;	
a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;	
a senior officer (the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with;	
protocols to ensure effective communication between members and officers in their respective roles;	
we will also:	
set out terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective member remuneration panel;	
ensure that effective mechanisms exist to monitor service delivery;	
ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;	
when working in partnership we will:	
ensure that members are clear about their roles and responsibilities (both individually and collectively) to the partnership and to the authority;	
ensure that there is clarity about the legal status of the partnership;	
ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	

F. Good governance means managing risks and performance through robust internal control and strong public financial management

We will:

Manage risk;
Manage performance;
Have robust systems of internal control;
Manage data;
Provide strong public financial management;

In order to achieve this we will:	**Evidence**
maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible;	Performance Management Framework Publication of agendas and minutes of meetings Evidence of improvements as a result of scrutiny Council Meeting Calendar Budget Monitoring Reports Member Development Financial standards and guidance Financial Regulations and standing orders Effective internal audit service is resourced and maintained Internal & External Audit Plan Internal audit charter Internal & External Audit Reports Annual Governance Statement Risk Management Strategy and use of GRACE Anti Fraud and Corruption Strategy and Fraud Response plan Whistleblowing policy Audit Committee complies with best practice / Governance Committee effectiveness review
maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;	
maintain arrangements to safeguard members and employees against conflicts of interest and processes to ensure that they continue to operate in practice;	
develop and maintain an effective audit / governance committee which is independent of the executive and scrutiny functions, and responsible for the Council's governance and control matters;	
ensure that a senior officer with responsibility for internal audit champions best practice and provides an objective opinion on all aspects of governance, risk management and internal control;	
ensure that the Council maintains an effective, transparent and accessible complaints process;	
ensure that those making decisions whether for the Council or a partnership are provided with information that is fit for the purpose; i.e.	

relevant, timely and gives clear explanations of technical issues and their implications;	Information Security Framework Designated Data Protection Officer and Senior Information Risk Officer Data Protection Policies and Procedures Data sharing agreements Data Sharing Register Data Processing Agreements Data quality procedures and reports
ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately;	
ensure that risk management is embedded into the culture of the Council, with members and managers at all levels recognising that risk management is part of their jobs;	
ensure that effective arrangements for whistleblowing are in place to which officers and all those contracting with or appointed by the authority have access;	
observe all relevant legislative requirements and restrictions placed upon the Council, but strive to utilise the legislative powers to the full benefit of the community;	
comply with both the specific requirements of legislation and the general responsibilities placed on the Council by public law;	
observe all the requirements of general law, and in particular integrate the key principles of good administrative law – rationality, legality and natural justice – into procedures and decision-making processes;	

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

We will:

Implement good practice in transparency;
Implement good practices in reporting;
Provide assurance and effective accountability;

In order to achieve this we will:	**Evidence**

maintain a user friendly and up to date Website	Website Annual Report annual financial statements Annual Governance Statement Compliance with CIPFA's Statement of the Role of the Head of Internal Audit Compliance with Public Sector Internal Audit Standards Recommendations have informed positive improvement Community strategy Compliance with the Transparency Code Corporate Governance Group
ensure that the Council's vision is delivered through the corporate plan and that it is clearly consulted, articulated and disseminated to all key stakeholders	
maintain a clear policy that supports consultation and engagement with the public and service users including an appropriate feedback mechanism for those consultees to demonstrate what has changed as a result;	
ensure that the Council as a whole is open and accessible to the community, service users and its employees. That it is committed to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality where it is proper and appropriate to do so;	
wherever possible use plain English when writing reports	
An annual report to council on performance, value for money and the use of resources – such report to be approved and owned by Senior Management Team and members	
Provide Annual financial statements	
Provide Annual Governance Statement	
Demonstrate how positive improvements have followed on from any external audit recommendations	
Compliance with CIPFA's Statement on the Role of the Head of Internal Audit	
Compliance with Public Sector Internal Audit Standards	
Have an effective and robust Community Strategy	

Chorley Council

Governance 2021 – 2022 Work Programme

26th May 2021

Report	Officer
Chorley Borough Council Audit Progress Report – May 2021	(External) Grant Thornton
Internal Audit Annual Report 20/21	Dawn Highton
Review of the Effectiveness of Internal Audit	Dawn Highton
Annual Review of the Council's Counter Fraud Policies	Dawn Highton
Annual Governance Statement	Chris Moister
RIPA Application	Chris Moister
CIPFA FM Code Assessment	James Thomson

28 July 2021

Report	Officer
Update on the Statement of Accounts	Tony Furber
Audit Findings	(External) Grant Thornton
Chorley Borough Council Annual Audit Letter	(External) Grant Thornton
Charity and Trust Account	James Thomson
Strategic Risk Update Report	Victoria Willett
RIPA Application	Chris Moister

24 November 2021

Report	Officer
Internal Audit Progress Report	Dawn Highton
Treasury Management Activity Mid-Year Review 2021/2022, Quarter Two Monitoring	Tony Furber
Internal Audit Plan Progress Report	Dawn Highton
RIPA Application	Chris Moister

Chorley Council

19 January 2022

Report	Officer
External Audit progress update report	(External) Grant Thornton
Annual Audit Letter 2019-20	(External) Grant Thornton
Internal Audit Plan Progress Report	Dawn Highton
2021/22 Annual Governance Statement Action Plan - Update	Chris Moister
RIPA Application	Chris Moister

16 March 2022

Report	Officer
Audit Progress and Sector Update Report	(External) Grant Thornton
External Audit Plan 2022 - 2023	(External) Grant Thornton
Internal Audit Plan	Dawn Highton
Update on the Chorley Council Capital Strategy	Louise Mattinson
Homes England Compliance Audit	Neil Halton
RIPA Application	Chris Moister
GDPR Update	Chris Moister

Chorley Council

Governance Committee Work Programme 2022/23

1 June 2022

Report	Officer

3 August 2022

Report	Officer

23 November 2022

Report	Officer

18 January 2023

Report	Officer

15 March 2023

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