

# Statement of Accounts 2020/21

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Chorley Borough Council

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# Introduction to the Statement of Accounts

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

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 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:

- Page 5      **The Independent Auditor's Report** – This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- Page 11     **Narrative Report of the Chief Finance Officer** - The purpose of the narrative report is to give the reader an understanding of the most significant matters reported in the accounting statements, as well as a review of the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.
- Page 46     **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Chief Finance Officer in relation to the Statement of Accounts.
- Page 122    **The Annual Governance Statement** – The Council is required to conduct an annual review of the effectiveness of its system of corporate governance and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS). The AGS explains our governance arrangements, the review of the governance framework against the Local Code of Governance and future plans to improve and strengthen the governance environment.

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

## 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 Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 Director of Finance'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.

In our evaluation of the Director of Finance'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 Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

#### **Other information**

The Director of Finance 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.

## **Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities, 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 Director of Finance. The Director of Finance 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 Director of Finance 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 Director of Finance 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](http://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.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance 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 the valuation of land and buildings, the valuation of 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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 the valuation of land and buildings, the valuation of 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.

### **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.

*Georgia Jones*

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

1 April 2022

# Narrative Report of the Chief Financial Officer

## Introduction

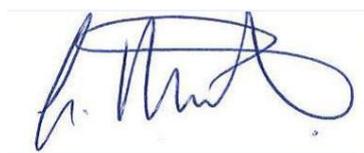
Throughout this document, Chorley Borough Council may be referred to as the Council or the Authority.

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

A handwritten signature in blue ink, appearing to read 'Louise Mattinson', enclosed in a thin blue rectangular border.

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:

**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**



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 17<sup>th</sup> 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



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
<b>Explanation</b>	<p>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.</p> <p>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.</p> <p>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.</p>	
<b>Action Required</b>	<p>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.</p>	

### Performance of Corporate Strategy Measures



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
<b>Reason below target</b>	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.		
<b>Action required</b>	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.		
<b>Trend:</b>	Performance is worse than the figure recorded in 2019/20 (144) and 2018/19 (146).		

Performance Indicator		Target	Performance
	The number of affordable homes delivered	100	47
<b>Reason below target</b>	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.		
<b>Action required</b>	<p>There are a number of actions that being undertaken to address the performance:</p> <ul style="list-style-type: none"> <li>• The council are developing affordable housing as a Registered Provider in their own right, including extra care schemes such as at Tatton.</li> <li>• 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.</li> <li>• 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.</li> <li>• As part of routine Housing Land Monitoring, developers are regularly engaged with on allocated sites to track progress and understand the pipeline of delivery.</li> <li>• 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.</li> <li>• Engage with Homes England to understand the new Affordable Homes Programme and what is available to Registered Providers</li> <li>• 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.</li> </ul>		
<b>Trend:</b>	Performance is worse than the figure recorded in 2019/20 (122) and 2018/19 (202).		

## 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%
<b>Reason below target</b>	<p>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.</p> <p>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%.</p>		
<b>Action required</b>	<p>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.</p> <p>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</p>		

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

	<b>Performance Indicator</b>	<b>Target</b>	<b>Performance</b>
	The % of 16-17 year olds who are not in education, employment or training	3%	3.5%
<b>Reason below target</b>	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.		
<b>Action required</b>	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.		
<b>Trend:</b>	Performance is worse than the figure in 2019/20 (2.7%) and 2018/19 (2.9%).		

	<b>Performance Indicator</b>	<b>Target</b>	<b>Performance</b>
	Median workplace earnings better than the North West average	£559.60	£498
<b>Reason below target</b>	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%.		
<b>Action required</b>	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.		
<b>Trend:</b>	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 trialed 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**



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**



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

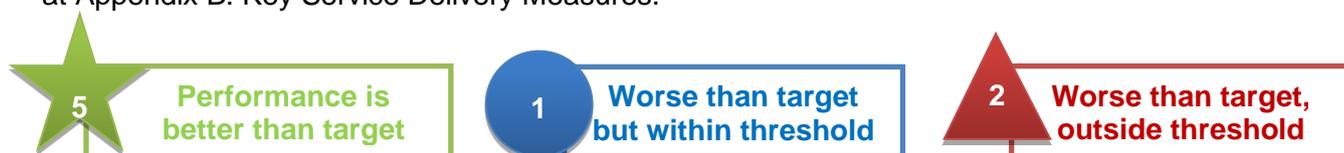
Both indicators are performing better than target:

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

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

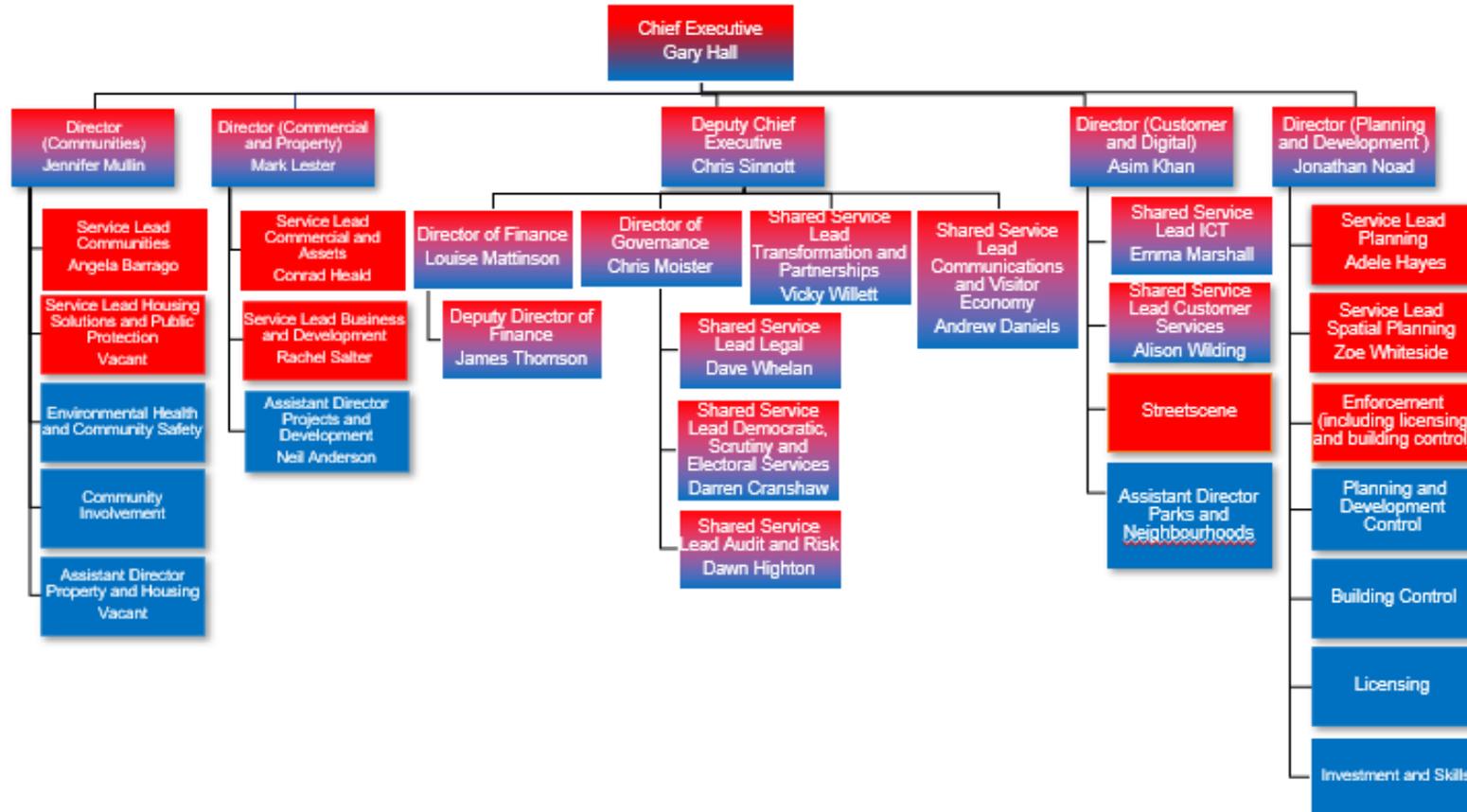
The Senior Management Team is shared across Chorley and South Ribble Borough Councils and consists of the Chief Executive, a Deputy Chief Executive and Directors as shown below. The Senior Management Team meets weekly and is responsible for developing, identifying resources, delivering and reviewing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



## 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**

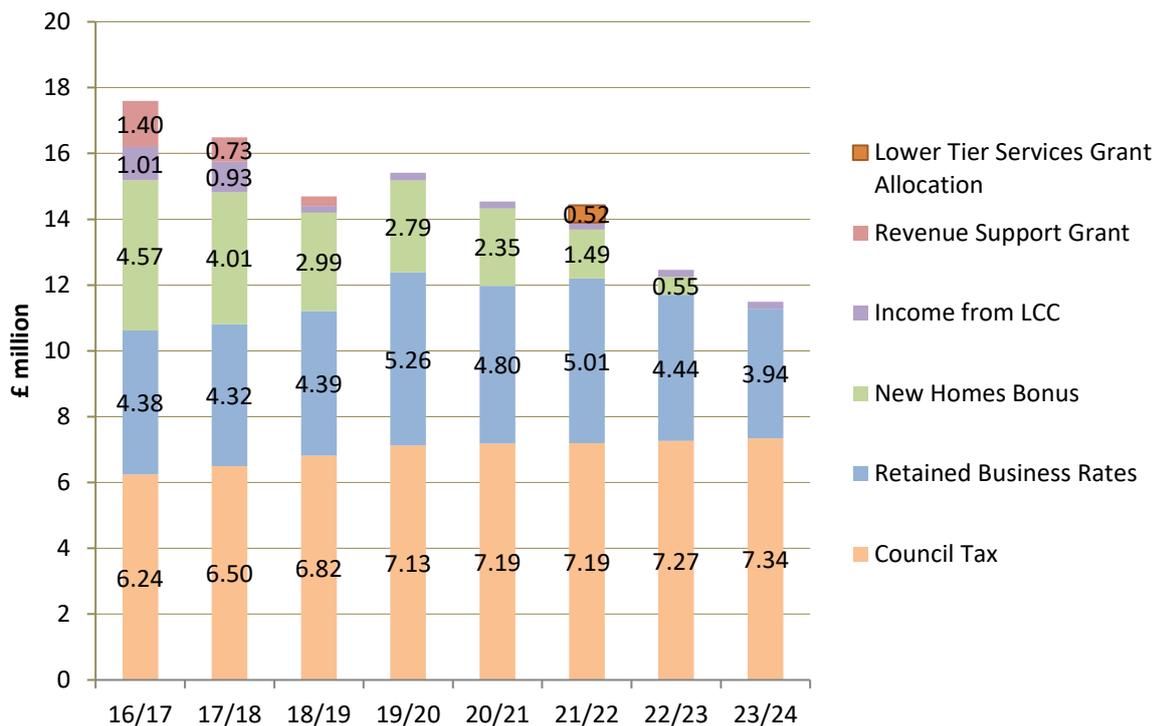
Following the Spending Round 2020, councils received a one-year settlement, with the planned changes from the Fair Funding Review and implementation of 75% Business Rates retention delayed, at that stage. As a result of the Covid 19 pandemic, this has since been further postponed until at least April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

## Major Sources of Council Funding



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

## 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.

	Provisional Adjusted (Income)/ Expenditure Budget	Outturn	Underspend/ (Overspend)
Expenditure	£'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)
<b>Directorate Total</b>	<b>14,557</b>	<b>14,063</b>	<b>493</b>
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
<b>Total Expenditure</b>	<b>14,219</b>	<b>15,688</b>	<b>(1,469)</b>
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)
<b>Total Financing</b>	<b>(14,219)</b>	<b>(15,745)</b>	<b>1,526</b>
<b>Total Variance Reported in Budget Monitoring Report</b>	<b>0</b>	<b>(57)</b>	<b>57</b>

## Analysis of Outturn

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.

	<b>General Balances</b>	<b>Earmarked Reserves</b>	<b>Total General Fund Balance</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Balance at 31 March 2020</b>	<b>(4,000)</b>	<b>(6,762)</b>	<b>(10,762)</b>

Transfers (to) from General Balances

<b>In-year contributions to General Balances</b>	<b>(57)</b>	<b>0</b>	<b>(57)</b>
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Transfers (to) from Earmarked Reserves

Rephrasing 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
<b>Net Transfer (to)/from Earmarked Reserves</b>	<b>0</b>	<b>(6,169)</b>	<b>(6,169)</b>

<b>Total transfers (to) from Balances 2020/21</b>	<b>(57)</b>	<b>(6,169)</b>	<b>(6,226)</b>
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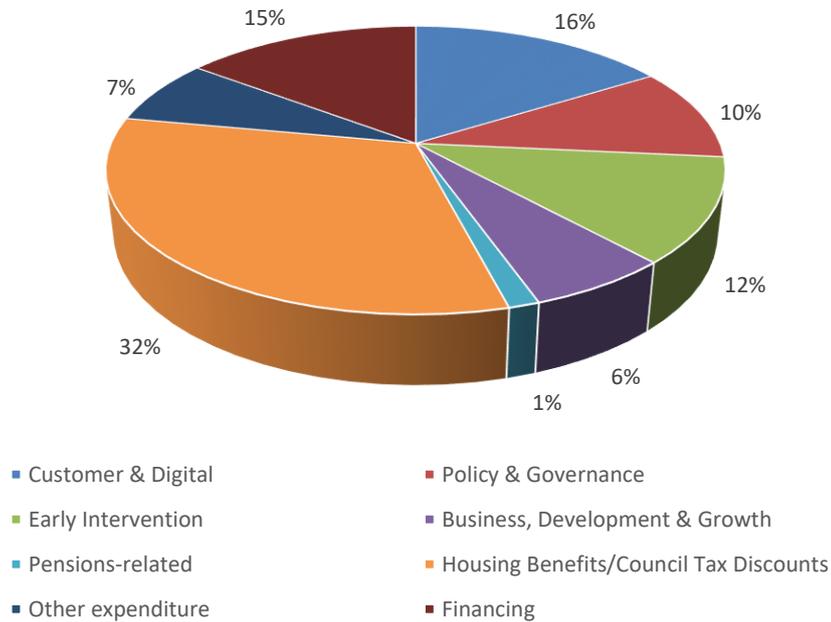
<b>Balance at 31 March 2021</b>	<b>(4,057)</b>	<b>(12,931)</b>	<b>(16,988)</b>
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The net transfer to earmarked reserves is the net result of drawing down and (adding to) earmarked reserves. The net transfer to earmarked reserves is outlined further in 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.

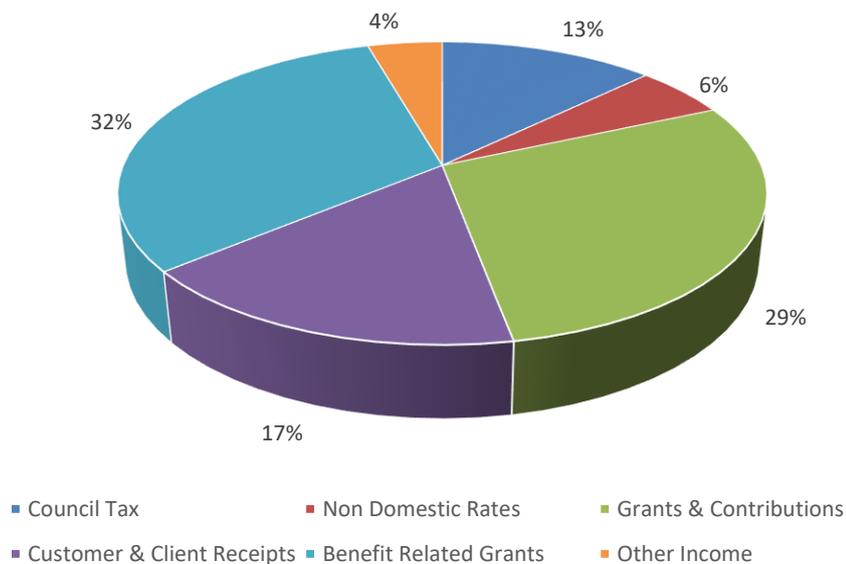
**Where the Council's budget was spent**

The gross expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement (page 47). In 2020/21 it consisted of:



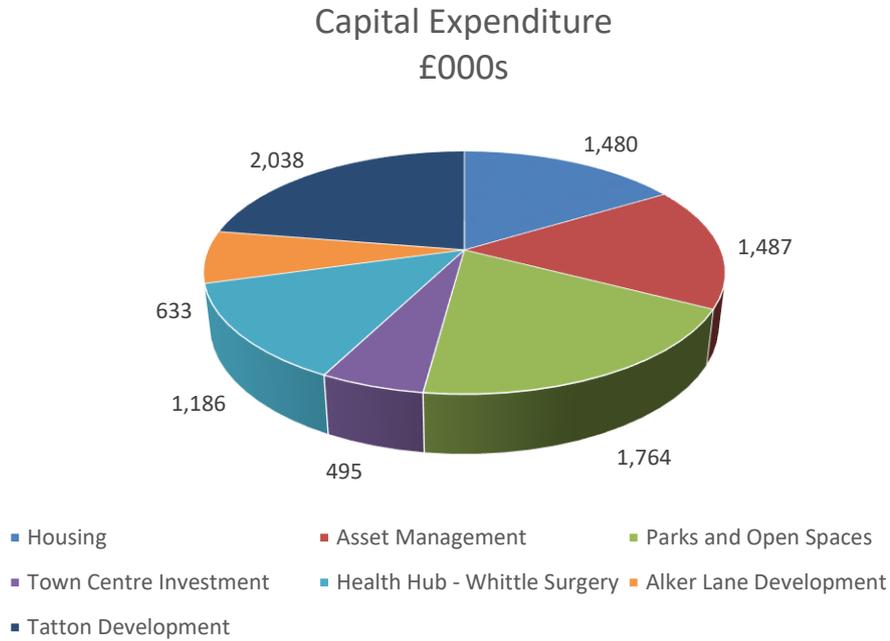
**How the Council's spend was funded**

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

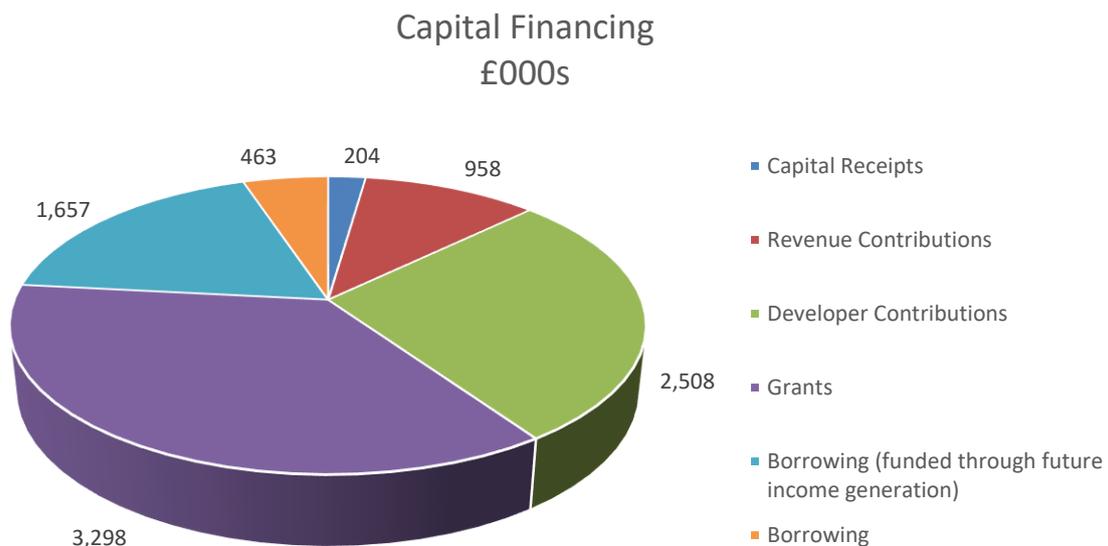


## Capital Programme 2020/21

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 2022/21, 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 119 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
<b>Total</b>	<b>63,875</b>	<b>67,880</b>	<b>70,881</b>

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 119 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
<b>Total</b>	<b>24,566</b>	<b>24,424</b>	<b>24,656</b>

## 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
<b>NET DEFICIT / (SURPLUS)</b>	<b>0.143</b>	<b>1.749</b>	<b>2.794</b>
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)
<b>TOTAL SAVINGS &amp; ADDITIONAL INCOME</b>	<b>(0.143)</b>	<b>(0.692)</b>	<b>(1.047)</b>
<b>REVISED DEFICIT / (SURPLUS)</b>	<b>0.000</b>	<b>1.057</b>	<b>1.748</b>
Directorate Savings	0.000	(0.318)	(0.513)
Future Efficiency Savings & Income Generation	0.000	(0.739)	(1.235)
<b>REVISED DEFICIT / (SURPLUS)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

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 30 March 2022

# 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)
<b>63,687</b>	<b>(31,703)</b>	<b>31,984</b>	<b>Cost of Services</b>	<b>50,853</b>	<b>(35,429)</b>	<b>15,424</b>
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)
		<b>13,052</b>	<b>(Surplus)/deficit on provision of services</b>			<b>(844)</b>
		(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
		<b>(12,210)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>11,376</b>
		<b>842</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>10,532</b>

## 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	General Fund Earmarked Reserves (note 11)	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (note 24)	Unusable Reserves (note 25)	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Current Year</b>								
<b>Balance at 31 March 2020</b>	<b>(4,000)</b>	<b>(6,762)</b>	<b>(10,762)</b>	<b>(973)</b>	<b>(13,223)</b>	<b>(24,958)</b>	<b>(171)</b>	<b>(25,129)</b>
<b>Movement in reserves during 2020/21</b>								
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
<b>Increase or decrease in 2020/21 before transfers to/(from) earmarked reserves</b>	<b>(6,226)</b>	<b>0</b>	<b>(6,226)</b>	<b>84</b>	<b>(729)</b>	<b>(6,871)</b>	<b>17,403</b>	<b>10,532</b>
Movement in Earmarked Reserves (Note 11)	6,169	(6,169)	0	0	0	0	0	0
<b>Increase or decrease in 2020/21</b>	<b>(57)</b>	<b>(6,169)</b>	<b>(6,226)</b>	<b>84</b>	<b>(729)</b>	<b>(6,871)</b>	<b>17,403</b>	<b>10,532</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(4,057)</b>	<b>(12,931)</b>	<b>(16,988)</b>	<b>(889)</b>	<b>(13,952)</b>	<b>(31,829)</b>	<b>17,232</b>	<b>(14,597)</b>

	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
<b>Current Year</b>								
<b>Balance at 31 March 2019</b>	<b>(4,000)</b>	<b>(6,074)</b>	<b>(10,074)</b>	<b>(1,071)</b>	<b>(14,030)</b>	<b>(25,175)</b>	<b>(796)</b>	<b>(25,971)</b>
<b>Movement in reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure	13,052	0	<b>13,052</b>	0	0	<b>13,052</b>	(12,210)	<b>842</b>
Adjustments between accounting basis and funding basis under regulations (Note 10)	(13,740)	0	<b>(13,740)</b>	98	807	<b>(12,835)</b>	12,835	<b>0</b>
<b>Increase or decrease in 2019/20 before transfers to/(from) earmarked reserves</b>	<b>(688)</b>	<b>0</b>	<b>(688)</b>	<b>98</b>	<b>807</b>	<b>217</b>	<b>625</b>	<b>842</b>
Movement in Earmarked Reserves (Note 11)	688	(688)	<b>0</b>	0	0	<b>0</b>	0	<b>0</b>
<b>Increase or decrease in 2019/20</b>	<b>0</b>	<b>(688)</b>	<b>(688)</b>	<b>98</b>	<b>807</b>	<b>217</b>	<b>(9,656)</b>	<b>(9,439)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(4,000)</b>	<b>(6,762)</b>	<b>(10,762)</b>	<b>(973)</b>	<b>(13,223)</b>	<b>(24,958)</b>	<b>(171)</b>	<b>(25,129)</b>

## Balance Sheet

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

31 March 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
<b>134,890</b>	<b>Long-Term Assets</b>		<b>137,261</b>
6,423	Short-Term Debtors	20	13,157
8,933	Cash and Cash Equivalents	21	9,276
<b>15,356</b>	<b>Current Assets</b>		<b>22,433</b>
(6,663)	Short-Term Borrowing	19	(2,182)
(10,241)	Short-Term Creditors	22	(23,768)
(1,867)	Provisions	23	(1,222)
<b>(18,771)</b>	<b>Current Liabilities</b>		<b>(27,172)</b>
(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)
<b>(106,346)</b>	<b>Long Term Liabilities</b>		<b>(117,925)</b>
<b>25,129</b>	<b>Net Assets</b>		<b>14,597</b>
24,958	Usable Reserves	MiRS, 24	31,829
171	Unusable Reserves	25	(17,232)
<b>25,129</b>	<b>Total Reserves</b>		<b>14,597</b>

The audited accounts were issued on 30 March 2022.



Louise Mattinson  
 Director of Finance  
 Date: 30 March 2022

## 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)
<b>607</b>	<b>Net cash flows from Operating Activities (Note 26)</b>	<b>17,167</b>
(42,229)	Investing Activities (Note 27)	(2,264)
47,638	Financing Activities (Note 28)	(14,560)
<b>6,016</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>343</b>
2,917	Cash and cash equivalents at the beginning of the reporting period	8,933
<b>8,933</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 21)</b>	<b>9,276</b>

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	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Directorate	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
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)
<b>13,618</b>	<b>18,366</b>	<b>31,984</b>	<b>Net Cost of Service</b>	<b>10,157</b>	<b>5,267</b>	<b>15,424</b>
(14,306)	(4,626)	(18,932)	Other Income and Expenditure	(16,383)	115	(16,268)
<b>(688)</b>	<b>13,740</b>	<b>13,052</b>	<b>(Surplus)/Deficit in year</b>	<b>(6,226)</b>	<b>5,382</b>	<b>(844)</b>
<b>(10,074)</b>			<b>Opening General Fund Balance at 1 April</b>	<b>(10,762)</b>		
(688)			<b>Add (Surplus)/Less Deficit on General Fund Balance in Year</b>	(6,226)		
<b>(10,762)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(16,988)</b>		

## **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 reported in the Balance Sheet at insurance valuation. The assets are as follows:

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

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

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

### **2.14 Intangible assets**

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

The cost is amortised over the economic life to reflect the pattern of consumption, the first year of charge being that in which the expenditure is incurred. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

### **2.15 Investment Properties**

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

They are measured initially at cost and subsequently at fair value. They are not depreciated but are re-valued annually by a RICS-qualified valuer. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Gains and losses on revaluation and disposal are not permitted by statute to impact on the council tax. A reversal is therefore done between the General Fund Balance and the Capital Adjustment Account (or, in the case of sale proceeds exceeding £10,000, to the Capital Receipts Reserve).

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

## **2.16 Leasing**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

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

### The Authority as lessee

#### **Operating leases**

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

### The Authority as lessor

#### **Finance Leases**

Where the Authority grants a finance lease over an asset, it is written out of the Balance Sheet and charged to the "gain or loss on disposals" line in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. The Authority's net investment in the lease is credited to the same line, matched by a Long-Term Debtor in the Balance Sheet.

Lease rental receipts are split between finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement), and the principal element applied to write down the Long-Term Debtor.

#### **Operating leases**

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

## **2.17 Non-Current Assets Held for Sale**

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

## **2.18 Overheads**

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practice or if the change provides more reliable or relevant information about the effect of transactions on the Council's financial position or financial performance. Where a change is made it is applied

retrospectively by adjusting opening balances and comparative amounts from prior periods. Material errors will also require a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

## **2.20 Property Plant and Equipment (PPE)**

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

### Measurement

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

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

- Infrastructure, Community Assets, Assets under Construction, and equipment, are held at depreciated historical cost.
- Surplus assets have a current value measurement base of fair value, which is estimated at highest and best use from a market participant's perspective.
- All other assets are measured at current value, determined as the amount that would be paid for the asset in its existing use.

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

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

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

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

### Depreciation

Non-current assets held for sale, assets under construction, and assets without a determinable finite useful life (such as freehold land and certain community assets) are not depreciated.

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

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

Depreciation periods are as follows:

	<u>years</u>
Property (excluding components separately identified)	5-70
Property components - mechanical	25
Portable office facilities	10-15
Vehicles	3-10
IT equipment	3-5
Other equipment	5-15

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

#### Impairment

All assets are reviewed annually for impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the shortfall. Impairment losses are charged against revaluation gains held in the Revaluation Reserve. If these are inadequate the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

If an impairment loss is subsequently reversed, the reversal, up to the amount of the original loss adjusted for depreciation, is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

#### Disposal and Non-current Assets Held for Sale

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

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

#### Capital Charges and Council Tax

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

### **2.21 Provisions**

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

## **2.22 Reserves**

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

## **2.23 Revenue Expenditure Funded from Capital Under Statute**

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

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

## **2.24 Value Added Tax**

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

## **2.25 Fair Value Measurement**

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

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

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

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

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

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

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

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

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

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

The 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	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
Asset valuations	<p>Note 15 shows that Property, Plant &amp; 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.</p> <p>Note 17 shows that Investment Properties valued at £32.783m are carried at current value.</p> <p>The valuations have been carried out by qualified valuers in accordance with Royal Institution of Chartered Surveyors Guidance.</p> <p>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</p>	<p>The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.</p> <p>A fall in the value of the council's investment properties will result in a charge to the CIES. Every 10% fall in the total value of the council's investment properties would result in a £3.278m charge to the CIES.</p> <p>Likewise, a 10% fall in the value of other assets valued at current value would</p>

	<p>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)</p> <p>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.</p>	<p>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.</p>
Provisions	<p>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.</p>	<p>If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority's services. Similarly, an increase in the provision to cover such appeals would be a charge to the Collection Fund which would also reduce the local share of business rates income available to fund the Authority's services. A 1% increase in the provision would result in an additional charge to the Collection Fund of £0.030m, of which this Authority's share of the cost would be 40% or £0.012m.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are 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.</p>	<p>The Council uses the market approach to value of some of its investment properties and financial assets. The unobservable inputs used in the fair value measurement include management assumptions regarding rent yield and growth, vacancy levels (for investment properties). Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement for the investment properties and financial assets.</p>

## 6 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the main financial statements. 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 audited Statement of Accounts was authorised for issue by the Section 151 Officer on 30 March 2022. 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 52.

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)	Net change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Statutory Adjustments	Other Adjustments (Note D)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'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)
<b>Cost of Services</b>	<b>3,863</b>	<b>716</b>	<b>46</b>	<b>4,625</b>	<b>642</b>	<b>5,267</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,182)	967	4,972	757	(642)	115
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(1,319)</b>	<b>1,683</b>	<b>5,018</b>	<b>5,382</b>	<b>0</b>	<b>5,382</b>

2019/20						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Statutory Adjustments	Other Adjustments (Note D)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Customer & Digital	2,012	83	7	2,102	(49)	2,053
Policy & Governance	56	50	8	114	(196)	(82)
Early Intervention	586	29	(3)	612	(3)	609
Business, Development & Growth	1,400	25	17	1,442	(17)	1,425
Budgets excluded from Directorate monitoring						
• Pensions-related	0	1,980	0	1,980	0	1,980
• Housing Benefits/Council Tax Discounts	0	0	0	0	23	23
• Market Walk (excluding financing costs)	4,584	2	0	4,586	4	4,590
• Other expenditure	7,761	2	5	7,768	0	7,768
<b>Cost of Services</b>	<b>16,399</b>	<b>2,171</b>	<b>34</b>	<b>18,604</b>	<b>(238)</b>	<b>18,366</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,345)	1,102	(621)	(4,864)	238	(4,626)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>11,054</b>	<b>3,273</b>	<b>(587)</b>	<b>13,740</b>	<b>0</b>	<b>13,740</b>

### 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
<b>Expenditure/Income</b>		
<b>Expenditure</b>		
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
<b>Total expenditure</b>	<b>79,249</b>	<b>67,166</b>
<b>Income</b>		
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
<b>Total income</b>	<b>(66,197)</b>	<b>(68,010)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>13,052</b>	<b>(844)</b>

## 10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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
<b>Adjustments to the Revenue Resources</b>				
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
<b>Total Adjustments to Revenue Resources</b>	<b>(8,902)</b>	<b>0</b>	<b>0</b>	<b>8,902</b>
<b>Adjustments between Revenue and Capital Resources</b>				
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)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,791</b>	<b>(120)</b>	<b>0</b>	<b>(2,671)</b>
<b>Adjustments to Capital Resources</b>				
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
<b>Total Capital Resources</b>	<b>729</b>	<b>204</b>	<b>(729)</b>	<b>(204)</b>
<b>Total Adjustments</b>	<b>(5,382)</b>	<b>84</b>	<b>(729)</b>	<b>6,027</b>

2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
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
<b>Total Adjustments to Revenue Resources</b>	<b>(17,246)</b>	<b>0</b>	<b>0</b>	<b>17,246</b>
<b>Adjustments between Revenue and Capital Resources</b>				
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)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,451</b>	<b>(136)</b>	<b>0</b>	<b>(1,315)</b>
<b>Adjustments to Capital Resources</b>				
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)
<b>Total Capital Resources</b>	<b>2,055</b>	<b>234</b>	<b>807</b>	<b>(3,096)</b>
<b>Total Adjustments</b>	<b>(13,740)</b>	<b>98</b>	<b>807</b>	<b>12,835</b>

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 £'000	Transfers		Balance 31 March 2020 £'000	Transfers		Balance 31 March 2021 £'000
		Out £'000	(In) £'000		Out £'000	(In) £'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)
<b>Total</b>	<b>(6,072)</b>	<b>2,234</b>	<b>(2,924)</b>	<b>(6,762)</b>	<b>(7,975)</b>	<b>1,806</b>	<b>(12,931)</b>

## **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)
<b>556</b>	<b>Total</b>	<b>600</b>

## 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
<b>214</b>	<b>Total</b>	<b>4,605</b>

## 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)
<b>(19,702)</b>	<b>Total</b>	<b>(21,473)</b>

### 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 120-121), 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%
	<b>75%</b>	<b>50%</b>
Central Government	25%	50%
<b>Total</b>	<b>100%</b>	<b>100%</b>
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
<b>Total</b>		<b>0</b>	<b>-7,197,006</b>	<b>0</b>	<b>-7,197,006</b>

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	Vehicles & Plant etc.	Infra- structure	Community Assets	Surplus Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost or valuation</u></b>							
<b>At 1 April 2020</b>	<b>85,384</b>	<b>6,109</b>	<b>748</b>	<b>4,617</b>	<b>473</b>	<b>979</b>	<b>98,310</b>
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
<b>At 31 March 2021</b>	<b>85,094</b>	<b>5,634</b>	<b>760</b>	<b>4,682</b>	<b>473</b>	<b>6,572</b>	<b>103,215</b>
<b><u>Depreciation and Impairment</u></b>							
<b>At 1 April 2020</b>	<b>(657)</b>	<b>(4,030)</b>	<b>(397)</b>	<b>(1,251)</b>	<b>0</b>	<b>0</b>	<b>(6,335)</b>
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
<b>At 31 March 2021</b>	<b>(1,042)</b>	<b>(3,698)</b>	<b>(426)</b>	<b>(1,460)</b>	<b>0</b>	<b>0</b>	<b>(6,626)</b>
<b><u>Net Book Value</u></b>							
<b>At 31 March 2021</b>	<b>84,052</b>	<b>1,936</b>	<b>334</b>	<b>3,222</b>	<b>473</b>	<b>6,572</b>	<b>96,589</b>

	Other land & Buildings	Vehicles & Plant etc.	Infra-structure	Community Assets	Surplus Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost or valuation</u></b>							
<b>At 1 April 2019</b>	<b>63,271</b>	<b>5,843</b>	<b>585</b>	<b>3,832</b>	<b>473</b>	<b>25,038</b>	<b>99,042</b>
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
<b>At 31 March 2020</b>	<b>85,384</b>	<b>6,109</b>	<b>748</b>	<b>4,617</b>	<b>473</b>	<b>979</b>	<b>98,311</b>
<b><u>Depreciation and Impairment</u></b>							
<b>At 1 April 2019</b>	<b>(2,374)</b>	<b>(3,551)</b>	<b>(376)</b>	<b>(1,120)</b>	<b>0</b>	<b>0</b>	<b>(7,421)</b>
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
<b>At 31 March 2020</b>	<b>(657)</b>	<b>(4,030)</b>	<b>(397)</b>	<b>(1,251)</b>	<b>0</b>	<b>0</b>	<b>(6,335)</b>
<b><u>Net Book Value</u></b>							
<b>At 31 March 2020</b>	<b>84,727</b>	<b>2,079</b>	<b>352</b>	<b>3,366</b>	<b>473</b>	<b>979</b>	<b>91,976</b>

The valuations are carried out with a valuation date of 31<sup>st</sup> 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	Vehicles & Plant etc.	Infra-structure	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	<b>1,510</b>	<b>5,634</b>	<b>760</b>	<b>3,071</b>	<b>0</b>	<b>6,572</b>	<b>17,547</b>
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
<b>Total cost or valuation</b>	<b>85,094</b>	<b>5,634</b>	<b>760</b>	<b>4,682</b>	<b>473</b>	<b>6,572</b>	<b>103,215</b>

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 31<sup>st</sup> 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

<b>Cost or Valuation</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
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)
<b>As at 31 March</b>	<b>2,530</b>	<b>2,530</b>

### 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
<b>Net gain/(loss)</b>	<b>(1,008)</b>	<b>(1,700)</b>

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
<b>Value at year-end</b>	<b>35,677</b>	<b>32,783</b>

### 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
<b>Balance at the start of the year</b>		
Gross carrying amount	1,238	1,238
Accumulated amortisation	(1,174)	(1,188)
<b>Net carrying amount at year start</b>	<b>64</b>	<b>50</b>
<b>Movements in the year</b>		
Additions in year	0	0
Disposals in year	0	0
Amortisation in year	(14)	(14)
Amortisation in respect of disposals	0	0
<b>Net carrying amount at the year-end</b>	<b>50</b>	<b>36</b>

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
<b>Financial Assets</b>				
<b><i>Carried at Amortised Cost</i></b>				
Cash & cash equivalents (note 21) net of bank overdraft	0	0	8,933	9,276
Debtors	4,655	5,323	3,895	2,851
<b>Total Debtors</b>	<b>4,655</b>	<b>5,323</b>	<b>12,828</b>	<b>12,127</b>
<b>Financial Liabilities</b>				
<b><i>Carried at Amortised Cost</i></b>				
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)
<b>Total Creditors</b>	<b>(63,485)</b>	<b>(61,702)</b>	<b>(8,742)</b>	<b>(6,965)</b>
<i>Memo: Items that are not Financial Instruments</i>				
<i>Debtors</i>	0	0	2,528	10,306
<i>Creditors</i>	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	Financial Assets Loans & Receivables	Total	Financial Liabilities at Amortised Cost	Financial Assets Loans & Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expenses	1,075	0	1,075	1,431	0	1,431
Impairment Increase/ (Reduction)	(398)	0	(398)	3,282	0	3,282
	<b>677</b>	<b>0</b>	<b>677</b>	<b>4,713</b>	<b>0</b>	<b>4,713</b>
Interest income	0	(68)	(68)	0	(36)	(36)
<b>Total income</b>	<b>0</b>	<b>(68)</b>	<b>(68)</b>	<b>0</b>	<b>(36)</b>	<b>(36)</b>
<b>Net (gain)/loss for the year</b>			<b>609</b>			<b>4,677</b>

## 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)
<b>Total Liabilities</b>	<b>(72,227)</b>	<b>(69,342)</b>	<b>(68,667)</b>	<b>(70,001)</b>

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
<b>Total Assets</b>	<b>17,483</b>	<b>17,556</b>	<b>17,450</b>	<b>17,523</b>

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

## NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Key risks

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

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

### Overall procedures for managing risk

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

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

### Credit risk

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

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

The key areas of the Investment Strategy are as follows:

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

### Sundry Debtors

Assessment of the expected credit loss on the outstanding balance of short-term debtors is made using a provision matrix based on the age of the outstanding debt and previous experience of recovery rates. At 31 March 2020, the outstanding gross amount was £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
<b>Total</b>	<b>68,823</b>	<b>62,446</b>

## 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	<b>(138)</b>
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
<b>Gross Carrying Amount</b>	<b>8,732</b>	<b>16,254</b>
Less Bad Debt Provisions	(2,308)	(3,097)
<b>Net Carrying Amount</b>	<b>6,423</b>	<b>13,157</b>

## 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)
<b>Total Cash and Cash Equivalents</b>	<b>8,933</b>	<b>9,276</b>

## 22 SHORT TERM CREDITORS

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

## 23 PROVISIONS

The movements in provisions during the year were as follows.

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

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 48). 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)
<b>Total General Fund Balance</b>	<b>(10,762)</b>	<b>(16,988)</b>
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)
<b>Total Capital Grants and Contributions Unapplied</b>	<b>(13,223)</b>	<b>(13,952)</b>
<b>Total Usable Reserves at year-end</b>	<b>(24,958)</b>	<b>(31,829)</b>

## 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
<b>Total Unusable Reserves at year-end</b>	<b>(171)</b>	<b>17,232</b>

### 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
<b>Balance at 1 April</b>	<b>(10,172)</b>	<b>(15,710)</b>
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
<b>Balance at 31 March</b>	<b>(15,710)</b>	<b>(16,083)</b>

## 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
<b>Balance at 1 April</b>	<b>(36,566)</b>	<b>(26,580)</b>
<u>Reversal of items relating to capital expenditure debited or credited to the CI&amp;ES</u>		
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
	<b>17,742</b>	<b>4,726</b>
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Difference between fair value and historic cost depreciation	(162)	(251)
Accumulated gains/losses on assets sold or scrapped	0	0
	<b>(162)</b>	<b>(251)</b>
<i>Net written out amount of the cost of non-current assets consumed in the year</i>	<i>17,580</i>	<i>4,475</i>
<u>Capital financing applied in the year</u>		
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)
	<b>(6,469)</b>	<b>(8,681)</b>
Movements in the market value of Investment Properties debited or credited to the CI&ES	(1,125)	3,282
<b>Balance at 31 March</b>	<b>(26,580)</b>	<b>(27,504)</b>

### 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
<b>Balance at 1 April</b>	<b>(289)</b>	<b>(289)</b>
Transfer to Capital Receipts Reserve on receipt of cash	0	0
<b>Balance at 31 March</b>	<b>(289)</b>	<b>(289)</b>

### 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
<b>Balance at 1 April</b>	<b>45,997</b>	<b>42,761</b>
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)
<b>Balance at 31 March</b>	<b>42,761</b>	<b>56,444</b>

## 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
<b>Balance at 1 April</b>	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
<b>Balance at 31 March</b>	<b>(544)</b>	<b>4,428</b>

## 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
<b>Balance at 1 April</b>	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
<b>Balance at 31 March</b>	<b>191</b>	<b>236</b>

## 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)
	<b>(1,007)</b>	<b>(1,395)</b>

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
	<b>17,963</b>	<b>23,032</b>

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)
	<b>(4,304)</b>	<b>(6,709)</b>

## 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
<b>Net cash flows from investing activities</b>	<b>(42,229)</b>	<b>(2,264)</b>

## 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)
<b>Net cash flows from financing activities</b>	<b>47,638</b>	<b>(14,560)</b>

### Reconciliation of Liabilities arising from Financing Activities

	1 April 2020 £'000	Financing cash flows		Other non- cash changes £'000	31 March 2021 £'000
		Acquisition £'000	Repayment £'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)
<b>Total</b>	<b>71,763</b>	<b>(8,183)</b>	<b>(6,366)</b>	<b>(11)</b>	<b>57,203</b>

## 29 MEMBERS ALLOWANCES

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

### 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 27<sup>th</sup> 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 5<sup>th</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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:

<b>Remuneration Band</b>	<b>2019/20 Number of Employees</b>	<b>2020/21 Number of Employees</b>
£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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>4</b>	<b>11</b>	<b>4</b>	<b>338</b>	<b>169</b>

### 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
<b>Total</b>	<b>77</b>	<b>78</b>

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

### 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
<b><u>Credited to Taxation and Non-Specific Grant Income &amp; Expenditure (Note 14)</u></b>		
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)
<b>Total</b>	<b>(7,873)</b>	<b>(15,511)</b>
<b><u>Credited to Services</u></b>		
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)
<b>Total</b>	<b>(22,930)</b>	<b>(26,804)</b>

In addition to the above amounts, a further £30.370m was paid to the council, by the government, and distributed to local businesses in the form of business support grants (£22.045m, including retail, hospitality and leisure support grants) and local restrictions grants (£8.325m). 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:

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

### 34 RELATED PARTIES

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

- **Central Government**

Central government has effective control over the 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 5<sup>th</sup> 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 31<sup>st</sup> 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)
<b>Closing Capital Financing Requirement</b>	<b>88,865</b>	<b>89,271</b>
Explanation of movements in year		
Increase in prudential borrowing	40,150	2,119
Provision made for debt repayment	(569)	(1,713)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>39,581</b>	<b>406</b>

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

#### Finance leases

The Council has no finance leases

#### Operating leases

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

	31 March 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
<b>Minimum lease payments</b>	<b>2,271</b>	<b>0</b>	<b>2,223</b>	<b>0</b>

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)
<b>Total payable rentals</b>	<b>470</b>	<b>421</b>

### 36b Authority as Lessor

#### Finance leases

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

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

	31 March 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
<b>Gross investment in the lease</b>	<b>2,405</b>	<b>2,381</b>

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

	Gross investment in the lease		Minimum lease payments	
	31 March 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
<b>Total</b>	<b>2,405</b>	<b>2,381</b>	<b>2,405</b>	<b>2,381</b>

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
<b>Total receivable rentals</b>	<b>81,010</b>	<b>75,371</b>

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 1<sup>st</sup> 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
<u>Comprehensive Income &amp; Expenditure Statement</u>		
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)
<b>Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service</b>	<b>5,752</b>	<b>3,694</b>
<u>Other post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</u>		
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
<b>Total re-measurements recognised in Other Comprehensive Income</b>	<b>(6,510)</b>	<b>11,999</b>
<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(758)</b>	<b>15,693</b>
<u>Movement in Reserves Statement</u>		
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

	<b>Scheme Liabilities</b>	
	<b>Local Government Pension</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	(146,219)	(169,487)
Fair value of plan assets	103,169	113,667
<b>Net liability arising from defined benefit obligation</b>	<b>(43,050)</b>	<b>(55,820)</b>

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

	<b>Scheme Assets</b>	
	<b>Local Government Pension</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of scheme assets</b>	<b>103,684</b>	<b>103,169</b>
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	2,923
Employee contributions	562	541
Benefits paid	(5,122)	(4,270)
Other	(50)	(49)
<b>Closing fair value of scheme assets</b>	<b>103,169</b>	<b>113,667</b>

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

	Scheme Liabilities	
	Local Government Pension	
	2019/20	2020/21
	£'000	£'000
<b>Opening Balance at 1 April</b>	<b>(149,951)</b>	<b>(146,219)</b>
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
Curtailement	(112)	(109)
Past service costs	(1,656)	0
<b>Closing Balance at 31 March</b>	<b>(146,219)</b>	<b>(169,487)</b>

### 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 %
<b>Cash</b>				
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%
	<b>1,135</b>	<b>1.10%</b>	<b>2,491</b>	<b>2.21%</b>
<b>Bonds</b>				
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%
<b>Sub-total bonds</b>	<b>2,578</b>	<b>2.50%</b>	<b>0</b>	<b>0.00%</b>
<b>Property</b>				
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%
<b>Sub-total property</b>	<b>1,445</b>	<b>1.40%</b>	<b>1,933</b>	<b>1.71%</b>
<b>Private equity</b>				
UK	0	0.00%	0	0.00%
Overseas *	8,254	8.00%	9,049	8.02%
<b>Sub-total private equity</b>	<b>8,254</b>	<b>8.00%</b>	<b>9,049</b>	<b>8.02%</b>
<b>Other</b>				
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%
<b>Sub-total alternatives</b>	<b>89,757</b>	<b>87.00%</b>	<b>99,311</b>	<b>88.06%</b>
	<b>103,169</b>	<b>100.00%</b>	<b>112,784</b>	<b>100.00%</b>

\* 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
<b>Mortality assumptions</b>		
<i>Longevity at 65 for current pensioners</i>		
Men	22.3 yrs	22.4 yrs
Women	25 yrs	25.1 yrs
<i>Longevity at 65 for future pensioners</i>		
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		Collection Fund	2020/21	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		<b>INCOME</b>		
	68,775	Council Tax Receivable		70,728
26,051		Business Rates Receivable	13,674	
<b>26,051</b>	<b>68,775</b>	<b>Total Income</b>	<b>13,674</b>	<b>70,728</b>
		<b>EXPENDITURE</b>		
		<b>Apportionment of previous year's estimated Surplus/(Deficit)</b>		
(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
		<b>Precepts, Demands and Shares</b>		
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
<b>23,839</b>	<b>68,479</b>	<b>Total Expenditure</b>	<b>24,544</b>	<b>71,702</b>
		<b>Transfers From General Fund</b>		
		Discretionary Discounts		(808)
		<b>Charges to Collection Fund</b>		
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	
<b>900</b>	<b>423</b>	<b>Total Charges to Collection Fund</b>	<b>1,275</b>	<b>190</b>
<b>1,312</b>	<b>(127)</b>	<b>Surplus/(Deficit) arising during the year</b>	<b>(12,145)</b>	<b>(1,164)</b>
		<b>Collection Fund Balance</b>		
(585)	1,354	Balance brought forward at 1 April	727	1,227
1,312	(127)	Surplus/(Deficit) for the year	(12,145)	(1,164)
<b>727</b>	<b>1,227</b>	<b>Balance carried forward at 31 March</b>	<b>(11,418)</b>	<b>63</b>
		<b>Allocated to</b>		
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
<b>727</b>	<b>1,227</b>	<b>Surplus/(Deficit) at 31 March</b>	<b>(11,418)</b>	<b>63</b>

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

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in 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 that 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
<b>3,966</b>	<b>NNDR net income per Note 14</b>	<b>(1,665)</b>

This council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate, meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government. For more information on the Lancashire Business Rates Pool see Note 14. 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 77.

## **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<sup>1</sup>. 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.

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

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 be 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 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	<ul style="list-style-type: none"> <li>- To review &amp; update Risk Management Framework</li> <li>- Arrange and provide risk management training</li> </ul>	<p><b>Complete – the Risk Management Framework has been reviewed and the council have recommitted to the GRACE risk management system.</b></p> <p><b>Carried forward - Training has commenced and will be completed shortly</b></p>
2. Fraud	2.1 To Review and update Anti-fraud policies	<ul style="list-style-type: none"> <li>- To review and update the Anti-fraud policies</li> </ul>	<p><b>Outstanding</b></p> <p><b>The review of the Anti-Fraud Policies has been undertaken.</b></p>
	2.2 To increase fraud awareness	<ul style="list-style-type: none"> <li>- Fraud awareness training to be delivered to all relevant officers using e-learning modules</li> <li>- Fraud reports to be presented to Governance Committee on a regular basis.</li> </ul>	
	2.3 To compile and monitor a fraud risk register	<ul style="list-style-type: none"> <li>- Fraud risk register to be compiled and monitored on a regular basis</li> </ul>	
3. Transparency	3.1 To ensure full compliance with the revised requirements of the Transparency Code.	<ul style="list-style-type: none"> <li>- A review of compliance with the Code has been undertaken and areas of non-compliance are to be actioned namely; <ul style="list-style-type: none"> <li>• Publication of contracts</li> </ul> </li> </ul>	<b>Outstanding</b>
4. Compliance with Contract Procedure Rules (CPRs)	4.1 To further embed procurement policies and procedures, and to strengthen the current CPRs.	<ul style="list-style-type: none"> <li>- To develop and implement a contract management system through 'Agile Point'</li> <li>- To arrange and provide training to relevant staff</li> </ul>	<b>Complete</b>
5. Shared Services	<ul style="list-style-type: none"> <li>a. Implement enhanced Shared Services Governance Arrangements</li> <li>b. To review the staffing and resourcing of Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>- To review and update the shared services agreement to specifically address matters that have arisen and the extension of shared services</li> <li>- To review staffing and resourcing of Internal</li> </ul>	<b>Complete</b>

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

Table B

Themes	Improvement Required
Induction/Recruitment	<p>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.</p> <p>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</p>
Corporate Information Source for Officers (The Loop)	<p>To improve the user experience for employees and ensure essential information is easy to access. The following improvements to The Loop should be considered:</p> <ul style="list-style-type: none"> <li>• Defined area on The Loop for all core policies.</li> <li>• Service areas to review information they have published on he Loop and to remove outdated material.</li> <li>• Create a manager zone within The Loop to ensure all essential guidance and resources for managerial responsibilities are easily sourced.</li> </ul>
Risk Management	<p>Ensure risk management is embedded throughout the organisation and within all Council activities.</p>
GDPR - RoPA	<p>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.</p>
Key Corporate Policies	<p>Adopt a standardised version control format for all policies and strategies.</p> <p>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.</p>

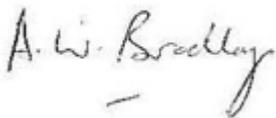
Value for Money	Adopt an organisation wide Transformation Strategy & Programme incorporating a value for money elements to deliver efficient services through service reviews and shared services.
Inventories	Directors will ensure that inventories are compiled and maintained in accordance with the Councils 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.



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



**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 an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

## **Financial Regulations**

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

## **General Fund**

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

## **Highways Network Asset**

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. District Council's such as Chorley Borough Council rarely hold such assets as they are not Highways Authorities.

## **Housing Benefit**

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

## **Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

## **Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

## **Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

## **International Financial Reporting Standard (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

## **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Joint Venture**

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

### **Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

### **Medium Term Financial Strategy (MTFS)**

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the General Fund revenue budget, and capital programme. At Chorley Borough Council this usually covers a three year timeframe.

### **Minimum Revenue Provision (MRP)**

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge. MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989 and calculated in accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

### **Non-Domestic Rate (NDR) (also known as Business Rates)**

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

### **Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Net Realisable Value (NRV)**

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

### **Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

### **Precept**

The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting Authorities in Chorley Council are Lancashire County Council, the Police and Crime Commissioner for Lancashire, and the Lancashire Combined Fire and Rescue Authority. Parish precepts are also collected on behalf of a number of Parish and Town Councils in the area.

### **Premiums**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

### **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

### **Property, Plant and Equipment (PPE)**

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

### **Provisions**

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

### **Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

### **Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### **Remeasurement of the Net Defined Benefit Liability**

Remeasurement of the Net Defined Benefit Liability (asset) comprises:

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

### **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

### **Regulation(s)**

Various Acts of Parliament, Statutory Instruments and Bills that require local authorities to account for transactions in a particularly way which might depart from proper accounting practice, IFRS or other Reporting Standards.

### **Reserves**

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

**Revaluation Reserve**

The Revaluation Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

**Revenue Support Grant**

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

**Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

**Royal Institution of Chartered Surveyors (RICS)**

The Royal Institution of Chartered Surveyors (RICS) is a professional body that accredits professionals within the land, property and construction sectors worldwide.

Members holding RICS qualifications may use the following designations after their name: MRICS (Member), FRICS (Fellow), AssocRICS (Associate). Those with the designation MRICS or FRICS are also known as chartered surveyors.

**Service Reporting Code of Practice (SeRCOP)**

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

**Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy (TMS)**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

**Voluntary Revenue Provision**

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required, this is the Voluntary Revenue Provision (VRP).