



Preston City Council

Statement of Accounts

2020-21





CHRISTIAN
SCIENCE CHURCH

CHURCH STREET

FISHERGATE

COUNTY HALL/TRAINS

TOWN HALL & 7

GUILD HALL & BUSES

Contents Page

Councillor Preface	1
Director of Resources Narrative Report (Section 151 Officer)	2
Statement of Responsibilities for the Statement of Accounts	21
Independent Auditor's Report to Preston City Council	22
Core Financial Statements:-	
• Comprehensive Income and Expenditure Statement	30
• Movements in Reserves Statement	31
• Balance Sheet	32
• Cash Flow Statement	33
• Notes to the Core Financial Statements	34
Supplementary Statements:-	
• Collection Fund	93
• Bequests and Trust Funds (Unconsolidated)	97
• Other Funds (Unconsolidated)	97
Annual Governance Statement	98
Glossary of Terms	116



Narrative Report

1 Councillor Preface

Introduction to the 2020/21 Statement of Accounts by Councillor Martyn Rawlinson, Cabinet Member for Resources and Deputy Leader.

Thank you for taking the time to read Preston City Council's Statement of Accounts for 2020/21, giving me the opportunity to highlight the excellent management of the Council's resources, in spite of the financial challenges the Council continues to face.



Preston City Council has continued to maintain its professionalism and efficiency in both financial management and governance procedures especially during these unprecedented times during a global pandemic.

The Council has played a significant part in providing support throughout the pandemic to our residents, communities and local businesses. We have paid out £51.3m in business grants to local businesses, granted rent relief/rent holidays to our city centre investment property tenants, provided a community food hub and supported 24 food hubs hosted by local schools, faith and community groups throughout Preston. We have ensured our waste collection services operated fully throughout the periods of lock down, ensured that our Parks and Open spaces area safe and welcoming environment for the public. We have worked with key partners to support the safe and successful reopening of the high street, provided a test and trace service, covid testing centres and worked with the NHS in organisation pop up vaccination days.

Alongside the urgent Covid work we have undertaken we have continued to pursue our ambitious agenda for Preston. In recent months we have had confirmation of successful bids through Towns Fund, the National Lottery Heritage Fund for the Harris Your Place Project and DCMS Cultural Recovery fund. We have maintained high quality services across the board – including waste collection, environmental health, parks, Preston Markets, cemetery and crematorium services.

Despite the difficult budget decisions that we have had to make in recent years, I believe that we are delivering high-quality frontline services to Preston's residents. Our ambitions remain high and we are proud to serve this city and of the work we, alongside partners, continue to achieve. There is financial and economic uncertainty as we support our residents, communities and businesses throughout the recovery stage. We do not yet know the long term impact of covid on the economy and we await confirmation from the Government as to future funding levels from 2021 onwards.

We have healthy levels of reserves and have previously identified a list of contingency of savings which could easily be implemented in the event urgent savings are required. The greatest challenge for the Council is achieving long term financial stability, ensuring we have a position where we do not spend more than our income.

Finally, I would like to take this opportunity to thank the Finance staff who have once again worked hard to close the accounts and prepare the Statement of Accounts accurately and on time, achieving the statutory deadline.

Narrative Report

2 Director of Resources Narrative Report (Section 151 Officer)

1. Introduction

The purpose of this narrative report is to provide information about Preston, including key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2021.

The narrative report adopts the following structure:

- An Introduction to Preston
- Information about the Council
- The Council's Non-Financial Performance in 2020/21
- Financial Performance of the Council in 2020/21
- Economic Climate and Financial Outlook for the Future
- Principal Risks and Uncertainties affecting the Council
- Explanation of Financial Statements



Jackie Wilding
Director of Resources

2. An Introduction to Preston



Preston is a City in Lancashire, situated approximately 27 miles (43 km) northwest of Manchester, 26 miles (42 km) northeast of Liverpool, and 15 miles (24 km) east of the coastal town of Blackpool.

Located in the heart of the North West of England, on the north bank of the River Ribble, Preston is one of the most networked Cities in the country, being a major stop on the west

coast mainline, and with road connections north and south via the M6 and east via the M65.

The River Ribble provides a southern border for the City and the Forest of Bowland forms a backdrop to Preston to the northeast, while the Fylde lies to the west. The southern section of Preston is mostly urbanised whilst north Preston is quite rural.

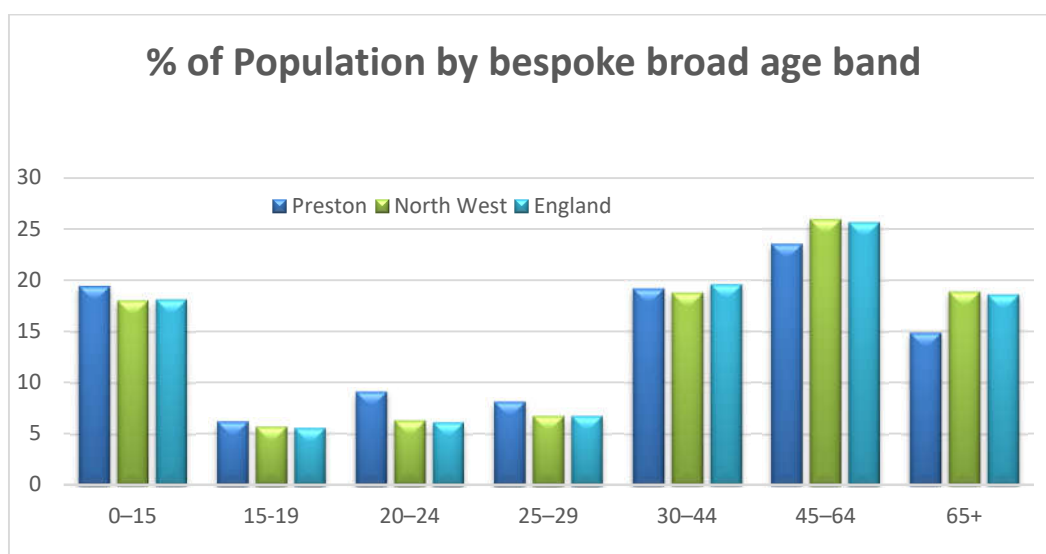


Preston is one of twelve lower tier district Councils in the county of Lancashire and shares borders with Wyre, Fylde, South Ribble and Ribble Valley.

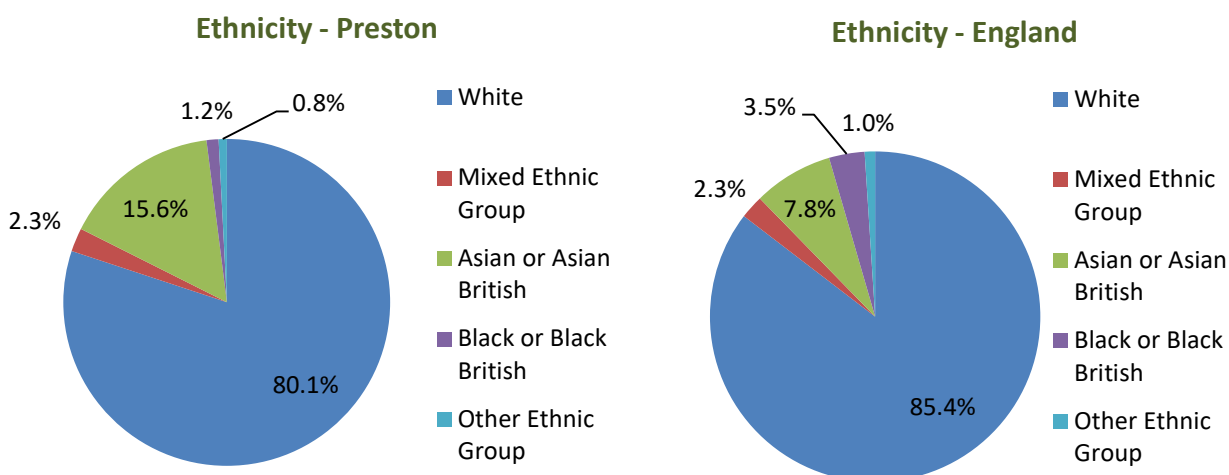
Narrative Report

Population

- Preston has a population of 141,800.
- The population of Preston is projected to increase to 149,015 at 2043.
- The number of people per km² is more than twice the England and Wales average.
- Preston’s population is relatively young with a higher than average percentage of under 30s and fewer elderly people.
- The presence of the large University of Central Lancashire (UCLan), in central Preston has a strong impact on the age distribution in the area. Preston also has a smaller proportion of older people (65+) compared with the national average.



Preston is a diverse and multicultural City, the ethnic makeup based on the 2011 census is shown in the comparative graphs below. The 2021 census has recently taken place however the main results will only be published within two years of the census:-



Narrative Report

Local Economy and Business Information

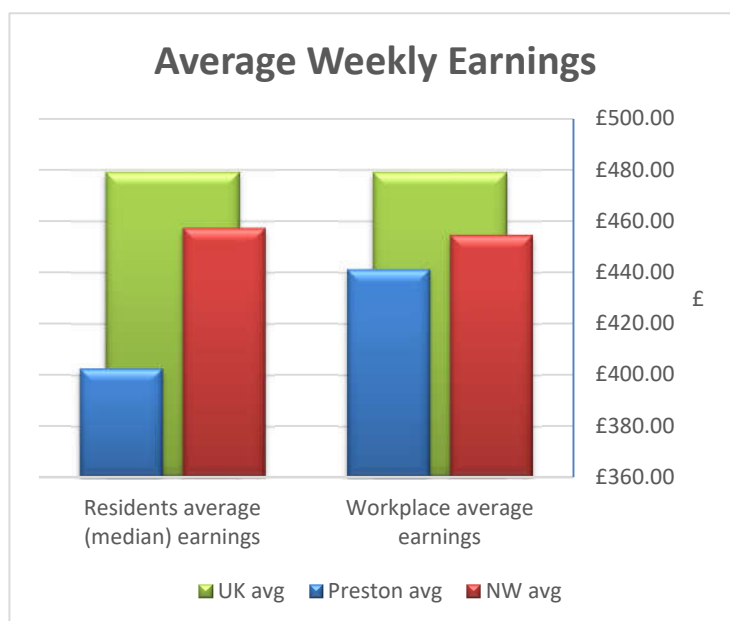
Preston is an important retail centre which includes the City Centre and the Deepdale retail park. The City is also a significant night time destination offering restaurants, pubs and clubs.

In Preston as in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown to become a far greater source of employee jobs. Preston has a lower rate of employee jobs in the manufacturing sector than is the norm in Lancashire and nationally and conversely a higher rate of employment in the service sector. Employment numbers in the human health and social work, public administration, defence, compulsory social security and education are high. In addition to both Preston City Council and Lancashire County Council's presence in the centre of Preston, public sector employment in the area is supplemented by the Lancashire Fire and Rescue Service HQ in Fulwood. The University of Central Lancashire (UCLan) is also a major source of employment, as is Royal Preston Hospital.

Housing and Earnings

Preston has around 64,847 dwellings, and 82% are owner occupied or private rented. 45.8% are in lowest category 'A' Council tax band, partly due to the high number of terraced houses within the City. Since 2017/18 the Preston area has recorded over 1,500 net additional dwellings.

Statistics for 2020 showed an improvement in the average (median) weekly earnings for residents in Preston is £485.70 compared to the UK average of £479. However detailed statistics are only available for 2019 which show the workplace average weekly earnings for Preston of £441.20 compared to the North West average of £454.60 and UK average of £479.10. These figures show that for a number of people Preston is an attractive place where they commute to better paid employment opportunities rather than live. Statistics for 2019 show the average (mean) household income in Preston at £21.7k, is 87.1% of the average for the UK, this is a 1.6% increase on the previous year.



15.1% of households were in fuel poverty in 2018. The 2019 Indices of Deprivation reveals that Preston was the 46th most deprived area out of 317 districts and unitary authorities in England, when measured by the rank of average rank.

3. Information about the Council

Preston City Council is a district council, working alongside Lancashire County Council as part of a two-tier local government system.

Narrative Report

Political Structure

The number of wards is 16 and the number of elected Councillors is 48.

Councillors are responsible for taking decisions about the future of Preston and important public services such as planning, housing, leisure and culture, waste collection and recycling. They represent the residents of Preston.

The political make-up of the Council during 2020/21 was:

Political Make-up	
30	Labour Councillors
9	Liberal Democrat Councillors
8*	Conservative Councillors
1	Vacant

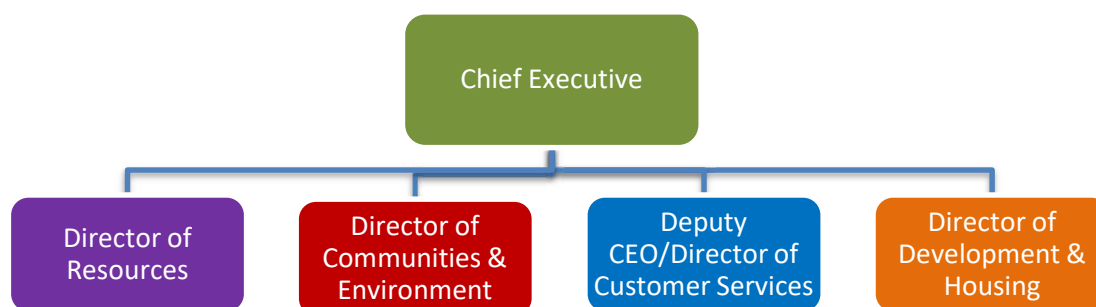
*As of 7 May 2020 Councillor Ian Donnell resigned his position. Due to the Coronavirus, former Councillor Donnell's position would remain vacant until the May 2021 elections. Due to the Conservative vacancy the Liberal Democrats became the first Opposition Group with 9 Members to the Conservatives 8 Members. Labour retained control of the Council with 30 Members.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive functions. Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution.

Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team (CMT). The Chief Executive (Adrian Phillips) and four Directors.

CMT provides managerial leadership of the Council and supports Elected Members of the Council in developing strategies, identifying and planning resources, delivering plans and reviewing the Council's effectiveness. The team works together to achieve the most effective services possible for the City's diverse communities.



A new Corporate Management Structure was put in place from August 2021, in which the City Treasurer becomes the Director of Resources increasing the number of Directors to four.

Council Employees

The Council is one of the largest employers in the area with 646 (550 FTE) employees in 2020/21. The figure includes a number of apprentices employed in a wide variety of roles. From April 2017, the Council was required to pay an annual apprenticeship levy which equates to 0.5% of the

Narrative Report

Council's total pay bill. This money is used to pay for apprenticeship training and to implement an approved apprenticeship standard for both new recruits and existing employees.

Council Services

In a usual year the Council spends more than £79 million providing a range of public services from waste collection to planning. However, in 2020/21 the Council has spent over £7m more on distributing discretionary grants.

During an average year, the Council:



The Covid pandemic resulted in service provision being increased over the last sixteen month. For example, the Council has collected over a third more waste during the lock down periods, there has been increased footfall across all the parks and open spaces. The food and business premises inspections have increased as the Enforcement Officers have visited premises to ensure they are operating in a covid safe environment.

Environmental

Preston City Council, along with the 14 District Councils (including the two Unitaries) within Lancashire are striving to meet the Government's stringent targets for reducing emissions.

Preston City Council has *reduced its Green House Gas Emission since 2008*. This has been achieved by investing in energy saving measures including the installation of new energy efficient heating boilers, replacing an existing gas boiler for a bio-mass boiler, the introduction of energy efficient LED lighting, the installation of voltage optimisation equipment and staff awareness training. The Council is currently looking at further measures to enable the Council to become carbon neutral by 2030.

Members agreed a Notice of Motion, declaring a Climate Change Emergency at the April 2019 Council meeting. A Councillors task and finish working group has been set up and is considering options available. The Council has agreed a £0.5m capital scheme available for funding climate change schemes/covid business grant recovery scheme. Officers are increasing their knowledge of

Narrative Report

Climate Change matters and are seeking to learn from other Councils about best practice relating to becoming carbon neutral.

The Council continues to promote recycling, although the recycling rate has reduced to 32.4% following the introduction of charges for garden waste collections. This still represents 18,964 tonnes of waste which has been recycled in 2020/21.

4. The Council's Non- Financial Performance in 2020/21

The key issue that influenced the Council and its Financial Position in 2020/21 was responding to the global pandemic.

Since the start of the pandemic the Council has:-

- Implemented emergency powers to enable the Council to respond to the Global pandemic.
- Been a key member of the Lancashire Resilience Forum which is enabling to a Lancashire wide response to the pandemic.
- Enabled the Council to hold meetings virtually and a high majority of staff to work from home through effective IT systems.
- Kept the residents of Preston updated with key messages on social media.
- Supported the vulnerable and provided food parcels through the dedicated Community Hub.
- Provided accommodation for homeless and rough sleepers.
- Paid Business Support grant payments to local businesses on behalf of the Government.
- Granted £4.17m in discretionary business payments to businesses.
- Granted over £30m in business rates retail relief.
- Allocated £1.6m council tax hardship fund.
- Granted rent relief and rent holidays to the Council's investment property tenants.
- Worked with City Centre businesses to ensure that the city centre safely re-opened after the lock down.
- Set up and operated two walk-in testing sites in Preston.
- Administered the self-isolation grant payment scheme.
- Carried out test and tracing through a dedicated team of outbreak containment tracers.
- Environmental Health have been contacting businesses giving advice to ensure they remain Covid compliant. They have also taken an enforcement role.
- Emergency grant assistance has been made available for the vulnerable.
- A venue has been made available for Covid-19 testing for businesses in the City Centre.

Throughout the pandemic the Council has been working with key partners.

The Covid-19 pandemic provided an opportunity for the Council to review the way in which it works, how it uses its buildings and consideration of environmental factors both for the Council and the whole Preston Area.

The Council has continued with its major plans for City Centre Development. The Council has been successful in a National Lottery Heritage Fund bid to enable an initial £10m scheme to move ahead on the Re-Imagining the Harris – Harris Your Place scheme for the Harris Museum and Library. A Towns Fund board has been set up to oversee the £19.9m Towns Fund grant which the Council

Narrative Report

has been awarded. The Council is working towards a decision on Animate (Harris Quarter Cinema & Leisure Scheme).

Our Priority Areas

Our overall ambition is that Preston is a growing vibrant City. We try to make all our efforts as a Council count towards achieving this by focusing on **three priority areas**:-

Preston – A growing vibrant City

Your City	<ul style="list-style-type: none">• Securing investment; improving assets and infrastructure; attracting high quality jobs; creating a City with a strong cultural and leisure offer.
Fairness for you	<ul style="list-style-type: none">• Fairness at the heart of decision making; an economy supporting prosperity and promoting fairness in working lives and practices; accessibility to affordable energy and decent affordable homes.
Your Council	<ul style="list-style-type: none">• Providing well run value for money services; demonstrating good governance, openness, transparency and a strong democratic process

The current priority areas are explained in the Achieving Preston's Priorities document agreed at Budget Council February 2021 which can be found at: <https://www.preston.gov.uk/corporateplan>

Partnership Working

To deliver our priorities we frequently work in partnership with other organisations. Much of this work is led and co-ordinated through formal partnerships and where practical, priorities are aligned to ensure we have a common purpose and co-ordinate resources.

Throughout 2020/21 the City Council played an active role in collaborative working across Lancashire. The Council is working together with Lancashire County Council and UCLAN to improve the infrastructure of Preston City Centre. Progress continues on the City Deal, with our partners, with housing developments ongoing in North West Preston and significant progression on the Preston Western Distributor road. We have a Cultural Framework Board with our creative partners. In addition we have been engaged and are active partners in the Central Lancashire Health & Wellbeing Partnership.

Narrative Report

How we Performed in 2020/21 – Achieving Preston’s Priorities



During 2020/21 significant progress was made on a number of projects which are improving the City for residents, visitors and businesses alike. We have made good progress across all our priorities and with regard to our Fairness Agenda have continued to attract interest from other councils and at national level. At the same time, Preston continues to be a growing vibrant City. The following gives a summary of progress during 2020/21 and the next steps.

Narrative Report

Your Council

How we performed

- **The ICT department** enabled the majority of the workforce to work remotely in response to Covid.
- Significant levels of Business grants paid to local businesses.
- **The Service Improvement Board** has continued to oversee implementation of projects to enable more digitised Council services.
- **Cyber risk awareness - targeted training** for staff and Council Members and use of phishing simulation tests.
- **Virtual Desktop Infrastructure (VDI)** - We continued to roll out VDI.
- **Carbon Neutral** - A notice of motion to declare a climate change emergency has been agreed by the Council. A task and finish working group has been considering options on how the Council can become carbon neutral by 2030.

Your City

How we performed

- **Revitalised Market/New Cinema & Restaurant Development** - A positive dialogue on the delivery of Animate (Harris Quarter Cinema and Leisure Scheme) has continued throughout the year between the Council, Maple Grove Developments and the key operators.
- **Preston, South Ribble and Lancashire City Deal** - The largest road scheme of the whole City Deal programme, the new Preston Western Distributor and East-West Link Road, is progressing.
- **City Living Strategy** - has been successful in winning various awards in 2020 and 2021.
- **Re-imagining the Harris** - The Council has been successful in a Heritage Fund Lottery bid . Harris Quarter Pops Up -
- under the **Towns Fund** initiative, the government has provided the Council a grant of £1m accelerated funding:- the 6 **Pops Up projects** are:
 - MET (Mobile Event Tent)
 - Wallace and Gromit Bench Sculpture
 - Animate Hoardings
 - Public Art Murals
 - Telephone Boxes
 - Public Realm upgrade

Fairness for You

How we performed

- **Embedded fairness in the Council's strategic Planning**, the principles in the Fairness Charter underpin all of the Council's activities.
- **Community Wealth Building** - Spring 2021 saw the launch of the revised strategy Community Wealth Building 2.0 Leading Resilience and Recovery in Preston.
- Lead partner in a second **EU funded transnational urban project - Making Spend Matter**.
- **Community Bank** - The plans for a North West Community Bank continue to move forward. A business case was presented to Council in early 2021.
- **Financial Inclusion** - the www.helpinpreston.com website.
- **Rough Sleeper Initiative** - was successful in receiving continued funding to work in partnership with the Foxton Centre and Community Gateway Association to reduce the number of people sleeping rough in Preston.

Your Council

•What's next

- Work is underway regarding the Council's migration to **Office 365** and **sharepoint online**.
- Working towards a **Carbon Neutral Council** by 2030.

Your City

•What's next

- **£19.9m Towns Fund** allocation for **six City Centre development** projects
- **Harris Quarter** - continued progress towards a decision on a cinema-led leisure scheme.
- **Re-imagining the Harris** - Commencing procurement following approval of a Towns Fund business case

Fairness for You

•What's next

- **Community Wealth Building Strategy**
- Work towards increasing the flow of **affordable housing units**
- Continued working towards setting up a **Community Bank**.
- Continue supporting the establishment of **Co-operatives**

Narrative Report

Achieving Preston's Priorities - Financial Strategy and Plans

The Council set out the financial forecast, the capital strategy, the treasury management strategy and the investment strategy in the Achieving Preston's Priorities document presented at Budget Council February 2021 (*see link below*). The report set out how the Council had in the main achieved the efficiencies set out in the four year efficiency plan which ended in March 2020. Growth budget proposals were agreed for 2021/22 and a £600k savings target set for 2022/23 onwards. The Budget Working Group which consists of Cabinet Members met and considered the forecast which was updated to reflect the 2020/21 outturn position and forecast projections. A forecast update was presented to October 2021 Full Council and the Cabinet consulted on its 2022/23 budget proposals during the beginning of 2022.

<https://www.preston.gov.uk/corporateplan>

The Council continues to digitise services where possible to achieve additional savings. Revenue expenditure has continued to reduce in line with all the previous savings targets over the last 10 years.

Managing Performance

The Council is in the process of strengthening its governance arrangements. Pre the pandemic the Council undertook an exercise to review all performance indicators (PIs) and evaluate if the performance reporting system was fit for purpose. All PIs were identified as strategic, operational or needing to be closed. Following a review of the performance system it was agreed that the system was ultimately fit for use however that it did require improvements to enable managers to input data efficiently and for the reports to be meaningful and easily accessible with the aim of Cabinet Members, Directors and Assistant Directors being able to access via the internet.

A strengthened performance management framework will be considered by the Corporate Management Team.

The Council has a proactive approach to financial forecasting and budget management with extensive systems and procedures in place. A review was undertaken on the Council's financial management against the CIPFA financial management code requirements. Whilst the Council has embedded budget monitoring arrangements these are being reviewed to enhance the reporting.

5. Financial Performance of the Council in 2020/21

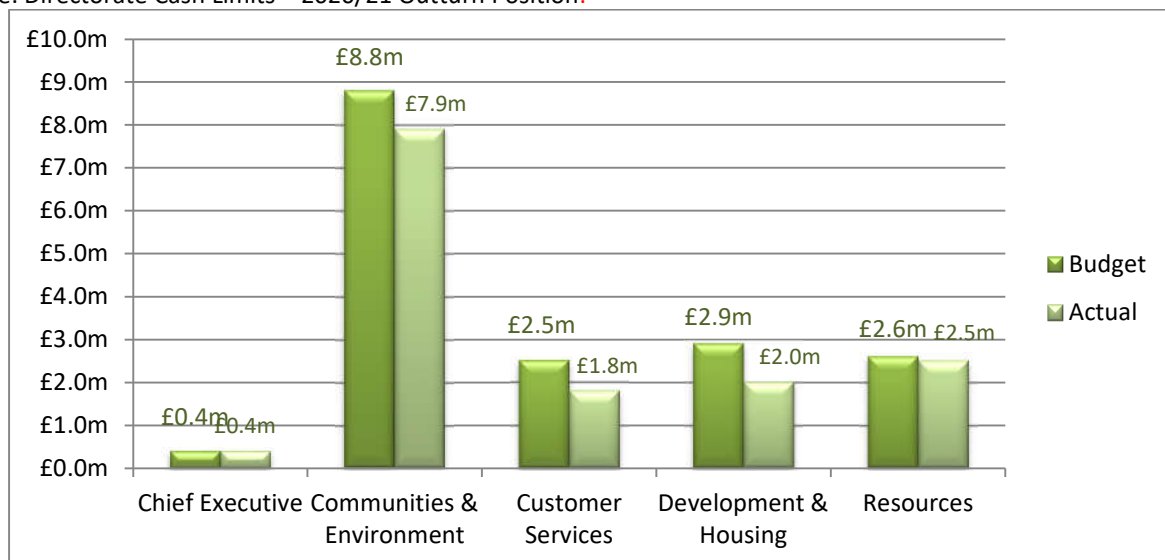
The Council set an original revenue net budget of £22.231m (February 2020 Budget Council) for 2020/21. This was revised to £21.907m as a result of known forecast issues and reported to Budget Council in February 2021. The Council finances its net budget through Council Tax, General Government Grants and Retained Business Rates income.

Service Financial Performance

The Council manages and presents in-year financial information in the format of Directorate Cash Limit Budgets. The Directorate cash limit outturn position was reported within the Outturn Report to Cabinet on 29 August 2020. Full details of expenditure, income and budget variances are set out within the report which is available on the Council's website.

Narrative Report

Table: Directorate Cash Limits – 2020/21 Outturn Position:



The outturn position for 2020/21 resulted in a net underspend of £2.597m against budget which has enabled the Council to contribute to general fund reserves. When taking into consideration the requests for carry forward of budget underspends totalling £1.875m into 2021/22 the underlying underspend is £0.722m. This improves the Council’s financial position in the short term however in the long term the financial position still remains a key concern due to the uncertainty of future Government funding and the unknown long term impact on the economy from Covid.

The Council sets aside government funding relating to business rates in order to alleviate peaks and troughs on the financial forecast from the timings of when an Authority accounts for deficits or surpluses on the Collection Fund. In 2020/21 there was a higher than usual transfer to reserves due to the technical accounting of the NNDR reliefs and the timing differences of when we have to account for the Government compensation grant funding.

The Council has a policy to avoid compulsory redundancy where possible, seeking volunteers and identifying redeployment opportunities. There was 1 post affected during 2020/21.

The Council has a Reserves and Balances policy. The next update will incorporate the impact on balances from the outturn position.

Narrative Report

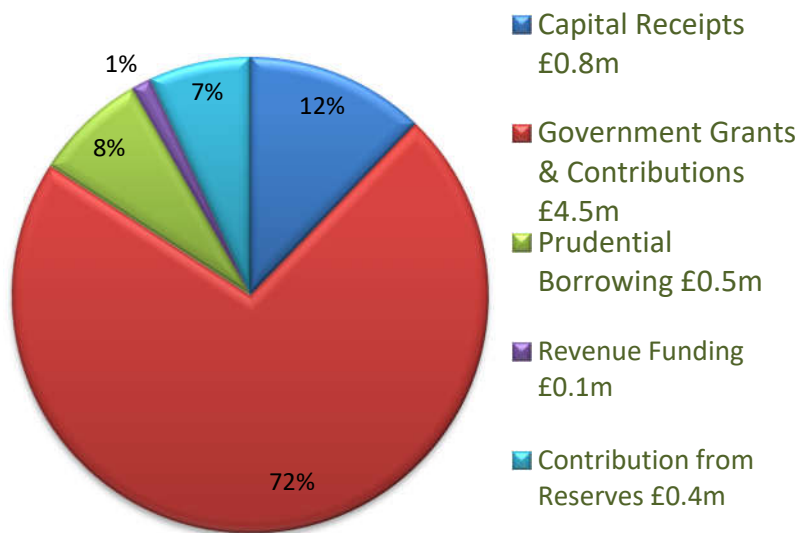
The table below shows the summary revenue budget outturn for 2020/21:

Summary of Revenue Expenditure in 2020/21	Budget £m	Actual £m	Variance £m
Service Directorate – Cash Limit Net Expenditure <i>(see chart above)</i>	17.2	14.7	-2.5
Other net expenditure <i>(as set out in the outturn report)</i>	24.9	27.3	2.4
Total Net Expenditure	42.1	42.0	-0.1
Financing:			
Government Grants	-22.3	-22.3	-0.0
Non-Domestic Rate Distribution	-4.1	-3.2	0.9
Capital grants and contributions	-1.7	-5.0	-3.3
Council Tax Requirement	-12.6	-12.6	0.0
Sub total	-40.6	-43.1	-2.5
Net Call on General Fund Balance	1.5	-1.1	-2.6

Capital Investment in 2020/21

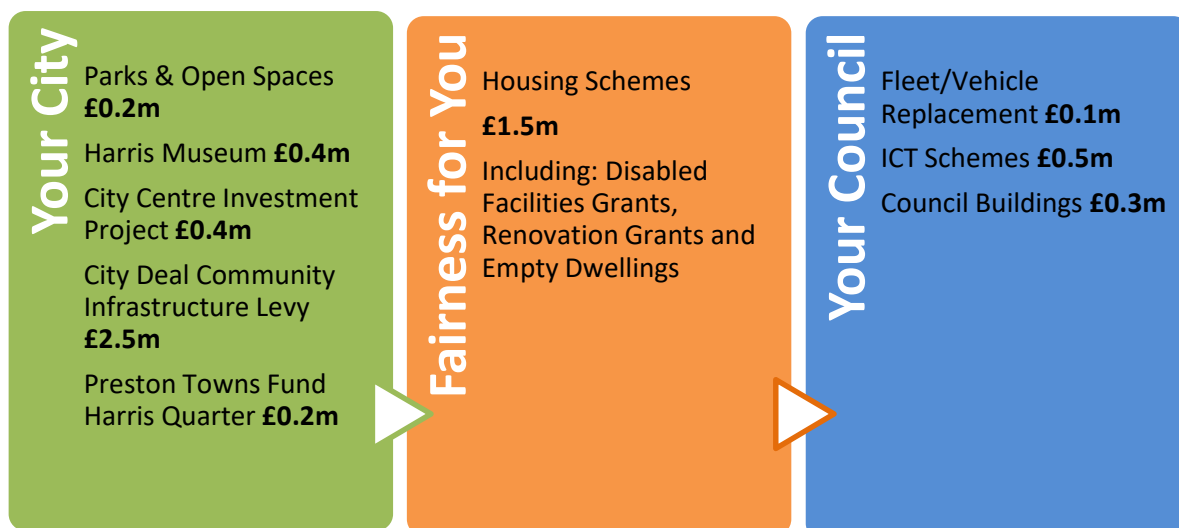
During 2020/21 the Council spent £6.179m on capital projects against a target estimate of £7.730m. This was financed via various funding sources as indicated in the pie chart opposite. *Further details can be found in the Outturn report presented to Cabinet 21 July 2021.*

Financing of 2020/21 Capital Expenditure



Examples of capital schemes by Council Priority:

Narrative Report



Future Capital Spending Plans

During 2020/21 the Council planned an ambitious five year capital programme of £38.7m which included key schemes aiming to create regeneration of the City Centre and investment in major infrastructure via the City Deal Partnership. The table below shows the predicted spend over the period to 2024/25.

Table: Capital Investment Programme Summary 2020/21 to 2024/25:

The table below highlights spend in relation to the Council's key priorities.

Priority Area	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Your Council	1.6	4.3	4.4	1.0	0.8	12.1
Your City	4.5	4.3	6.7	3.3	2.8	21.7
Fairness for You	1.5	0.8	1.6	0.5	0.5	4.9
Estimated Expenditure	7.6	9.4	12.7	4.8	4.1	38.7

The capital programme, approved at the Budget Council meeting in February 2021, identified spend between approved schemes and those still awaiting scheme approval by Cabinet. The table above highlights spend in relation to the Council's key priorities.

The following diagram shows the financing sources available to fund the capital investment programme:



Narrative Report

Balance Sheet

The Council's net assets decreased by £12.8m from the end of March 2020 to the end of March 2021. The decrease is due to several different factors including an increase in value of the Council's Pension Liability (Long-term Liabilities), and an increase in Short-term Creditors. The Council currently has a significant level of non-earmarked reserves, however these are being used to fund the shortfall between how much the Council spends and how much funding the Council receives. In addition the Council holds a number of earmarked reserves for specific purposes and capital receipts available for financing future capital investment. The table below shows a summarised view of the balance sheet:

Table: Balance Sheet Summary

	At 31 March 2020	At 31 March 2021
	£m	£m
Non-current assets	169.0	174.2
Net current assets – debtors, stock and cash less short term creditors and Long Term liabilities	(79.3)	(97.2)
Net Assets	89.7	77.0
Represented by: Usable reserves	42.4	62.9
Represented by: Unusable reserves	47.3	14.1

Non-Current Assets - In 2020/21, the Council spent £6.2m on capital schemes. The Council carries out a programme of revaluations on its operational assets, in addition an annual review is conducted to ensure that the valuation in the accounts does not differ materially from fair value of the asset.

In 2009/10 the Council received £8m from the Homes and Communities Agency (HCA), as an endowment in respect of the transfer of ownership and ongoing maintenance of community related assets. A small number of Homes & Community Agency assets are still waiting to be transferred to the Council.

Borrowings and Investments

The Council is able to borrow money from PWLB (an agency of HM Treasury), banks and building societies, or from other public bodies. The Council's borrowing need as at 31 March 2021 was met by a combination of long term actual debt of £12.3m and internal cash balances. The use of internal cash balances in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. These amounts are analysed in the notes to the Balance Sheet. The interest payable in relation to the Council's borrowing totalled £0.6m in 2020/21.

The **Capital Financing Requirement (CFR)**, a key Prudential Indicator, determines the amount that the Council needs to borrow for a capital purpose and is the total of the Council's capital assets less all of the Council's capital reserves. The CFR for the year ending 31 March 2021 was £20.6m.

The **Authorised Limit for External Debt** is a key Prudential Indicator that controls the overall level of borrowing and is a statutory limit set by the Council that must not be breached. The Council's Authorised Limit for external debt for 2020/21 was £22.3m. The Council's actual total long term debt was £12.3m which is well below the Authorised Limit.

Long Term Debt:

- £12.3m (£12.3m 2019/20)

Narrative Report

The Council's investments are exposed to interest rate risk and volatility in the money markets. The financial markets improved in 2020/21 (when compared to March 2020) following the approval of vaccines for COVID-19 and the removal of Brexit uncertainty. This led to an improvement in the fair value of the long term investments although income from these investments is lower than in 2019/20 as the Bank rate remained at 0.10% until Dec 2021. The security of capital remains the Council's main investment objective.

The investments held as at 31 March 2021 were:

Long Term Investments:

- £19.8m (£19.2m 2019/20)

Pension Fund Liabilities

The Council has net pension liabilities of £97.7m in the Balance Sheet as at 31 March 2021 (£78.1m as at 31 March 2020). This reflects the value of pension liabilities which the Council is required to pay in the future (as they fall due), offset by the value of assets invested in the Pension Fund. The Pension Fund has to be reviewed every three years as part of the comprehensive actuarial review of the pension fund. A triennial review was carried out at 31 March 2019 with changes to the pension fund being effective from 1 April 2020. The next review is due to be carried out on 31 March 2023.

In April 2020 the Council paid £8.4m to the Lancashire County Pension Fund as an advance payment of three years employer's future service contributions and deficit contributions for the period 2020/21 to 2022/23. For 2020/21 there is a difference between the net Pensions Liability on the Balance Sheet and the Pensions Reserve. The difference reflects the early payment of employer's future service contributions and deficit contributions for 2021/22 and 2022/23 of £6m paid by the Council to the Lancashire County Pension Fund in April 2020. The net Pensions Liability is £6m lower than the value reported in the Pensions Reserve reflecting the accounting requirement to account for the value of the advance payment in 2020/21. By paying in advance monies to the Pension Fund the Council has reduced the overall cost of repaying the employer's future service contributions and deficit contributions to the Pension Fund by £0.3m over three years. This saving has been reflected in the Council's revenue budget and financial forecast.

The Collection Fund (Council Tax and Business Rates)

The Council is required to maintain a separate fund in respect of Council Tax and National Non-Domestic Rates (NNDR). The deficit on the Collection Fund for Council Tax as at 31 March 2021 was £2.952m and will be shared between the City Council (billing authority), the County Council, the Police Authority and the Fire Authority in the following two years. The City Council's share of the deficit is £0.483m. The actual rate of in year collection of Council Tax for 2020/21 was 90.20% (92.85% for 2019/20). The in-year collection rates have reduced since April 2013 mainly due to Council Tax being collected from claimants who previously received full Council Tax Benefit.

In April 2014 government introduced the current business rates retention scheme. Under this system the Council retains a 40% share of its NNDR. In 19/20 the Council was a member of the Lancashire Business Rates 75% Pool and benefitted from an increased retained share of 56%.

Narrative Report

However, in 20/21, the pilot project has ended and under the current system, the Council again retains a 40% share of its NNDR. The accumulated deficit on the Collection Fund for NNDR is £29.426m as at 31 March 2021. The Council's share of the deficit is £11.570m. This deficit is due to the significant level of extended retail relief awarded to help businesses due to Covid. The Council has received s31 grants from Central Government to cover this deficit, leaving an in year deficit of £0.336m, the Council's share of which is £0.134m.

Further details in relation to the Collection Fund can be found in the Supplementary Statements.

Principal Risks and Uncertainties

The Council has a risk management strategy in place to identify and evaluate risks. All risks are identified, potential impacts are highlighted and controls and mitigations are set in place. The Corporate Management Team (CMT) identified a number of key corporate risks which the Council monitors and reports to Cabinet Members and Audit Committee during the year, a selection of the risks have been highlighted below:

Corporate Risks Include:
Failure to have effective partnership working or effective collaborative working
Failure to deliver Council priorities and ambitions as expressed in the Council's Achieving Preston's Priorities (APP)
Failure to secure value for money through inadequate procurement and commissioning
Failure to support Council priorities through ineffective ICT systems
Adverse impact of Covid-19 pandemic
Failure to prevent or detect significant acts of fraud/cyber fraud
Failure to achieve ambitious City building plans
Failure to adequately resource Council services
Risk that Contingent liabilities materialise
Dealing with transitional EU arrangements

Key Future Financial Risks – Along with the corporate risk there are a number of key financial risks identified within the Medium Term Financial Strategy which potentially could have a significant impact on the financial forecast, these are:

Key Financial Risks
Long term impact of Covid
Future Government funding levels from 2022/23 onwards
Business Rates and Council Tax collection rates as a result of covid
Housing building levels not in line with forecast projections
£600k savings target from 2022/23 onwards
Changes in Government Policy e.g. New Homes Bonus

Narrative Report

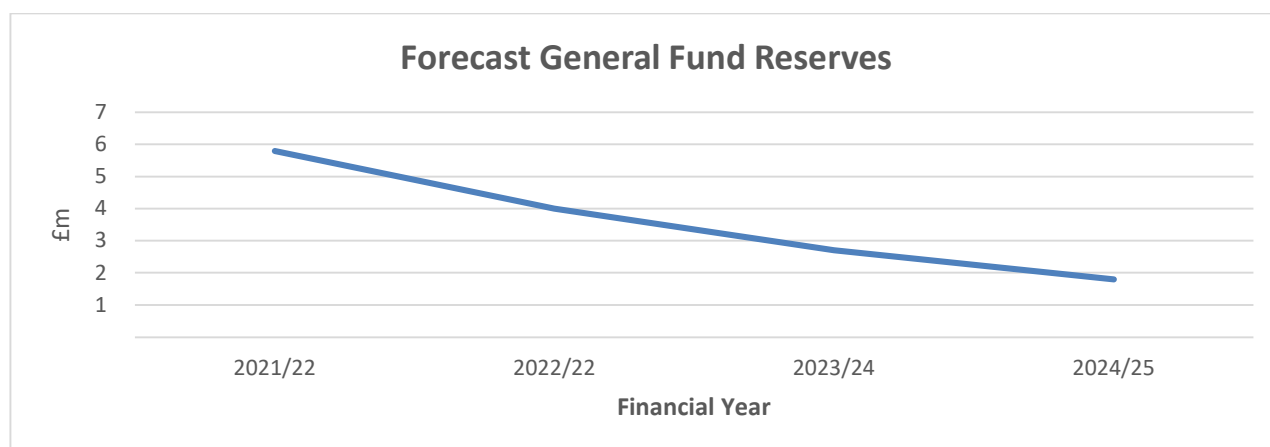
Future Pension Fund Triennial Reviews
Council Tax Support Scheme
Potential impact from EU transitional arrangements
Ongoing litigation claim and a number of planning appeals
Unexpected movements in cashflow and interest rates
Security of monies invested with counterparties

The Achieving Preston's Priorities report to Budget Council February 2021 sets out the above and details the risks, potential impact and mitigations/controls in place

6. The Economic Climate and Financial Outlook for the Future:

The MTFS reported to Budget Council in February 2021 set out the Council's spending plans and available capital and revenue resources for the period 2020/21 to 2024/25. The MTFS set out the funds required to deliver the Council's essential services and the objectives in our priority areas. It also highlighted the key areas/issues facing the Council in the current year and future years. For 2021/22 onwards a major concern is the impact of Covid-19 and future levels of Government funding.

The table below summarises the forecast General Fund year end reserves taking into consideration the impact of the 2020/21 year end outturn position and assuming £600k of savings are implemented..



It is difficult to forecast with any certainty future levels of funding. Until the Government announce the next spending review and publish the local government finance settlement later this year, we have no firm indication of the level of funding the Council will receive from 2022/23 onwards.

Covid brings further uncertainty. The long-term impact of the pandemic on the global, national, and local economy is currently unknown. The collection rates for both council tax and NNDR have been affected and this is an area we will closely monitor. The outturn position has resulted in a favourable underspend which will assist towards the savings requirement. The next forecast will be updated to reflect the above and sensitivity analysis carried out to ensure the Council has sufficient funds in the event that funding streams reduce.

Narrative Report

The Council has, in the main, achieved the budget savings plans set over the last 10 years including significant savings from the transfer of the Leisure Centres to GLL, efficiency savings from the digital agenda, management savings and savings from the Revenues and Benefits Shared Service with Lancaster City Council. Further work is ongoing through the Service Improvement Board (SIB) to digitise more of the Council's services and processes. The Council set a savings target of £600k for 2022/23 onwards and the Budget Working Group will meet soon to commence the formulation of the Cabinet budget proposals.

In light of the current risks and uncertainties the Council will aim to continue to maintain a healthy and robust level of reserves. The Council's strategic budget plan has been to use reserves to fund the shortfall over the life of the forecast. The Council also holds a significant level of earmarked reserves which as a last resort could be partly used to fund any shortfall. Ultimately the Council's aim is to bridge the gap (shortfall between how much the Council spends and how much the Council receives in funding) over the long term to ensure long term sustainability for the Council.

7. Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2021. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and the Service Reporting Code of Practice 2020/21 (SeRCOP) and comprises core and supplementary statements.

The Core Financial Statements:	The Supplementary Statements:
<p>Comprehensive Income and Expenditure Statement – this statement shows the accounting cost in the year of providing services in accordance with general accounting practices rather than actual cost of services funded through taxation. The first section shows entries for income and expenditure arising from day to day operational services and the second section shows increase or decrease to net worth as a movement in fair value of assets.</p>	<p>Statement of Responsibilities for the Statement of Accounts - identifies the officer who is responsible for the proper administration of the Council's financial affairs.</p>
<p>Movement in Reserves Statement – this statement shows a summarised view of the movement in year on the different reserves held by the Council, analysed into 'usable reserves' (those which can be applied to fund expenditure) and 'unusable reserves' (those which cannot be used to fund expenditure).</p>	<p>Annual Governance Statement - gives assurance on effectiveness of the Council's Governance arrangements including its monitoring and evaluation of its code of governance and highlighting any planned changes in the coming period.</p>
<p>Balance Sheet – this sets out the Council's assets and liabilities as at 31st March 2021</p>	<p>Collection Fund - this fund is maintained separately to record the collection of Council Tax and National Non-Domestic Rates (NNDR) due. The Council operates the Collection Fund under the Local Government Finance Act 1988. It contains the income and expenditure relating to Council Tax and National Non-Domestic Rates.</p>

Narrative Report

and how these are funded (by reserves, borrowing, provisions and other balances).

Cash Flow Statement - summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the Core Financial Statements - assist in the interpretation of the Accounts by summarising significant accounting policies and other explanatory information.

Glossary – an explanation of some of the key technical terms used in these accounts.

8. Access to further information

If you would like to receive further information about the Statement of Accounts please contact Accountancy Services at Preston Town Hall, Lancaster Road, Preston, PR1 2RL.

Statement of Responsibilities for the Statement of Accounts

The Council's 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. For Preston City Council the officer is the Director of Resources;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities.

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

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting (the Code);
- kept proper accounting records which were up to date; and,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer's Certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31st March 2021.

Signed

Date 17 November 2022

J Wilding

Jackie Wilding
Director of Resources
(Section 151 Officer)

The Council has delegated the responsibility for approving the Statement of Accounts to the Audit Committee. In accordance with the Accounting and Audit Regulations 2015, I certify that the approval of this Statement of Accounts was minuted by the Council's Audit Committee on 01 November 2022.

Signed

Date 17 November 2022

T Hart

Councillor T Hart
Chair of Audit Committee

Independent Auditor's Report for Preston City Council

Independent auditor's report to the members of Preston City Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Preston City 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 Resources' 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 Resources' 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 Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Independent Auditor's Report for Preston City Council

Other information

The Director of Resources 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 Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts set out on page 21, 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 Resources. The Director of Resources 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 Resources 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 Resources is responsible for assessing the

Independent Auditor's Report for Preston City Council

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit 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 Audit 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.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of Resources has in place to prevent and detect fraud;
 - journal entry testing;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. 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

Independent Auditor's Report for Preston City Council

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 land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation – guidance issued by CIPFA, LASAAC and SOLACE – the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

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

We have nothing to report in respect of the above matter

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 have undertaken 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

Independent Auditor's Report for Preston City Council

- 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 have documented 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 have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Preston City 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.

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.

John Farrar

John Farrar

Key Audit Partner

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

Liverpool

17 November 2022





Preston
City Council

Core
Financial
Statements

2020/21

Comprehensive Income & Expenditure Statement

The Comprehensive Income and Expenditure Statement (CI&ES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated ¹ 2019/20			2020/21			
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000
			Service Segments	Note		
563	110	453	Chief Executive	524	102	422
12,770	5,625	7,145	Communities & Environment	15,761	7,832	7,929
10,483	6,118	4,365	Customer Services	10,591	6,941	3,650
4,342	2,771	1,571	Development & Housing	11,981	10,023	1,958
3,080	608	2,472	Resources	2,765	249	2,516
47,877	38,081	9,796	Central Services*	45,761	35,596	10,165
79,115	53,313	25,802	Cost of Services	87,383	60,743	26,640
		322	Other Operating Expenditure			349
		(347)	Financing and Investment Income and Expenditure			(1,074)
		(437)	Other Income			(253)
		(27,531)	Taxation and Non-Specific Grant Income			(30,874)
		(2,191)	(Surplus)/Deficit on Provision of Services			(5,212)
		(2,517)	(Surplus)/Deficit on revaluation of non-current assets	21(a)		(4,456)
		(15,740)	Remeasurements of the net defined (benefit)/liability	34(i)		22,479
		(18,257)	Other Comprehensive Income and Expenditure			18,023
		(20,448)	Total Comprehensive Income and Expenditure			12,811

* Central Services contains the centrally managed budgets which include Housing Benefits, utilities, depreciation and pensions.

¹ There have been two Prior Period Adjustments relating to the 2019/20 comparative figures. These relate to Trading Account income and expenditure and Infrastructure Assets. Further information on the Prior Period Adjustment is provided in Note 37.

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council'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 in the year following those adjustments.

Note	General Fund Balance £'000 Restated ¹	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Restated ¹	Total Council Reserves £'000
Balance as at 1 April 2019 Restated¹	8,878	21,299	30,177	3,793	2,626	36,596	32,743	69,339
Total Comprehensive Income and Expenditure	2,191	-	2,191	-	-	2,191	18,257	20,448
Adjustments between accounting basis and funding basis under regulations	9 (45)	-	(45)	51	3,622	3,628	(3,628)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	2,146	-	2,146	51	3,622	5,819	14,629	20,448
Transfers (to)/from Earmarked Reserves	(2,201)	2,201	-	-	-	-	-	-
Increase/Decrease (movement) in year	(55)	2,201	2,146	51	3,622	5,819	14,629	20,448
Balance as at 31 March 2020 carried forward	8,823	23,500	32,323	3,844	6,248	42,415	47,372	89,787
Total Comprehensive Income and Expenditure	5,212	-	5,212	-	-	5,212	(18,023)	(12,811)
Adjustments between accounting basis and funding basis under regulations	9 13,475	-	13,475	(18)	1,757	15,214	(15,214)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	18,687	-	18,687	(18)	1,757	20,426	(33,237)	(12,811)
Transfers (to)/from Earmarked Reserves	20(a) (17,630)	17,630	-	-	-	-	-	-
Increase/Decrease (movement) in year	1,057	17,630	18,687	(18)	1,757	20,426	(33,237)	(12,811)
Balance as at 31 March 2021 carried forward	9,880	41,130	51,010	3,826	8,005	62,841	14,135	76,976

¹ There has been a Prior Period Adjustments relating to the 2019/20 comparative figures. This relates to Infrastructure Assets. Further information on the Prior Period Adjustment is provided in Note 37.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 1 April 2019 Restated ¹ £'000	As at 31 March 2020 Restated ¹ £'000	Note	As at 31 March 2021 £'000
70,650	70,686	Property, Plant & Equipment	74,494
35,963	38,435	Heritage Assets	39,161
39,346	40,556	Investment Properties	40,615
23,302	19,231	Long-term Investments	19,801
178	144	Long-term Debtors	128
169,439	169,052	Total Long Term Assets	174,199
14,046	15,517	Short-term Investments	12,002
236	253	Inventories	227
5,875	11,060	Short-term Debtors	19,764
9,508	11,406	Cash and Cash Equivalents	22,095
29,665	38,236	Total Current Assets	54,088
(5,220)	(131)	Short-term Borrowing	(131)
(16,402)	(18,225)	Short-term Creditors	(34,542)
(21,622)	(18,356)	Total Current Liabilities	(34,673)
(5,252)	(6,277)	Provisions	(4,186)
(12,491)	(12,484)	Long-term Borrowing	(12,478)
(88,080)	(78,064)	Pension Liability	(97,654)
(2,320)	(2,320)	Capital Grants Receipts in Advance	(2,320)
(108,143)	(99,145)	Total Long-term Liabilities	(116,638)
69,339	89,787	Net Assets	76,976
		Represented by	
36,596	42,415	Usable Reserves	62,841
32,743	47,372	Unusable Reserves	14,135
69,339	89,787	Total Reserves	76,976

¹ There has been a Prior Period Adjustments relating to the 2019/20 comparative figures. This relates to Infrastructure Assets. Further information on the Prior Period Adjustment is provided in Note 37.

The audited accounts were authorised for issue on the 1st November 2022

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2019/20 Restated ¹		Note	2020/21
£'000			£'000
2,191	Net surplus or (deficit) on the provision of services		5,212
8,993	Adjustment to surplus or deficit on the provision of services for non-cash movements	22	5,192
<u>(3,670)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	<u>(6,628)</u>
7,514	Net cash flows from operating activities		3,776
2,087	Net cash flows from investing activities	23	8,182
<u>(7,703)</u>	Net cash flows from financing activities	24	<u>(1,269)</u>
1,898	Net increase or decrease in cash and cash equivalents		10,689
<u>9,508</u>	Cash and cash equivalents at the beginning of the reporting period		<u>11,406</u>
<u>11,406</u>	Cash and cash equivalents at the end of the reporting period	18	<u>22,095</u>

¹ There has been a Prior Period Adjustments relating to the 2019/20 comparative figures. This relates to Infrastructure Assets. Further information on the Prior Period Adjustment is provided in Note 37.

Notes to the

Core

Financial

Statements

Index of Notes to Core Financial Statements

Note	Page
1 Accounting Policies	36
2 Accounting Standards Issued, but not yet Adopted	48
3 Critical Judgements In Applying Accounting Policies	48
4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	48
5 Events after the Balance Sheet Date	49
6 Other Operating Expenditure	49
7 Financing and Investment Income and Expenditure	49
8 Taxation and Non-Specific Grant Income	49
9 Adjustments between Accounting Basis and Funding Basis under Regulations	50
10 Grant Income	52
11 Property, Plant & Equipment	53
12 Heritage Assets	57
13 Financial Instruments	
a) Balances	58
b) Fair Values	59
c) Risks	60
14 Provisions	62
15 Investment Properties	63
a) Fair Value Hierarchy	63
16 Short-term Debtors	64
17 Capital Grants Receipts in Advance	64
18 Cash & Cash Equivalents	64
19 Creditors	64
20 Usable Reserves	
a) Transfers to/from Earmarked Reserves	65
b) Capital Grants Unapplied	66
21 Unusable Reserves	67
a) Revaluation Reserve	67
b) Financial Instruments Adjustment Account	67
c) Capital Adjustment Account	68
d) Pensions Reserve	68
e) Collection Fund Adjustment Account	69
f) Accumulated Absences Account	70
g) Pooled Investment Funds Adjustment Account	70
22 Cash Flow Statement – Operating Activities	70
23 Cash Flow Statement – Investing Activities	71
24 Cash Flow Statement – Financing Activities	71
25 Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities	71
26 Expenditure Funding Analysis	72
a) Note to the Expenditure and Funding Analysis	73
b) Expenditure and Income Analysed by Nature	74
27 Members' Allowances	74
28 Officers' Remuneration	75
29 Termination Benefits	76
30 Related Parties	77
31 External Audit Costs	78
32 Agency Services	78
33 Capital Expenditure and Capital Financing	78
34 Defined Benefit Pension Scheme	
a) Retirement Benefit Obligations	79
b) Early payment of 3 years employer's pension contributions and deficit recovery in April 2020	79
c) Impact of the McCloud Judgement	79
d) Impact of Covid-19	79
e) Consumer Price Inflation (CPI)	79
f) Governance and Risk Management	79
g) Transactions Relating to Retirement Benefits	81
h) Pensions Assets and Liabilities Recognised in the Balance Sheet	81
i) Comprehensive Income and Expenditure Statement	82
j) Reconciliation of the Movements in the Fair Value of Scheme Assets	83
k) Reconciliation of Present Value of the Scheme Liabilities	83
l) Pension Scheme Assets Comprised	84
m) Basis for Estimating Assets and Liabilities	85
n) Sensitivity Analysis	85
o) Impact on the Council's Future Cash Flows	85
35 Contingent Liabilities	86
36 Contingent Assets	87
37 Prior Period Adjustment	87

Notes to the Core Financial Statements

Accounting Policies

1. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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.

The accounts have been prepared on a going concern basis, under 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. 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 accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting 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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. Accruals of Income and Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income 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.

4. Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring goods or a service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Notes to the Core Financial Statements

Accounting Policies

5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits available on demand. Cash equivalents are short-term (three months or less) highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

6. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, for which a reliable estimate can be made of the amount of the obligation. Provisions are a charge to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

7. Reserves

Reserves are classified as either 'usable' (identified and maintained for specific future purposes and contingencies and include General Fund reserve, Earmarked reserve and Usable Capital Receipts reserve) or 'unusable' (kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council) – these reserves are explained in the relevant policies.

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

8. Contingent Liabilities

A contingent liability arises either:

- where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council; and,
- where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet, but disclosed in a note to the accounts.

9. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

10. Employee Benefits

(i) Short-term Employee Benefits

Short-term employee benefits are those due to be settled 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

Notes to the Core Financial Statements

Accounting Policies

benefits (eg. Mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees, but not taken before the year-end which employees can carry forward into the next financial year. To ensure no impact on Council Tax a corresponding transfer is made to the Accumulated Absence Account.

(ii) Employee Accumulated Absence Accrual

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 end of the financial year, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current accounting year. The accrual is charged to Surplus or Deficit on the provision of services, but then reversed out through the Movement in Reserves Statement. This ensures that holiday benefits are charged to revenue in the financial year in which the holiday entitlement occurs.

(iii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the service lines 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 Pensions 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.

(iv) Retirement Benefits

Employees of the Council are members of the Local Government Pension Scheme administered by Lancashire County Council. The scheme provides defined benefits to members, earned as employees work for the Council. Retirement benefits are determined independently of scheme investments and the Council must contribute to any deficit where assets are insufficient to meet retirement benefits.

The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate of 2.4% (2.4% 2019/20) determined by reference to market yields at the balance sheet date based on high quality corporate bonds; and,
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.

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

- 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;
- net interest on the net defined benefit liability, i.e. net interest expense for the Council. This is 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;
- re-measurements comprising:

Notes to the Core Financial Statements

Accounting Policies

- 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; and,
- actuarial gains and losses. Due to 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. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the pension fund. This is cash paid to the pension fund in settlement of liabilities.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standards. This means that there are transfers in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable, but unpaid at the year end.

The Council 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 a 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.

11. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue which may have a bearing upon the financial results of the past year. 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; and,
- 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 and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

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

12. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

13. Apprenticeship Levy

The full cost of the Levy will be recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement ('CIES') when it is paid to HMRC. When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the CIES against the service benefiting from the training.

14. Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council 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.

Notes to the Core Financial Statements

Accounting Policies

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 or taxation and non-specific grant income (non-ring fenced 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.

15. Central Support Service Overheads

In 2016 CIPFA revised the layout of the Income and Expenditure Statement to bring it in line with the way Councils report their service segments to their Corporate Management Teams. This Council reports Central Support Services within the relevant Directorates, e.g. Accountancy, Legal and Audit within the Resources Directorate.

16. Intangible Assets

Intangible Assets are assets that do not have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. software licences). They are controlled by the Council as a result of past events and future economic or service benefits flow to the Council from intangible assets. These assets are capitalised at cost and amortised (depreciated) to the relevant revenue service over their economic lives. This amortisation is then reversed out in the Movement in Reserves Statement and a transfer is made to the Capital Adjustment Account.

An intangible asset is derecognised on disposal. The gains or losses arising from the disposal are recognised in the Surplus / Deficit on the Provision of Services.

17. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in First out (FIFO) or Average (AVCO) (for vehicle fuel) costing formulas.

Long term contracts are accounted for on the basis of charging the Surplus/ Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

18. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used for Council's services delivery or is held for sale.

Investment properties are initially measured at cost. After initial recognition they are measured at fair value. The fair value reflects market conditions at the Balance Sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Investment properties are not depreciated, but are re-valued annually according to market conditions.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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

Notes to the Core Financial Statements

Accounting Policies

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

(i) Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the Council will receive future economic benefits or service potential associated with the item. This excludes expenditure on routine repairs and maintenance of property, plant or equipment which is charged direct to service revenue accounts.

Capital expenditure is initially added to the value of an asset but if that is not considered to be the case it is classed as impairment. Expenditure under £20k is classed as de minimis and treated as revenue expenditure.

(ii) Measurement

Non-current assets are valued on the basis recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and in accordance with the Valuation Standards 6th Edition issued by The Royal Institute of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

Assets are initially measured at cost, comprising:

- the purchase price;
- 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 management; and,
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Land and buildings and other operational assets are valued at current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUVs), with the exception of the Guild Hall which is valued at fair value. The fair value measurement of the Guild Hall is not consistent with the CIPFA Code, but the difference between current value and fair value would not be materially different. Where sufficient market evidence is not available, fair value is estimated at depreciated replacement cost. Short life assets such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.

Community assets and infrastructure are valued at historical cost net of depreciation.

Assets under construction are held at historical cost and are not depreciated until brought into use.

Surplus assets are valued at fair value based on market value, determined by the measurement of the highest and best use value of the asset. These are assets that are not in use by the Council but do not meet the definition of assets held for sale. Surplus assets mainly relate to land that may be available for regeneration purposes.

Increases in valuation are matched by credits to the Revaluation Reserve. In some cases when there is an increase in revaluation the increase will reverse out a previous impairment loss charged to the Surplus/Deficit on the Provision of Service or where the increase is reversing a previous revaluation decrease charged to the Surplus/Deficit on the Provision of Service the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

Accounting Policies

When there are decreases in value and there is a balance on the Revaluation Reserve relating to the asset, the value is written down against that balance (up to the amount of accumulated gains). Where there is no or insufficient balance in the Revaluation Reserve the value of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement. When revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement they are reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year end. Assets are revalued at a minimum of every five years.

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

(iii) Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

The amount of the impairment is charged to the Revaluation Reserve, but only to the extent that the impairment does not exceed the amount in the Revaluation Reserve. Thereafter, the impairment is charged to the Surplus/Deficit on the Provision of Service. This charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

When an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement up to the amount of the original impairment loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

(iv) Depreciation

Depreciation is provided for on all property, plant and equipment with a finite useful life. Useful life is estimated at the time of acquisition or revaluation. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset; and,
- Infrastructure – straight-line allocation as advised by a suitable qualified officer.

Where an item of property, plant and equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council's componentisation policy.

A summary of the Council's componentisation policy is:

- the de minimis level for identifying property to be componentised will be 0.5% of the total property, plant & equipment value;
- the de minimis level for component size will be 20% of the asset value; and,
- similar component lives will be grouped together.

Components have been recognised in the financial year where:

Notes to the Core Financial Statements

Accounting Policies

- there has been a revaluation of an asset;
- there has been an acquisition of an asset; and,
- enhancement expenditure has been incurred.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Newly acquired assets are depreciated the year following acquisition, although assets in the course of construction are not depreciated until they are brought into use, thereafter an equal charge to revenue is made over the useful life of the assets.

20. Disposals and Non-Current Assets Held for Sale

When it becomes evident that the carrying amount of an asset will be recovered principally through a sale rather than its continued use, it can be reclassified as an asset held for sale. An asset can only be classed as held for sale if it is available for immediate sale in its present condition, the sale must be highly probable, it is being actively marketed and the sale should be expected to be completed within one year of its original classification. When events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the sale of the assets they are classified as long term assets held for sale.

Assets held for sale are held at the lower of the carrying amount and the fair value less cost to sell. If this results in a loss in value the loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous loss recognised in the Surplus/Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If these assets no longer meet the classification of assets held for sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale.

21. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and,
- amortisation (depreciation) of intangible non-current assets attributable to the service.

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 contribution from the General Fund balance (MRP) by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

22. Revenue Expenditure Funded From Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on assets not owned by the Council.

Notes to the Core Financial Statements

Accounting Policies

Expenditure is charged to the Surplus/Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Grants receivable in relation to REFCUS are accounted for as revenue grants in the Comprehensive Income and Expenditure Statement, even if described as capital grants by the giver of the grant. Grant income is posted to the service(s) that the qualifying expenditure is charged to apart from levy income relating to Community Infrastructure Levy which is accounted for as a capital grant.

23. Leases

Leases are classified as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

The Authority as Lessee

i) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability.

The lease payments are apportioned between a charge for the acquisition of the interest which is to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

The leased property, plant and equipment are subject to depreciation and the MRP on these assets equals the amount of the lease payment that is applied to write down the deferred liability. The deferred liability is either classified as short or long term in line with the lease repayments.

ii) Operating Leases

Lessee

Rental income paid under operating leases is treated as a revenue transaction and is charged to the relevant service expenditure in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

Lessor

Rental Income from operating leases is recognised on a straight line basis over the lease period and is shown in the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded on the Council's Balance Sheet.

24. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

(i) Financial Liabilities

Notes to the Core Financial Statements

Accounting Policies

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprise:

- long-term loans from the Public Works Loan Board and commercial lenders;
- trade payables for goods and services received.

(ii) Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or another financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- (i) Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
 - cash in hand
 - bank current and deposit accounts
 - fixed term deposits with banks and building societies
 - loans to other local authorities
 - treasury bills and gilts issued by the UK government
 - debtors for goods and services provided
- (ii) Fair value through profit and loss (all other financial assets) comprising:
 - money market funds
 - pooled bond funds

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of services in the CIES and will have a General Fund impact.

(iii) Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held 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 debtors held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

25. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. Fair value is the

Notes to the Core Financial Statements

Accounting Policies

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:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting 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 appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns in line with the highest and best use definition within the accounting standard.

The inputs to valuations for fair value assets takes into account the three levels of categories for inputs to valuations for fair value assets:

- level 1 – quoted prices;
- level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3 – unobservable inputs for the asset or liability.

26. Heritage Assets

The majority of the Council's Heritage Assets are held in the Harris Museum. The museum has three collections of Heritage Assets, fine art, decorative art and social history. These are held for their contribution to knowledge or culture and to support an understanding and appreciation of the Council's local and surrounding area. The remaining heritage assets are statues, war memorials and civic regalia. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, due to the nature of these assets, the measurement rules are more relaxed. The Council's collections of Heritage Assets are accounted for as follows:

(i) Fine Art

The fine art collection includes a number of prominent pieces from British artists relating to Preston and the North West region. The fine art valuations are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis.

The fine art collection has an indeterminate life and a high residual value therefore the Council does not consider it appropriate to charge depreciation.

Overall the fine art collection remains fairly constant and acquisitions and donations are rare. When the Council does acquire a piece of art work it is held on the Balance Sheet at cost and any donations will be held at insurance values with reference to an appropriate commercial market for the art work using the most relevant and recent information available from sales at auctions.

(ii) Decorative Art

The decorative art collection including ceramics and glass, scent bottles, card cases, enamels, clocks, watches and silver were all valued in the 1990s. The general fashion for collecting these items goes in peaks and troughs. The decorative art is valued externally and is reported in the Balance Sheet at the external valuation indexed up to a present day value. However, not all decorative art has been reported in the Balance Sheet, including costumes and textiles. This collection has in excess of 5,200 objects or pieces and it is the opinion of the Council that the collection cannot be valued because of the diverse and often unique nature of the collection. Therefore cost or valuation information is not available and

Notes to the Core Financial Statements

Accounting Policies

conventional valuation approaches lack sufficient reliability. The cost of obtaining the valuations would be disproportionate in terms of the benefit derived.

Acquisitions are again initially recognised at cost or if bequeathed or donated are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuations. If information is available a reference to an appropriate commercial market for the art work using the most relevant and recent information available from sales at auctions will be used.

(iii) Social History

Included with the Council's social history collection is the archaeology and ethnography collection. In the opinion of the Council, the archaeological and ethnography collection of artefacts cannot be valued because of the diverse and often unique nature of the collection. Therefore, cost or valuation information is not available and conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. For the majority of the collection, neither cost nor valuation information can be provided and therefore reported in the Balance Sheet. Two social history collections, the Numismatics and Dolls, and Clocks and Watches were externally valued. The value disclosed in the Balance Sheet is the external valuation indexed up to the present day.

(iv) Civic Regalia

The Council's Civic Regalia is reported in the Balance Sheet at insurance valuation. The valuation is updated annually as part of the insurance renewal process. The Council's Civic Regalia comprises of a Mayor's chain and pendant, the collar of the Mayor of Preston and the Mayor's pendant and grand chain of the City of Preston.

(v) Memorials

Within the Council's Parks and Public Open Spaces there are a number of war memorials. These memorials have been previously held under property, plant & equipment and held at historical cost on the Balance Sheet at a nominal value. Therefore, these memorials have been transferred to heritage assets on the same valuation basis.

(vi) Heritage Assets – General

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. The Council rarely disposes of Heritage Assets. However, if the Council did dispose of a Heritage Asset the proceeds would be accounted for in accordance with the Council's existing policies.

27. Tax Income (National Non-Domestic Rates (NNDR) and Council Tax)

NNDR and Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income and will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line.

As a Billing Authority, the difference between the NNDR and Council Tax 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 reported in the Movement in Reserves Statement.

NNDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

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

Notes to the Core Financial Statements

2. Accounting Standards Issued, but not yet Adopted

The Council is required to disclose the impact on an accounting change required by a new accounting standard that has been issued on or before 1 January but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The 2021/22 Code will introduce the following amendments:

- Amendments to International Financial Reporting Standard (IFRS) 3 - Business combinations : definition of a business
- Interest rate benchmark reform - Amendments to IFRS 9, International Accounting Standard (IAS) 39 and IFRS 7 - Interest rate benchmark reform
- Interest rate benchmark reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

These changes are not anticipated to impact on the Council's accounts.

Future Accounting Changes

IFRS 16 Leases will lead to a substantial change in accounting practice for lessees, the current distinction between finance and operating leases will be removed. Instead, lessees are required to recognise assets and liabilities for all leases i.e. the lessee will recognise a right-of-use asset representing its right to use the leased asset; and a lease liability representing the lessee's obligation to make lease payments for the asset.

Lessees will have a single accounting model for all leases with two exemptions:

- Low-value assets
- Short term leases (lease term of 12 months or less)

The implementation of IFRS 16 Leases has been deferred until 1 April 2022. The council is currently reviewing its leases to assess the impact of the change.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

Funding

There is still a high degree of uncertainty about future levels of funding for Local Government. The 2021/22 Settlement is for one year only. Beyond that, the outcome of the delayed spending review and the impact of the changes to the Business Rate Retention scheme is unknown, and also the impact of the decision to leave the European Union is still unfolding. Furthermore, the global coronavirus pandemic has increased the levels of uncertainty. The Council is recording and forecasting all additional expenditure incurred in its COVID-19 response and monitoring the resulting loss of income. Government funding has been provided, but as the pandemic continues to unfold it is unclear whether this funding will be sufficient to cover all costs and income losses. However, the Council has determined that the uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The items on the Council's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are:-

Pensions

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £5.7m. Also, a one year addition to the members' life expectancy would result in an increase in the pension liability of £11m.

Notes to the Core Financial Statements

Business Rates - NNDR

Since the introduction of the Business Rates Retention Scheme effective 1 April 2013, Local Authorities are liable for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. A provision has been recognised for these liabilities up to and including 31 March 2021. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date. The costs will be shared between Central Government, Preston City Council, Lancashire County Council and Lancashire Combined Fire Authority. The Council's share of the business rate appeals provision is £4.094m, this has decreased by £2.09m from the previous year.

Fixed Assets

The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). The Council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a five year cycle. All assets reviewed had a valuation date of 1 April 2020. Any material changes after the valuation date have been accounted for.

The Council's property assets that are vulnerable to uncertainty are those valued under Current Value and Fair Value. There is the possibility that these values may change and as an illustration a 1% variation in these valuations could affect the assets values by £1.3m. The Council will continue to review their current valuation programme and reflect any changes in future valuation reports.

5. Events after the Balance Sheet Date

The audited Statement of Accounts was authorised for issue by the Director of Resources (S151 Officer) on 1st November 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 were no such adjusting events.

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

6. Other Operating Expenditure

2019/20		2020/21
£'000		£'000
333	Payments of precepts to parishes	354
(11)	(Gain)/loss on the disposal of non-current (fixed) assets	(5)
<u>322</u>	Total	<u>349</u>

7. Financing and Investment Income and Expenditure

2019/20		2020/21
£'000		£'000
627	Interest payable and similar charges	587
2,045	Net interest on the net defined benefit liability	1,665
(24)	Interest receivable and similar income	(893)
(2,995)	Income and expenditure in relation to investment properties and changes in their fair value	(2,433)
<u>(347)</u>	Total	<u>(1,074)</u>

8. Taxation & Non-Specific Grant Income

2019/20	Restated 2019/20		2020/21
£'000	£'000	Note	£'000
(11,982)	(11,982)	Council Tax	(12,266)
(3,867)	(7,382)	Business Rate Retention Scheme	(6,071)
(5,339)	(1,824)	General Government Grants	(7,112)
(6,010)	(6,010)	Capital Grants & Contributions	(5,071)
(333)	(333)	Parish Precepts	(354)
<u>(27,531)</u>	<u>(27,531)</u>	Total	<u>(30,874)</u>

The figures for 2019/20 have been restated to reclassify a Section 31 grant of £3.5M from 'General Government Grants' to 'Business Rate Retention Scheme'.

Notes to the Core Financial Statements

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21	Movement in Unusable Reserves	Usable Reserves		
		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
Adjustments Primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)				
Charges for depreciation and impairment of non current assets	(2,288)	2,288		
Revaluation losses on Property, Plant & Equipment	255	(255)		
Movements in the market value of Investment Properties	11	(11)		
Capital grants and contributions unapplied	568	(1,816)		1,248
Revenue Expenditure funded from Capital under Statute	(151)	151		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(477)	477		
Other Income		(253)	253	
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	912	(912)		
Capital expenditure charged against the General Fund balance	281	(281)		
Transfer in respect of Community Infrastructure Levy Receipts		(764)		764
Adjustments Primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	236			(236)
Application of grants to the General Fund		19		(19)
Adjustments Primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES		(483)	483	
Use of the Capital Receipts Reserve to finance new capital expenditure	754		(754)	
Reversal of income classified as a Capital Receipt				
Transfer from Deferred Capital Receipts upon receipt of cash	-		-	
Adjustments Primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	8	(8)		
Adjustments Primarily involving the Pooled Investment Funds Adjustment Account				
Statutory override to mitigate the impact of fair value movements on pooled investment funds.	569	(569)		
Adjustments Primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(6,558)	6,558		
Employer's pensions contributions and direct payments to pensioners payable in the year	3,421	(3,421)		
Adjustments Primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax/NNDR income credited to the CI&ES is different from Council Tax/NNDR income collected for the year in accordance with statutory requirements	(12,566)	12,566		
Adjustments Primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(189)	189		
Total Adjustments	(15,214)	13,475	(18)	1,757

Notes to the Core Financial Statements

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2019/20 Restated	Movement in Unusable Reserves	Usable Reserves		
	Restated £'000	General Fund Balance Restated £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments Primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)				
Charges for depreciation and impairment of non current assets	(2,383)	2,383		
Revaluation losses on Property, Plant & Equipment	(26)	26		
Movements in the market value of Investment Properties	1,086	(1,086)		
Capital grants and contributions unapplied	(673)	(1,342)		2,015
Revenue Expenditure funded from Capital under Statute	(620)	620		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(113)	113		
Other Income		(549)	549	
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	828	(828)		
Capital expenditure charged against the General Fund balance	146	(146)		
Transfer in respect of Community Infrastructure Levy Receipts		(3,082)		3,082
Adjustments Primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	1,566			(1,566)
Application of grants to the General Fund		(91)		91
Adjustments Primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES		(125)	125	
Use of the Capital Receipts Reserve to finance new capital expenditure	524		(524)	
Reversal of income classified as a Capital Receipt		100	(100)	
Transfer from Deferred Capital Receipts upon receipt of cash	(1)		1	
Adjustments Primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	10	(10)		
Adjustments Primarily involving the Pooled Investment Funds Adjustment Account				
Statutory override to mitigate the impact of fair value movements on pooled investment funds.	(531)	531		
Adjustments Primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(8,577)	8,577		
Employer's pensions contributions and direct payments to pensioners payable in the year	4,253	(4,253)		
Adjustments Primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax/NNDR income credited to the CI&ES is different from Council Tax/NNDR income collected for the year in accordance with statutory requirements	952	(952)		
Adjustments Primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(69)	69		
Total Adjustments	(3,628)	(45)	51	3,622

Notes to the Core Financial Statements

10. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2020/21:

2019/20 £'000	Restated 2019/20 £'000		2020/21 £'000
Credited to Taxation and Non Specific Grant Income			
<i>Non-ringfenced government grants</i>			
8	8	New Burdens Grant	8
133	35	General Section 31 Grant	-
1,683	1,683	New Homes Bonus Grant	2,239
3,515	3,515	Business Rates Section 31 Grant	15,170
-	98	COVID-19 Grant	4,865
5,339	5,339	Total non-ringfenced government grants	22,282

The figures for 2019/20 have been restated to provide a comparative prior year figure for COVID-19 grant income of £98k which was previously included within General Section 31 Grants.

Capital grants and contributions

4,577		Community Infrastructure Levy	3,275
-		Ministry of Housing, Communities & Local Government	1,009
-		Disabled Facilities Grant	337
202		Lancashire County Council	117
98		National Lottery Distribution Fund	151
91		Section 106	-
928		Affordable Homes	49
-		The Football Foundation	44
34		Lancashire Environmental Fund	50
45		Friends of Fishwick and St Matthews	-
35		Other	39
6,010		Total capital grants and contributions	5,071
11,349		Total Credited to Taxation and Non Specific Grant Income	27,353

2019/20 £'000		2020/21 £'000
Credited to Services		
<i>Grants Received for Capital Purposes</i>		
1,481	Disabled Facilities Grant	1,351
164	Other Capital Grants & Contributions	8
1,645	Total Grants Received for Capital Purposes	1,359
<i>Grants received for Revenue Purposes</i>		
36,424	Department for Work & Pensions Housing Benefits	34,741
1,763	Ministry for Housing, Communities and Local Government	8,790
109	Department for Work & Pensions	103
-	BEIS Grant	1,570
207	Arts Council	247
62	Heritage Lottery Fund	40
100	Big Local	90
97	URBACT III	75
-	COVID-19 Grant	1,253
102	Other	59
38,864	Total Grants Received for Revenue Purposes	46,968
40,509	Total Credited to Services	48,327

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

2019/20 £'000		2020/21 £'000
Capital Grants Receipts in Advance		
1,266	Heritage Lottery Fund	1,266
1,054	North West Development Agency	1,054
2,320	Total	2,320

Notes to the Core Financial Statements

11. Property, Plant & Equipment

Movements on Balances 2020/21

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Asset Under Construction £'000	Total £'000
Cost or Valuation as at 1 April 2020	49,656	13,771	4,509	14,038	1,978	2,133	86,085
Additions	852	860	147	212	20	19	2,110
Revaluation increase/(decrease) recognised in Revaluation Reserve	1,838	-	-	-	-	-	1,838
Revaluation increase/(decrease) recognised in the Surplus / Deficit on the Provision of Services	255	-	-	-	-	-	255
Derecognition - disposals	(10)	(404)	-	-	-	-	(414)
Reclassifications (including to/from Investment Properties)	(1,238)	-	1,187	51	-	-	-
Impairment losses recognised in Revaluation Reserve	(5)	-	-	-	-	-	(5)
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	(17)	-	(75)	-	-	-	(92)
Cost or Valuation 31 March 2021	51,331	14,227	5,768	14,301	1,998	2,152	89,777
Accumulated Depreciation as at 1 April 2020	(3,003)	(10,668)	(1,707)	-	(21)	-	(15,399)
Depreciation charge for the year	(1,346)	(771)	(190)	-	(21)	-	(2,328)
Depreciation written back to the Revaluation Reserve	1,897	-	-	-	-	-	1,897
Depreciation written back to the Surplus / Deficit on the Provision of Services	133	-	-	-	-	-	133
Derecognition - disposals	10	404	-	-	-	-	414
Reclassifications (depreciation)	66	-	(66)	-	-	-	-
Accumulated Depreciation as at 31 March 2021	(2,243)	(11,035)	(1,963)	-	(42)	-	(15,283)
Net book value as at 31 March 2021	49,088	3,192	3,805	14,301	1,956	2,152	74,494

Depreciation

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

Other Land and Buildings	Up to 95 years
Vehicles, Plant, Furniture and Equipment	3 -20 years
Infrastructure	Up to 45 years
Surplus Assets	Up to 65 years

Effects of Changes in Estimates

In 2020/21 the Council made no material changes in the way the accounting estimates for Property, Plant and Equipment were prepared.

Notes to the Core Financial Statements

11. Property, Plant & Equipment

The following comparative note has been restated. This is because, when originally published in the Statement of Accounts 2019/20, the brought forward balances for Cost or Valuation and Accumulated Depreciation and Impairment as at 1st April 2019 were grossed up as they included equal values of impairment that had previously been written off to the Comprehensive Income & Expenditure Statement in previous years. There is no requirement in The Code to disclose these impairment values separately in Statement of Accounts and the values are only notionally held separately for internal accounting purposes. There was no change to the Net Book Value shown in either this note or the Balance Sheet as a result of this restatement. The note has also been restated for the Prior Period Adjustment relating to Infrastructure Assets. More information on the Prior Period Adjustment is available in Note 37.

Movements on Balances 2019/20 - Restated	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Asset Under Construction £'000	Total £'000
Cost or Valuation as at 1 April 2019	48,608	13,550	4,453	13,961	2,854	1,224	84,650
Additions	848	720	56	77	-	909	2,610
Revaluation increase/(decrease) recognised in Revaluation Reserve	446	-	-	-	(451)	-	(5)
Revaluation increase/(decrease) recognised in the Surplus / Deficit on the Provision of Services	(1)	-	-	-	(26)	-	(27)
Derecognition - disposals	-	(499)	-	-	-	-	(499)
Reclassifications (including to/from Investment Properties)	(100)	-	-	-	(54)	-	(154)
Impairment losses recognised in Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	(145)	-	-	-	(345)	-	(490)
Cost or Valuation 31 March 2020	49,656	13,771	4,509	14,038	1,978	2,133	86,085
Accumulated Depreciation as at 1 April 2019	(2,290)	(10,112)	(1,546)	-	(53)	-	(14,001)
Depreciation charge for the year	(740)	(1,001)	(161)	-	(9)	-	(1,911)
Depreciation written back to the Revaluation Reserve	26	-	-	-	23	-	49
Depreciation written back to the Surplus / Deficit on the Provision of Services	1	-	-	-	18	-	19
Derecognition - disposals	-	445	-	-	-	-	445
Reclassifications (depreciation)	-	-	-	-	-	-	-
Accumulated Depreciation as at 31 March 2020	(3,003)	(10,668)	(1,707)	-	(21)	-	(15,399)
Net book value as at 31 March 2020	46,653	3,103	2,802	14,038	1,957	2,133	70,686

Depreciation

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

Other Land and Buildings	Up to 95 years
Vehicles, Plant, Furniture and Equipment	3 -20 years
Infrastructure	Up to 45 years
Surplus Assets	Up to 65 years

Effects of Changes in Estimates

In 2019/20 the Council made no material changes in the way the accounting estimates for Property, Plant and Equipment were prepared.

Notes to the Core Financial Statements

11. Property, Plant & Equipment (cont'd)

Information on Assets Held	Number at 31 March 2020	Number at 31 March 2021
Non-Current Assets owned by the Council include the following:-		
Operational Buildings		
Central Administration Buildings	1	1
Other Office Buildings	3	3
Markets	2	2
Public Conveniences	12	11
Depots	1	1
Sub-depots	7	7
Surface Car Parks	4	5
Multi-storey Car Parks	1	1
Cemetery	1	1
Crematorium	1	1
Operational Equipment		
Vehicles	115	93
Infrastructure Assets		
Lock Gates	4	4
Railway	1	1
Swing Bridge	1	1
Community Assets		
Allotment Sites	6	6
Community Centres	4	4
Harris Museum & Library	1	1
Parks and Recreation Grounds (acres)	524	524
Park and Recreational Buildings and Structures	27	24
Park Lodges/Houses	2	2
Heritage Assets		
War Memorial	7	7
Works of Art and Collections (value £100k and over)	44	44
Investment and Other Buildings and Properties		
Other Office Buildings	8	8
Sports Centres	2	2
Guild Hall / Theatre	1	1
Farms (Land and Buildings)	2	2
Garage Units	32	32
Industrial Units	96	96
Miscellaneous Land and Open Spaces (individual pieces of land)	204	204
Retail and Commercial Units	61	61
Surface Car Parks	22	22

Notes to the Core Financial Statements

11. Property, Plant & Equipment (cont'd)

Depreciation

Depreciation is charged on a straight line basis on all fixed and intangible assets with a finite useful life. Newly acquired assets are depreciated from the year following acquisition.

During the period a review of the estimate of useful lives and residual values has been undertaken on all significant assets.

Capital Commitments

As at 31st March 2021, the Council was contractually committed to a total of £1.585m. The individual capital schemes over the £0.025m individual threshold are as follows (2019/20 £0.536m): -

	As at 31 March 2021 £'000
Harris Building Replacement of Fire Alarm System	104
Affordable Housing Scheme	203
Improvement South Drive & Sherwood Football Pitch	121
Upgrade Power & Fire Suppression - ICT Suite	113
Installation of Fibre Optic Cable - Crematorium	54
City Centre Investment Fund	142
Preston Towns Fund - Harris Quarter Pop Ups	234
Vehicle Replacement Scheme 1617 - 20/21	614
Total	1,585

Asset Valuation

The Council's property portfolio is valued by the Property Services Manager within the Property Services Department. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All valuations were carried out internally.

The Council carries out a revaluation programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Properties regarded by the Council as operational are to be valued on the basis of existing use value or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant and Equipment.

	Property, Plant & Equipment						Total £'000
	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets Not Held for Sale £'000	Asset Under Construction £'000	
Valued at historical cost	29	14,227	5,768	14,301		2,152	36,477
Valued at fair value as at;							
01 April 2016	1,231	-	-	-	118	-	1,349
01 April 2017	2,000	-	-	-	-	-	2,000
01 April 2018	5,795	-	-	-	-	-	5,795
01 April 2019	704	-	-	-	1,880	-	2,584
01 April 2020	41,572	-	-	-	-	-	41,572
Current Value 2020/21							
Total	51,331	14,227	5,768	14,301	1,998	2,152	89,777

All the Council's surplus assets have been assessed as Level 2 for valuation purposes (see Note 1 item 25 for explanation of fair value levels).

Notes to the Core Financial Statements

12. Heritage Assets

	Fine Art	Decorative Art	Social History	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation as at 1 April 2019	32,015	3,416	324	208	35,963
Additions	-	-	-	-	-
Revaluation Gains	2,376	86	10	-	2,472
Revaluation Losses recognised in the Revaluation Reserve	-	-	-	-	-
31 March 2020	34,391	3,502	334	208	38,435
Cost or Valuation as at 1 April 2020	34,391	3,502	334	208	38,435
Additions	-	-	-	-	-
Revaluation Gains	627	89	10	-	726
Revaluation Losses recognised in the Revaluation Reserve	-	-	-	-	-
31 March 2021	35,018	3,591	344	208	39,161

Additions of Heritage Assets

The Heritage Assets held by the Council fall into four categories: Fine Art, Decorative Art, Social History and Civic Regalia. All these categories have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to potential financial gain. As such, they are unlikely to be sold. The Council's Fine and Decorative Art collection is reported in the Balance Sheet at an indexed external valuation which is based on market value at the time of the valuation. Also, some works of art that have either been acquired or revalued since the external valuation are held at an individual valuation which is also based on market values. Where assets are donated for nil consideration they are valued at valuation. The Council's Social History Collection is disclosed in the accounts as at the valuation in 1996 indexed up to the 31st March 2021. The Civic Regalia as reported on the Balance Sheet is valued as part of the insurance renewal process. According to the Code there is no prescribed minimum period between valuations and so the Council does not intend to revalue its Heritage Assets in the near future.

Further Information on Collections, Heritage Assets of Particular Importance and Preservation and Management can be found in the Harris Museum and Art Gallery Collection Development Policy (<http://www.harrismuseum.org.uk/collections>).

Notes to the Core Financial Statements

13(a). Financial Instruments - Balances

The categories of financial instrument are carried in the Balance Sheet:

Long Term 31/03/20 £'000	Short Term 31/03/20 £'000		Long Term 31/03/21 £'000	Short Term 31/03/21 £'000
<u>Financial Assets</u>				
Investments				
<i>At amortised cost</i>				
-	15,500	Principal	-	12,000
-	17	Accrued interest	-	2
<i>At fair value through profit & loss</i>				
19,231	-	Fair value	19,801	-
19,231	15,517	Total Investments	19,801	12,002
Cash and Cash Equivalents				
<i>At amortised cost</i>				
-	4,082	Principal	-	18,393
-	21	Accrued interest	-	2
<i>At fair value through other comprehensive income</i>				
-	7,303	Fair Value	-	3,700
-	11,406	Total Cash and Cash Equivalents	-	22,095
Debtors				
144	5,822	<i>At amortised cost</i>	128	10,233
144	5,822	Total Included in Debtors	128	10,233
-	5,238	Debtors that are not financial instruments	-	9,531
144	11,060	Total Debtors	128	19,764
Financial Liabilities				
Borrowings				
12,309	3	Financial Liabilities at amortised cost - Loans (Principal sum borrowed)	12,305	3
-	128	Financial Liabilities at amortised cost - Loans (Accrued Interest)	-	128
175	-	Financial Liabilities at amortised cost - Market Loans EIR Adjustment	173	-
12,484	131	Total Borrowing	12,478	131
Creditors				
-	4,570	Financial Liabilities at amortised cost	-	25,110
-	4,570	Total included in Creditors	-	25,110
-	13,655	Creditors that are not financial instruments	-	9,432
-	18,225	Total Creditors	-	34,542

Notes to the Core Financial Statements

13(b). Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021 using the following methods and assumptions.

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2021.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including creditors and debtors is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

	Fair Value Level	31 March 2020		31 March 2021	
		Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial Assets held at fair value:					
Long Term Investments - Pooled Funds	1	16,236	16,236	16,468	16,468
Long Term Investments - Bond Funds	1	2,995	2,995	3,333	3,333
Cash & Cash Equivalents - Money Market Funds	1	7,303	7,303	3,700	3,700
Financial Assets held at amortised cost:					
Cash & Cash Equivalents - Bank Deposits	2	4,103	4,103	8,395	8,395
Cash & Cash Equivalents - Loans to Local Authorities	2	-	-	10,000	10,000
Cash & Cash Equivalents - Government Bond	1	-	-	-	-
Short-Term Investments - Loans to Local Authorities	2	15,517	15,517	12,002	12,002
Long-Term Debtors		144	144	128	128
Short-Term Debtors		5,822	5,822	10,233	10,233
Total Financial Assets		52,120	52,120	64,259	64,259
Financial Liabilities held at amortised cost:					
Long-term PWLB Loans	2	1,888	3,404	1,888	3,422
Long-term Market Loans	2	10,596	17,357	10,590	17,494
Short-term Creditors		4,570	4,570	25,110	25,110
Borrowing repayable within 12 months		131	131	131	131
Total Financial Liabilities		17,185	25,462	37,719	46,157

* The fair value of short-term financial assets held at amortised cost, including Debtors, is assumed to approximate to the carrying amount.

The fair value of Financial 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.

Notes to the Core Financial Statements

13(c). Financial Instruments - Risks

(i) Key Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are

- Credit risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council
- Liquidity risk – the possibility that the Council might not have the cash available to make contracted payments on time
- Market risk - the possibility that unplanned financial loss will materialise because of changes in market variables such as interest rates of equity prices

(ii) 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 identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. The full investment strategy for 2020/21 was approved by Council on 27 February 2020 and is available on the Council's website.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of a minimum of Long Term A-
- UK or EU Member Banks domiciled in a country with a minimum sovereign long term rating of AA+.
- Limits on investments in certain sectors (eg. Money Market Funds, Building Societies, foreign countries).

Amounts Arising from Expected Credit Losses

The Council's short and long term investments have been assessed and the expected credit loss is not material therefore no allowances have been made.

Notes to the Core Financial Statements

13(c). Financial Instruments - Risks (cont'd)

(ii) Credit risk (cont'd)

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	As at 31 March 2021		As at 31 March 2020	
	Long-Term	Short-Term	Long-Term	Short-Term
	£'000	£'000	£'000	£'000
Unrated Local Authorities	-	12,002	-	15,517
Total	-	12,002	-	15,517
Credit risk not applicable *	19,231	-	19,231	-
Total Investments	19,231	12,002	19,231	15,517

* Credit risk is not applicable to pooled funds where the Council has no contractual right to receive any sum of money.

At 31 March 2021, there were no loss allowances related to treasury investments.

Credit Risk - Debtors

The following analysis summarises the Council's potential maximum exposure to credit risk from trade debtors. Only trade debtors meeting the definition of a financial asset are included.

	31/03/2021	Historical experience of default	Adjustment for market conditions at 31/03/21	Estimated maximum exposure to default
	£'000	%	%	£'000
	a	b	b	a * b
Debtors	10,233	4.07%	4.07%	416
	10,233			416

The Council does not generally allow credit for its debtors. Of the £10.233m (£5.822m 2019/20) outstanding for debtors, £7.625m (£0.329m 2019/20) is overdue. The impaired amount for Debtors for 2020/21 is £0.321m (2019/20 £0.151m). The overdue but not impaired amount can be analysed by age as follows:

2019/20		2020/21
£'000		£'000
137	Less than three months	4,904
34	Three months to one year	589
8	More than one year	1,828
179		7,321

Loss allowances on Debtors has been calculated by reference to the Council's historic experience of default. Debtors are collectively assessed for credit risk as one group.

(iii) 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.

The maturity analysis of financial liabilities is as follows:

2019/20		2020/21
£'000		£'000
4,701	Less than one year	25,241
3	Between one and two years	3
9	Between two and five years	9
9	Between five and ten years	4
12,463	More than ten years	12,462
17,185		37,719

Notes to the Core Financial Statements

13(c). Financial Instruments - Risks (cont'd)

(iii) Liquidity risk (cont'd)

Amounts payable relating to statutory debts, eg. council tax, non-domestic rates are not included in the analysis above as they are outside the scope of the Financial Instrument provisions.

The maturity analysis of financial assets is as follows:

2019/20 £'000		2020/21 £'000
51,976	Less than one year	64,131
15	Between one and two years	15
15	Between two and three years	15
114	More than three years	98
52,120		64,259

(iv) Market risk (Interest Rate Risk)

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates - the fair value of the liabilities will fall
- investments at variable rates - the interest income will rise
- investments at fixed rates - the fair value of the assets will fall

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Increase in interest receivable on variable rate investments	£'000 (597)
Decrease in fair value of investments held for trading	-
Impact on Surplus or Deficit on the Provision of Services	(597)
Decrease in fair value of available for sale financial assets	130
Impact on Comprehensive Income and Expenditure	130
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	(3,952)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

(v) Market risk (Price risk)

The market price's of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

14. Provisions

	NNDR Provision for Appeals (a) £'000	Other Provisions (b) £'000	Total £'000
As at 1 April 2020	6,185	92	6,277
Amounts used in 2020/21	(636)	-	(636)
Unused amounts reversed	(1,455)	-	(1,455)
As at 31 March 2021	4,094	92	4,186

Purpose of Provisions

- (a) NNDR Provision for Appeals - this is to cover future losses in income as a result of refunding ratepayers who successfully appeal against the rateable value of their properties.
- (b) Other Provisions comprising lease cars.

Notes to the Core Financial Statements

15. Investment Properties

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

2019/20		2020/21
£'000		£'000
39,346	Balance as at 1 April	40,556
(59)	Disposals	-
28	Acquisitions/Enhancements	48
1,087	Net gains from fair value adjustments	11
154	Transfer from Surplus Assets not Held for Sale	-
40,556	Balance as at 31 March	40,615

15(a). Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 and 2020 are as follows:

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000	£'000
Advert Hoarding	-	100	-	100
Agricultural	-	1,081	-	1,081
Car Parks	-	572	-	572
Garages	-	116	-	116
Ground Rents - Industrial	-	10,361	-	10,361
Ground Rents - Office	-	6,136	-	6,136
Ground Rents - Other	-	10,100	-	10,100
Ground Rents - Retail	-	4,270	-	4,270
Industrial	-	6,102	-	6,102
Licenced Property	-	-	-	-
Offices	-	199	-	199
Retail	-	1,197	-	1,197
Retail Housing Shops	-	381	-	381
Total	-	40,615	-	40,615

2020 Comparative Figures

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£'000	£'000	£'000	£'000
Advert Hoarding	-	101	-	101
Agricultural	-	1,081	-	1,081
Car Parks	-	572	-	572
Garages	-	116	-	116
Ground Rents - Industrial	-	10,333	-	10,333
Ground Rents - Office	-	6,133	-	6,133
Ground Rents - Other	-	10,101	-	10,101
Ground Rents - Retail	-	4,270	-	4,270
Industrial	-	6,071	-	6,071
Licenced Property	-	-	-	-
Offices	-	199	-	199
Retail	-	1,198	-	1,198
Retail Housing Shops	-	381	-	381
Total	-	40,556	-	40,556

Transfers between Levels of the Fair Value Hierarchy

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

Notes to the Core Financial Statements

16. Short-term Debtors

As at 31 March 2020		As at 31 March 2021
£'000		£'000
4,798	Trade Receivables*	7,178
841	Prepayments	571
5,421	Other Receivable Amounts **	12,015
11,060	Total	19,764

* Trade Receivables includes £5.4m (2019/20 £3.3m) relating to CIL invoices being paid on an agreed instalment plan.

** Other Receivable Amounts includes £7.0m (2019/20 £2.2m) owed to the Authority by Preceptors, the increase is as a result of COVID-19.

17. Capital Grants Receipts in Advance

2019/20		2020/21
£'000		£'000
2,320	Balance as at 1 April	2,320
-	Received during the year	-
-	Conditions met and released during the year	-
2,320	Balance as at 31 March	2,320

18. Cash & Cash Equivalents

The balance of cash and cash equivalents is made up of the following:

As at 31 March 2020		As at 31 March 2021
£'000		£'000
3	Cash held by the Council	3
150	Bank Current Accounts	4,695
11,324	Short-term Deposits under 3 months	17,702
(71)	Bank Overdraft	(305)
11,406	Total Cash & Cash Equivalents	22,095

19. Creditors

As at 31 March 2020		As at 31 March 2021
£'000		£'000
307	Trade Payables	17
17,918	Other Payables*	34,525
18,225	Total	34,542

* The 20/21 figure includes £10.9m related to Covid grants received in advance and £8.7m relating to amounts owed to Central Government relating to Covid

Notes to the Core Financial Statements

20. Usable Reserves

The overall movements in the Council's Usable Reserves can be seen in the Movement in Reserves Statement. Further details on the movements in the individual Earmarked Reserves can be found below, along with an explanation of the purpose of each reserve.

20(a). Transfers to/from Earmarked Reserves

	Balance as at 01/04/20 £'000	Transfers Out £'000	Transfers In £'000	Balance as at 31/03/21 £'000
(a) Capital Reserves	265	(9)	9	265
(b) Building Control	69	(36)	41	74
(c) Voluntary Set Aside for Debt Repayment	4,448		474	4,922
(d) IT Fund General Reserve	443	(171)	100	372
(e) Legal & Insurance Matters Reserve	936	(137)	343	1,142
(f) Land Charges	336	-	38	374
(g) Land Charges New Legislation Reserve	7	-	-	7
(h) City Centre Regeneration	76	-	-	76
(i) Housing Benefit & Council Tax Reserve	453	(55)	111	509
(j) Investment Properties Dilapidations Reserve	51	-	-	51
(k) Alleygate Maintenance Reserve	15	-	-	15
(l) Municipal Mutual Insurance Reserve	274	-	-	274
(m) General Commuted Sums	659	-	-	659
(n) Community Related Assets Reserve	5,626	-	-	5,626
(o) Localising Council Tax Support	60	(19)	-	41
(p) Business Rates Equalisation Reserve	2,431	-	12,771	15,202
(q) Guild Reserve	1,000	-	-	1,000
(r) Counter Fraud Fund Reserve	40	(40)	-	-
(s) Arts & Cultural Strategy Reserve	23	(3)	-	20
(t) Individual Electoral Registration Reserve	107	(13)	-	94
(u) City Deal Reserve	3,243	(493)	927	3,677
(v) Vehicle Maintenance Reserve	50	-	-	50
(w) Cemetery & Crematorium Reserve	423	(156)	190	457
(x) Public Health Initiative	2	-	-	2
(y) Riversway Maintenance Reserve	25	-	-	25
(z) Community Infrastructure Levy Admin	638	(124)	204	718
(aa) Efficiency Planning Reserve	952	-	61	1,013
(ab) Housing Zone Reserve	42	(26)	-	16
(ac) Planning Appeals/Inquiry Reserve	200	-	10	210
(ad) Self-Insurance Reserve	234	-	-	234
(ae) Triennial Review Reserve	142	-	300	442
(af) Guild Hall Reserve	230	-	50	280
(ag) Council Tax Hardship Fund Reserve	-	-	186	186
(ah) COVID Reserve	-	-	3,097	3,097
Total	23,500	(1,282)	18,912	41,130

Purpose of Earmarked Reserves

- | | |
|---|--|
| (a) Capital Reserves | Revenue funds set aside to help finance future capital projects. |
| (b) Building Control | Surpluses generated on Building Control Trading services set aside to support continuing service delivery. |
| (c) Voluntary Set Aside for Debt Repayment | Voluntary set aside for the repayment of debt in respect of the replacement and purchase of vehicles. |
| (d) IT Fund General Reserve | Funding of new IT initiatives and development of IT systems. |
| (e) Legal & Insurance Matters Reserve | Voluntary set aside for future legal fees and insurance matters that may arise. |
| (f) Land Charges | Surpluses generated on Land Charges set aside for reinvestment into the service. |
| (g) Land Charges New Legislation Reserve | Voluntary set aside for potential claims of Land Charge refunds. |
| (h) City Centre Regeneration | Voluntary set aside available for financing development/regeneration costs. |
| (i) Housing Benefit & Council Tax Reserve | Voluntary set aside for completion of Department for Work & Pensions benefit assessment and reform projects. |
| (j) Investment Properties Dilapidations Reserve | Voluntary set aside for dilapidation works. |

Notes to the Core Financial Statements

20(a). Transfers to/from Earmarked Reserves (cont'd)

(k)	Alleygate Maintenance Reserve	Voluntary set aside for maintenance of alleygates.
(l)	Municipal Mutual Insurance Reserve	Voluntary set aside to cover the risk of claw back under the Municipal Mutual Insurance (MMI) Scheme of Arrangement.
(m)	General Commuted Sums	Committed sums set aside to cover the future expenditure on assets which have been adopted by the Council.
(n)	Community Related Assets Reserve	Sums set aside for financing future expenditure associated with the transfer of Community Related Assets.
(o)	Localising Council Tax Support	Voluntary set aside to support the Localised Council Tax Support scheme.
(p)	Business Rates Equalisation Reserve	Voluntary set aside to cover the timing differences when accounting for business rates income.
(q)	Guild Reserve	Voluntary set aside for the Preston Guild, an important and historic event held every 20 years dating back to the granting of Preston's first Charter in 1179. The next Preston Guild is 2032.
(r)	Counter Fraud Fund Reserve	Set aside of Department for Work & Pensions ring-fenced grant for fraud prevention including the funding of the Corporate Enquiry (Fraud) Team.
(s)	Arts & Cultural Strategy Reserve	Voluntary set aside to fund investment in the Arts & Cultural offer of the City.
(t)	Individual Electoral Registration Reserve	Set aside of Government Grant to fund Individual Electoral Register.
(u)	City Deal Reserve	Set aside of Community Provision relating to City Deal.
(v)	Vehicle Maintenance Reserve	Voluntary set aside to fund future vehicle maintenance costs.
(w)	Cemetery & Crematorium Reserve	Voluntary set aside to fund future capital costs.
(x)	Public Health Initiatives	Income received in advance for Public Health Initiatives & Welfare Reforms.
(y)	Riversway Maintenance Reserve	Voluntary set aside to fund future maintenance on the dock gates.
(z)	Community Infrastructure Levy Admin	Set aside of the 5% admin fee allowable under the CIL regulation 123 to fund activities concerned with monitoring and reporting on CIL activity.
(aa)	Efficiency Planning Reserve	Set aside towards funding one-off costs of the implementation of the savings plans.
(ab)	Housing Zone Reserve	Set aside of Government Grant to support house building on large designated sites within the City.
(ac)	Planning Appeals/Public Inquiry Reserve	Voluntary set aside to fund future Planning Appeals and Public Inquiries.
(ad)	Self-Insurance Fund Reserve	Self-insurance fund to cover risks that the Council haven't externally insured for.
(ae)	Triennial Review Reserve	Set aside until the next triennial review in anticipation of future pension fund fluctuations.
(af)	Guild Hall Reserve	Voluntary set aside to cover essential maintenance costs.
(ag)	Council Tax Hardship Fund Reserve	Set aside to deliver financial support, including reduced council tax bills, to economically vulnerable residents.
(ah)	COVID Reserve	Set aside for continuing COVID-19 expenditure.

20(b). Capital Grants Unapplied

	Balance as at 01/04/19	Receipts in Year	Payments in Year	Transfer	Balance as at 01/04/20	Receipts in Year	Payments in Year	Transfer	Balance as at 31/03/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(a) Section 106 Unapplied Capital	421	-	(27)	91	485	-	(8)	-	477
(b) Unapplied Capital Grants & Contributions	1,016	1,087	(1,353)	-	750	1,199	(88)	(19)	1,842
(c) Community Infrastructure Levy*	472	5,706	(1,467)	(1,157)	3,554	4,096	(2,510)	(822)	4,318
(d) Affordable Homes	717	928	(186)	-	1,459	49	(140)	-	1,368
Total	2,626	7,721	(3,033)	(1,066)	6,248	5,344	(2,746)	(841)	8,005

* The in year movements for 2019/20 for Community Infrastructure Levy have been restated due to a misclassification between receipts (restated from £5,061k to £5,706k), payments (restated from £1,776k to £1,467k) and transfers (restated from £203k to £1,157k) although the closing balance as at 01/04/2020 is unchanged as £3,554k.

Notes to the Core Financial Statements

21. Unusable Reserves

31 March		31 March
2020		2021
£'000		£'000
Restated		
61,444	Revaluation Reserve	64,795
(446)	Financial Instruments Adjustment Account	(438)
64,871	Capital Adjustment Account	66,076
(78,064)	Pensions Reserve	(103,680)
508	Collection Fund Adjustment Account	(12,057)
(213)	Accumulated Absences Account	(403)
(728)	Pooled Investment Funds Adjustment Account	(158)
47,372	Total Unusable Reserves	14,135

21(a). Revaluation Reserve

2019/20		2020/21
£'000		£'000
59,238	Balance as at 1 April	61,444
3,028	Upward revaluation of assets	4,539
(511)	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(83)
2,517	Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	4,456
(311)	Difference between fair value depreciation and historical cost depreciation	(628)
-	Accumulated gains on assets sold or scrapped	(477)
61,444	Balance as at 31 March	64,795

The Revaluation Reserve represents the gains on revaluation of fixed assets not yet realised through sales.

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

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when 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; and,
- disposed of and the gains realised.

21(b). Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2019/20		2020/21
£'000		£'000
(456)	Balance as at 1 April	(446)
10	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	8
(446)	Balance as at 31 March	(438)

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are written down to the Comprehensive Income and Expenditure Statement over the term remaining on the loan.

Notes to the Core Financial Statements

21(c). Capital Adjustment Account

2019/20		2020/21
£'000		£'000
Restated		
64,225	Balance as at 1 April	64,871
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):	
(2,383)	Charges for depreciation and impairment of non-current assets	(2,288)
(26)	Revaluation losses on Property, Plant & Equipment	255
(620)	Revenue Expenditure funded from Capital under Statute	(151)
(113)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	-
<u>(3,142)</u>		<u>(2,184)</u>
311	Adjusting amounts written out of the Revaluation Reserve	628
<u>(2,831)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(1,556)</u>
	Capital financing applied in the year:	
524	Use of the Capital Receipts Reserve to finance new capital expenditure	754
414	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	1,759
(1,087)	Capital grants and contributions credited to the CI&ES that have been transferred to Capital Grants Unapplied	(1,192)
1,566	Application of grants to capital financing from the Capital Grants Unapplied Account	236
828	Statutory provision for the financing of capital investment charged against the General Fund Balance	912
146	Capital Expenditure charged against the General Fund balance	281
<u>2,391</u>		<u>2,750</u>
1,086	Movements in the market value of Investment Properties debited or credited to the CI&ES	11
<u>64,871</u>	Balance as at 31 March	<u>66,076</u>

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

21(d). Pensions Reserve

2019/20		2020/21
£'000		£'000
(89,480)	Balance as at 1 April	(78,064)
15,740	Remeasurements of the net defined benefit liability	(22,479)
(8,577)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	(6,558)
4,253	Employer's pensions contributions and direct payments to pensioners payable in the year	3,421
<u>(78,064)</u>	Balance as at 31 March	<u>(103,680)</u>

Notes to the Core Financial Statements

21(e). Collection Fund Adjustment Account

2019/20 £'000		2020/21 £'000
	Council Tax	
130	Balance as at 1 April	(182)
(120)	Share of Council Tax surplus / (deficit) for the year	(279)
(192)	(Surplus) / deficit transferred to the General Fund as determined by regulation	(22)
(182)	Balance as at 31 March	(483)
	Business Rates	
(574)	Balance as at 1 April	690
833	Share of Business Rates surplus / (deficit) for the year	(12,272)
(3)	Share of renewable energy schemes surplus / (deficit) for the year	(1)
434	(Surplus) / deficit transferred to the General Fund as determined by regulation	9
690	Balance as at 31 March	(11,574)
508	Total Balance as at 31 March	(12,057)

The Collection Fund Adjustment Account allows for differences between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. The balance on the account represents the Council's share of the Collection Fund surplus or deficit. The large balance relating to Business Rates is offset by Section 31 grants received from Central Government.

Notes to the Core Financial Statements

21(f). Accumulated Absences Account

2019/20	2020/21
£'000	£'000
(145) Balance as at 1 April	(214)
145 Settlement or cancellation of accrual made at the end of the preceding year	214
(213) Amounts accrued at the end of the current year	(403)
Amount by which officer remuneration charged to the Comprehensive Income	(189)
(69) and Expenditure Statement on an accruals basis is different from remuneration	(189)
(214) Balance as at 31 March	(403)

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

21(g). Pooled Investment Funds Adjustment Account

2019/20	2020/21
£'000	£'000
(197) Balance as at 1 April	(728)
(531) Statutory override to mitigate the impact of fair value movements on pooled investment funds	570
(728) Balance as at 31 March	(158)

There was significant volatility in the financial money markets in March 2020 following the outbreak of the Coronavirus and this led to a fall in the fair value of pooled investment funds of £531k. There has been an improvement in the financial markets during 2020/21 and this has led to a gain of £570k in the fair value of the pooled investment funds at 31st March 2021. As a result of the implementation of IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have introduced a statutory override for accounting for the changes in the fair value of pooled fund investments so that there is no overall impact on the Council's funds. The statutory override is time limited and the final year is 2022/23.

22. Cash Flow Statement - Operating Activities

The cash flows for operating activities included the following items

2019/20	2019/20	2020/21
£'000	£'000	£'000
	Restated	
44	68 Interest Received	908
(93)	(720) Interest Paid	(588)

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

2019/20	2020/21
£'000	£'000
Restated	
2,383 Depreciation	2,196
26 Impairment and downward valuations	(163)
3,533 Increase/(decrease) in creditors	12,877
(3,232) (Increase)/decrease in debtors	(4,181)
(17) (Increase)/decrease in inventories	26
5,723 Movement in pension liability	(2,889)
113 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-
464 Other non-cash items charged to the net surplus or deficit on the provision of	(2,674)
8,993 Adjusted net surplus or deficit on the provision of services for non-cash	5,192

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

2019/20	2020/21
£'000	£'000
3,542 Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(574) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(735)
(6,638) Any other items for which the cash effects are investing or financing cash flows	(5,893)
(3,670)	(6,628)

Notes to the Core Financial Statements

23. Cash Flow Statement - Investing Activities

2019/20 £'000		2020/21 £'000
(3,438)	Purchase of property, plant and equipment, investment property and intangible assets	(2,187)
(15,500)	Purchase of short-term and long-term investments	(12,000)
575	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	735
14,000	Proceeds from short -term and long-term investments	15,500
6,450	Other receipts from investing activities	6,134
2,087	Net cash flows from investing activities	8,182

24. Cash Flow Statement - Financing Activities

2019/20 £'000		2020/21 £'000
(2,700)	Council tax and NNDR adjustments	(1,265)
(5,003)	Repayments of short-term and long-term borrowing	(4)
(7,703)	Net cash flows from financing activities	(1,269)

25. Cash Flow Statement - Reconciliation of Liabilities arising from Financing Activities

The changes in the Authority's liabilities arising from financing activities can be classified as follows:

	Long Term Borrowings	Short Term Borrowings	Total
	£'000	£'000	£'000
Balance as at 1 April 2020	12,484	131	12,615
Cash Flows			
Repayment	(5)	-	(5)
Non-Cash			
Fair Value	(1)	-	(1)
Balance as at 31 March 2021	12,478	131	12,609
	Long Term Borrowings	Short Term Borrowings	Total
	£'000	£'000	£'000
Balance as at 1 April 2019	12,491	5,220	17,711
Cash Flows			
Repayment	(3)	(5,000)	(5,003)
Non-Cash			
Fair Value	(4)	(89)	(93)
Balance as at 31 March 2020	12,484	131	12,615

Notes to the Core Financial Statements

26. Expenditure Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government Grants, Council Tax, Business Rates and rents) 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 service areas. 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	Transfers (to)/from Earmarked Reserves	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Transfers (to)/from Earmarked Reserves	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated		Restated	Restated				
453	-	-	453	422	-	-	422
7,281	(136)	-	7,145	7,963	(34)	-	7,929
4,989	(624)	-	4,365	4,320	(670)	-	3,650
1,851	(280)	-	1,571	2,317	(359)	-	1,958
2,472	-	-	2,472	2,554	(38)	-	2,516
4,766	(77)	5,107	9,796	9,412	(3,407)	4,160	10,165
21,812	(1,117)	5,107	25,802	26,988	(4,508)	4,160	26,640
(21,757)	(1,084)	(5,152)	(27,993)	(28,045)	(13,122)	9,315	(31,852)
-	-	-	-	-	-	-	-
55	(2,201)	(45)	(2,191)	(1,057)	(17,630)	13,475	(5,212)
8,878	21,299			8,823	23,500		
			Opening General Fund/Earmarked Reserve Balance				
(55)	2,201			1,057	17,630		
			(Surplus)/Deficit on General Fund/Earmarked Reserve Balance in year				
8,823	23,500		Closing General Fund/Earmarked Reserve Balance as at 31 March	9,880	41,130		

* Central Services contains the centrally managed budgets which include Housing Benefits, utilities, depreciation and pensions

Notes to the Core Financial Statements

26(a). Note to the Expenditure and Funding Analysis

This note explains the main adjustments from the Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement

2020/21	Net Expenditure Chargeable to the General Fund	Transfers to Earmarked Reserves	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	422	-	-	-	-	422
Communities & Environment	7,963	(34)	-	-	-	7,929
Customer Services	4,320	(670)	-	-	-	3,650
Development & Housing	2,317	(359)	-	-	-	1,958
Resources	2,554	(38)	-	-	-	2,516
Central Services*	9,412	(3,407)	834	3,137	189	10,165
Net Cost of Services	26,988	(4,508)	834	3,137	189	26,640
Other Income and Expenditure	(28,045)	(13,122)	(2,421)	-	11,736	(31,852)
(Surplus)/Deficit	(1,057)	(17,630)	(1,587)	3,137	11,925	(5,212)

2019/20	Net Expenditure Chargeable to the General Fund	Transfers to Earmarked Reserves	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000
	Restated		Restated			Restated
Chief Executive	453	-	-	-	-	453
Communities & Environment	7,281	(136)	-	-	-	7,145
Customer Services	4,989	(624)	-	-	-	4,365
Development & Housing	1,851	(280)	-	-	-	1,571
Resources	2,472	-	-	-	-	2,472
Central Services*	4,766	(77)	714	4,324	69	9,796
Net Cost of Services	21,812	(1,117)	714	4,324	69	25,802
Other Income and Expenditure	(21,757)	(1,084)	(4,172)	-	(980)	(27,993)
(Surplus)/Deficit	55	(2,201)	(3,458)	4,324	(911)	(2,191)

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing ie Minimum Revenue Position and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
- **Taxation and Non-Specific Grant Income and Expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in 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 year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For Services** - this represents the removal of the employer pension contributions made by the Council as allowed by statute and the 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.

Notes to the Core Financial Statements

26(a). Note to the Expenditure and Funding Analysis (cont'd)

Other Adjustments

Other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and Investment Income and Expenditure** - the other adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **The charge under Taxation and Non-Specific Grant Income and Expenditure** - represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

26(b). Expenditure and Income Analysed by Nature

2019/20 £'000		2020/21 £'000
Restated	Expenditure	
23,774	Employee benefits expenses	22,365
49,251	Other service expenses	58,949
5,004	Depreciation, amortisation, impairment	5,580
2,672	Interest payments	2,252
333	Precepts and levies	354
(11)	Gain on disposal of assets	(5)
81,023	Total Expenditure	89,495
	Income	
(13,819)	Fees, charges and other service income	(13,120)
(1,932)	Interest and investment income	(2,837)
(12,315)	Income from council tax, non-domestic rates, district rate income	(12,620)
(55,148)	Government grants and contributions	(66,130)
(83,214)	Total Income	(94,707)
(2,191)	(Surplus) or Deficit on the Provision of Services	(5,212)

27. Members' Allowances

2019/20 £'000		2020/21 £'000
	Allowances	
191	Basic	205
77	Special Responsibility	87
7	Mayoral Duties	9
2	Co-opted Members	1
277		302
	Expenses	
5	Travel & Subsistence	-
282	Total	302

Notes to the Core Financial Statements

28. Officers' Remuneration

The numbers of employees whose remuneration (excluding employer's pension contributions) for the year exceeded £50,000 are as follows:

	2019/20 No.	2020/21 No.
£50,000 - £54,999	3 *	7
£55,000 - £59,999	-	-
£60,000 - £64,999	1	1
£65,000 - £69,999	1	-
£70,000 - £74,999	1	-
£75,000 - £79,999	2	1
£80,000 - £84,999	1	2
£85,000 - £89,999	-	1
£90,000 - £94,999	-	2
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-

* bands affected by a total of 2 termination payments made during 2019/20.

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:-

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20 No.	2020/21 No.	2019/20 No.	2020/21 No.	2019/20 No.	2020/21 No.	2019/20 £'000	2020/21 £'000
£0 - £20,000	-	-	1	-	1	-	14	-
£20,001 - £40,000	-	-	1	1	1	1	36	36
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	2	-	2	-	240	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total cost included in bandings							290	36
Add: Amounts provided for in CI&ES not included in bandings - under/over provisions relating to previous years							-	-
Add: Provisions in CI&ES not included in bandings - exit packages payable to following year leavers							-	-
Less: Reversal of provision for exit packages paid in year and now included in bandings, but provided for in prior year							(114)	-
Total cost included in CI&ES							176	36

Notes to the Core Financial Statements

28. Officers' Remuneration (cont'd)

Further details for those Senior Officers whose Salary is £50,000 or more per year are also tabled below:

Senior Officers - salary is between £50,000 and £150,000 per year - 2019/20 & 2020/21

			Salary (including fees & allowances) £'000	Compensation for loss of office £'000	Benefits in Kind £'000	Total Remuneration excluding pension contributions £'000	Pension contributions £'000	Total Remuneration including pension contributions £'000
Chief Executive	2020/21		101	-	-	101	18	119
	2019/20	Note 1	107	-	-	107	15	122
Director Communities & Environment	2020/21		92	-	-	92	14	106
	2019/20	Note 2	77	-	-	77	12	89
Director Customer Services & Deputy Chief Executive	2020/21		83	-	-	83	15	98
	2019/20	Note 2	81	-	-	81	12	93
Director Development & Housing	2020/21		92	-	-	92	14	106
	2019/20	Note 2	77	-	-	77	12	89
Chief Officer (Environmental Health)	2020/21		76	-	-	76	11	87
	2019/20	Note 2	62	-	-	62	9	71
Chief Officer (Revenues & Benefits) & Head of Shared Service	2020/21	Note 2 &	85	-	-	85	13	98
	2019/20	4	71	-	-	71	11	82
Director of Resources	2020/21		82	-	-	82	13	95
	2019/20	Note 3	68	-	-	68	10	78
Assistant Director (City Solicitor & Monitoring Officer)	2020/21		64	-	-	64	12	76
	2019/20	Note 3	52	-	-	52	8	60
Assistant Director (Head of Financial Services)	2020/21	Note 3	54	-	-	54	10	64
Assistant Director (Head of ICT & Customer Contact)	2020/21	Note 3	52	-	-	52	10	62
Assistant Director (Head of Advice and Community Services)	2020/21	Note 3	52	-	-	52	10	62
Assistant Director (City Growth & Regeneration)	2020/21	Note 3	52	-	-	52	10	62
Assistant Director (Head of Neighbourhood Services)	2020/21		52	-	-	52	10	62
	2019/20	Note 3						
			937	-	-	937	160	1,097
			595	-	-	595	89	684

Note 1: Salary includes Returning Officer payment for the Preston City Council Elections in 2019/20, Interim Returning Officer payment and Final Returning Officer payment for the European Elections in 2019/20 and 2020/21 respectively, and Interim Acting Returning Officer payment for the UK Parliamentary Elections 2019/20.

Note 2: As part of an ongoing Management Restructure, from 1st April 2020 a number of posts were redesignated - Director Corporate Services became Director Communities & Environment, Director of Development became Director of Development & Housing, Chief Environmental Health Officer/Deputy Director became Chief Officer (Environmental Health), and Head of Shared Service & Deputy Director Customer Services became Chief Officer (Revenues & Benefits) and Head of Shared Service.

Note 3: Also as part of the Management Restructure, City Treasurer was redesignated Director of Resources and regraded to Director Grade starting on an annualised salary of £70,366. Head of Legal & Democratic Services - Monitoring Officer was redesignated Assistant Director (City Solicitor & Monitoring Officer) and regraded to Assistant Director Grade starting on an annualised salary of £59,887 including Monitoring Officer allowance. Five additional officers whose salaries did not exceed £50,000 in 2019/20 were redesignated Assistant Director, namely Assistant Director (Head of Financial Services), Assistant Director (Head of ICT & Customer Contact), Assistant Director (Head of Advice and Community Services), Assistant Director (Head of City Growth & Regeneration) and Assistant Director (Head of Neighbourhood Services), starting on an annualised salary of £51,887.

Note 4: The Chief Officer (Revenues & Benefits) and Head of Shared Service provides services for both Preston City Council and Lancaster City Council as part of a shared service arrangement. He is formally employed by Preston City Council and Lancaster City Council is recharged 50% of his total remuneration.

29. Termination Benefits

The Council terminated 1 contract of employment in 2020/21, incurring costs of £35,518 (£175,959 in 2019/20).

Notes to the Core Financial Statements

30. Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the 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.

(i) Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits).

(ii) Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Details of Members' interests are recorded in the Notification of Members' Financial and Other Interests file which is open to public inspection at the Town Hall, Preston.

Members have not disclosed any material transactions with related parties.

Grants paid by the Council to organisations with Member interest include:

- The Council as an independent body paid grants totalling £0.081m (2019/20 £0.095m) to voluntary organisations and local community groups in which one or more Members had an interest. The grants were made in proper consideration of declarations of interest, where relevant. Those Members with a declared interest did not take part in any discussion or decision relating to the grant.
- The Council as an Accountable Body paid grants totalling £0.075m (2019/20 £0.078m) on behalf of Friends of Fishwick & St Matthew's (FOFS) in which one or more Members had an interest. The grants were made in proper consideration of declarations of interest, where relevant.

(iii) Officers of the Council

Officers of the Council also hold positions in other organisations or companies as a consequence of being appointed by the Council, however no officer has disclosed any material transactions with related parties.

(iv) Other public bodies

Precepts in relation to the Lancashire Police Authority, Lancashire Combined Fire Authority and Lancashire County Council. Details of these are contained in the Collection Fund. The Council participates in one major pension scheme, the Local Pensions Partnership (LPP).

(v) Shared Services:

• Revenues and Benefits Shared Service

Preston and Lancaster City Councils have a combined Revenues and Benefits Shared Service. A Joint Committee discharges the functions of the Shared Service which are detailed in the Shared Services Agreement. The Host Authority of the Shared Service is Preston City Council.

The Shared Service 2020/21 gross expenditure was £3.551m (2019/20 £3.670m) with receipts from Lancaster City Council of £1.775m (2019/20 £1.835m).

• Corporate Enquiry Team Shared Service

Preston and Lancaster City Councils together with Fylde Borough Council have a combined Corporate Enquiry Team to protect the public purse and prevent, detect and deter fraud. The Host Authority of the shared service is Preston City Council. The 2020/21 gross expenditure was £0.150m (2019/20 £0.150m) with receipts from Lancaster City Council of £0.060m (2019/20 £0.060m) and Fylde Borough Council of £0.030m (2019/20 £0.030m).

(vi) Partnership working

During 2020/21 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operation is the Preston and Lancashire City Deal between the Council, Lancashire County Council and South Ribble Borough Council. The Leader of the City Council and one further Member of the Council is also on the City Deal Executive. Senior Officers from the Council also form part of the management structure and governance arrangements, including the Chief Executive, Director of Development & Housing and the Director of Resources. During 2020/21 the Council received £0.803m (2019/20 £0.953m) from the City Deal and paid £4.751m (2019/20 £3.421m) to the City Deal.

Notes to the Core Financial Statements

31. External Audit Costs

2019/20		2020/21
£'000	Preston City Council incurred the following fees relating to external audit and inspection:	£'000
54	Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor	72
15	Fees payable to Grant Thornton LLP with regard to prior year audits	11
17	Fees payable to Grant Thornton LLP for the certification of grant claims & returns - current year	19
13	Fees payable to Grant Thornton LLP for the certification of grant claims & returns - prior year	-
(6)	Public Sector Audit Appointments Refund	-
<u>93</u>		<u>102</u>

32. Agency Services

On 1st June 2015 a Corporate Enquiry Team Shared Service was established between Preston and Lancaster City Councils together with Fylde Borough Council. Its purpose was to protect the public purse and prevent, detect and deter fraud. The host authority of the shared service is Preston City Council. The 2020/21 gross expenditure was £0.150m (2019/20 £0.150m).

The Revenues and Benefits Shared Service was formed on 1st July 2011. It is a Jointly Controlled Operation between Preston City Council and Lancaster City Council to collect Local Taxation and the administration of Housing Benefit and Council Tax Support. Lancaster's Revenues and Benefits employees transferred to Preston City Council at the start of the partnership. The total expenditure incurred is split 50/50 between the Councils. A copy of the Shared Service Statement of Accounts can be found on the Council's website. The 50% fee received from Lancaster City Council for the service is detailed below:

2019/20		2020/21
£'000		£'000
<u>1,835</u>	Revenues & Benefits Shared Service	<u>1,775</u>
1,835		1,775

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2019/20		2020/21
£'000		£'000
20,175	Opening Capital Financing Requirement	21,042
	Capital Investment:	
2,609	Property, Plant & Equipment	2,111
-	Heritage Assets	-
28	Investment Properties	47
3,732	Revenue Expenditure Funded from Capital Under Statute	4,021
	Sources of finance:	
(524)	Capital receipts	(754)
(2,943)	Government grants and other contributions	(4,445)
	Sums set aside from revenue:	
(1,172)	Voluntary set aside from Earmarked Reserves	(426)
(35)	Direct Revenue contributions	(82)
(828)	MRP (Minimum Revenue Provision)	(912)
<u>21,042</u>	Closing Capital Financing Requirement	<u>20,602</u>
	Explanation of movements in year	
(828)	Sums set aside from Revenue (MRP)	(912)
-	Voluntary set aside from Revenue	-
1,695	Increase in underlying need to borrow (unsupported by government financial assistance)	472
<u>867</u>	Increase/(Decrease) in Capital Financing Requirement	<u>(440)</u>

Notes to the Core Financial Statements

34. Defined Benefit Pension Scheme

(a) Retirement Benefit Obligations

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

At 31st March 2021 the Council's principal pension arrangement for its employees was the Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund as a whole was carried out at 31st March 2019, and at that date showed a funding level of 100% (assets of £8.4bn against accrued liabilities of about £8.4bn). At this actuarial valuation the average deficit recovery period adopted is 16 years for this Council. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

The next valuation of the Fund will take place with an effective date of 31st March 2022 with any revised contributions rates being applied to the Council with effect from 1st April 2023.

(b) Early payment of 3 years employer's pension contributions and deficit recovery in April 2020

At each valuation of the Fund the employer's deficit in respect of previous years is calculated and the time period over which this is to be repaid is determined. Each employer within the Fund pays the Fund a rate of "interest" for allowing payment over a longer period (16 years) to compensate the Fund for investment opportunities which it has forgone. Repaying the deficit and employer's pension contributions in advance enables a saving due to the avoidance of these "interest payments". This is then netted off against the interest that could have been earned by the Council placing this money on deposit.

The value of the benefit from paying the employer's pension contributions and deficit recovery early is significant because the pension fund return on its investments is much greater than the returns the Council can make on its own deposits. For the Council, the primary driver for investments is capital preservation which is dictated by the Prudential Code. For the Pension Fund, the time horizon is longer and the risk tolerance is higher and the drivers are return and diversification. In addition, by paying the pension employer contributions and deficit early, this reduces the level of the Council's short-term cash deposits for which there is counter party (lending) risk.

(c) Impact of the McCloud Judgement

The "McCloud judgement" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all pension schemes. An allowance for the financial impact has been included in the figures provided by the actuary which are in line with the Government recommendations.

(d) Impact of Covid-19

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2020/21 accounting figures. Over the same period, the market volatility has also extended to corporate bonds, and after an initial spike the yields on AA-rated corporate bonds have reduced from previous levels. As the discount rate for accounting purposes is based on corporate bond yields, this will also impact on accounting liabilities. Finally, there has been an impact on market-implied RPI over the period, although this will in part be related to the consultation on RPI reform and demand for gilts, rather than any fundamental shift in expectations. The actuary considers that it is not possible at this point to draw any meaningful conclusions on the potential impact of COVID-19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

(e) Consumer Price Inflation (CPI)

There has been a fundamental change in market-implied Retail Price Inflation (RPI), due at least in part to the UK Statistics Authority and HM Treasury confirming in November 2020 a change to the RPI formula. HM Treasury confirmed that RPI will increase in line with the Consumer Prices Index including owner occupiers' housing costs (CPIH) from 2030. Because CPIH generally gives lower inflation figures than RPI, this means RPI inflation will be lower from 2030. The actuary's view is that at longer durations a greater proportion of the benefits will be payable after 2030, by which time RPI will have been migrated to be in line with CPIH. The CPI inflation assumption has increased from 2.1% last year to 2.7% at 31st March 2021 which has the effect of significantly increasing scheme liabilities.

(f) Governance and Risk Management

The liability associated with the Council's pension arrangements is material to the Council, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

Nature of Fund

The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31st March 2014 and on revalued average salary (a "career average" scheme) for service from 1st April 2014 onwards.

Governance

Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pension Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.

Notes to the Core Financial Statements

34. Defined Benefit Pension Scheme (cont'd)

(f) Governance and Risk Management continued

Funding the Liabilities

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31st March 2019 which showed a funding level of 100%.

Risks and Investment Strategy

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors.

Currency Risk

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. Credit risk is minimised by ensuring that counterparties meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

Liquidity Risks

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments, and the Fund has immediate access to its cash holdings.

Notes to the Core Financial Statements

34. Defined Benefit Pension Scheme (cont'd)

Other Risks

Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the Council's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis in Note 34 (n) indicates the change in the defined benefit obligation for changes in the key assumptions.

Curtailments and Discretionary Benefits

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

(g) Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

(h) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit schemes is as follows:

2019/20		2020/21
£'000		£'000
304,633	Present Value of Funded Liabilities	345,147
7,222	Present Value of Discretionary Benefit Arrangements	7,410
(233,791)	Fair Value of Employer Assets	(254,903)
<u>78,064</u>	Net Pension Deficit	<u>97,654</u>

Notes to the Core Financial Statements

34. Defined Benefit Pension Scheme (cont'd)

(i) Comprehensive Income and Expenditure Statement

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Lancashire County Pension Fund

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
		Service Cost:		
(4,918)	-	Current service cost	(4,719)	-
(246)	-	Curtailments	(1)	-
(1,354)	-	Past service cost	-	-
(85)	-	Administration expenses of the Pension Fund	(89)	-
71	-	Payments to pension fund (higher)/lower than Pension Fund estimated amount	(84)	-
		Financing and Investment Income and Expenditure		
(2,045)	(218)	Net interest expense	(1,665)	(167)
(8,577)	(218)	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	(6,558)	(167)
		Remeasurement of the Net Defined Liability Comprising:		
5,213	99	Actuarial gains / (losses) arising on changes in financial assumptions	(49,169)	(735)
11,099	210	Change in Demographic assumptions gain /(loss)	-	-
11,402	1,493	Experience gain /(loss)	6,406	170
(11,974)	-	Remeasurement gain on assets	20,284	-
15,740	1,802	Total remeasurements recognised in other comprehensive income	(22,479)	(565)
7,163	1,584	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(29,037)	(732)
		Movement in Reserves Statement:		
8,577	218	Reversal of net charges made to the surplus or deficit on the provision of services	6,558	167
		Actual amount charged against the General Fund		
		Balance for pensions in the year:		
(3,682)	-	Employers' contributions payable to scheme	(2,879)	-
-	(571)	Retirement benefits payable to pensioners	-	(542)

Notes to the Core Financial Statements

34. Defined Benefit Pension Scheme (cont'd)

(j) Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2019/20	2019/20		2020/21	2020/21
£'000	£'000		£'000	£'000
244,979	-	Opening fair value of scheme assets	233,791	-
5,869	-	Interest income	5,721	-
(11,974)	-	Remeasurements	20,284	-
4,324	571	Contributions from employer	3,337	544
934	-	Contributions from employees into the scheme	952	-
(10,256)	(571)	Benefits/transfers paid	(9,093)	(544)
(85)	-	Administration Expenses	(89)	-
233,791	-	Closing Fair Value of Scheme Assets	254,903	-

(k) Reconciliation of Present Value of the Scheme Liabilities

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2019/20	2019/20		2020/21	2020/21
£'000	£'000		£'000	£'000
333,059	9,377	Opening fair value of scheme liabilities	311,855	7,222
4,918	-	Current Service Cost	4,719	-
7,914	218	Interest Cost	7,386	167
934	-	Contributions from scheme participants	952	-
		Remeasurement (gains) and losses:		
(5,213)	(99)	Actuarial (gains)/losses arising from changes in financial assumptions	(6,406)	(170)
(11,402)	(1,493)	Experience (gain) / loss	(6,406)	(170)
(11,099)	(210)	(Gain) / loss on demographic assumptions	49,169	735
1,354	-	Past service cost	-	-
246	-	Curtailments	1	-
(10,256)	(571)	Benefits/transfers paid	(9,093)	(544)
1,400	-	Lump sum employer prepayment	(6,026)	-
311,855	7,222	Closing Fair Value of Scheme Liabilities	352,557	7,410

As detailed in the Narrative Report, the Council has prepaid the employer service contributions and pension deficit due for three years by way of a lump sum payment in April 2020. £6.03m represents the value of the prepayment that relates to 2021/22 and 2022/23.

Notes to the Core Financial Statements

34. Defined Benefit Pension Scheme (cont'd)

(I) Pension Scheme Assets Comprised:

Asset Category	Period Ended 31 March 2020			Period Ended 31 March 2021		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Cash						
- Cash Accounts	-	6,546	6,546	-	6,294	6,294
- Net Current Assets	-	(3,974)	(3,974)	-	(663)	(663)
Bonds						
- UK Corporate	2,806	-	2,806	-	-	-
- Overseas Corporate	-	3,039	3,039	-	-	-
Property						
- Offices	-	-	-	-	112	112
- Industrial / Warehouse	-	935	935	-	2,122	2,122
- Shops	-	-	-	-	250	250
- Retail Warehouse	-	234	234	-	-	-
- Multi let Commercial Building	-	2,104	2,104	-	1,882	1,882
Alternatives						
- Overseas Private Equity	-	18,703	18,703	-	20,451	20,451
- Infrastructure	-	32,263	32,263	-	30,569	30,569
- Credit funds	-	36,939	36,939	-	34,074	34,074
- Indirect Property Funds	-	16,599	16,599	-	31,935	31,935
- Pooled Fixed Income	-	12,391	12,391	-	8,497	8,497
- UK Pooled Equity Funds	-	-	-	-	2,607	2,607
- Overseas Pooled Equity Funds	-	105,206	105,206	-	116,773	116,773
Total Assets	2,806	230,985	233,791	-	254,903	254,903

Notes to the Core Financial Statements

34. Defined Benefit Pension Scheme (cont'd)

(m) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method of valuation, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The pension fund has been assessed by Mercer Limited, an independent actuary, estimates for the pension fund being based on the last valuation of the scheme as at 31st March 2019.

The main assumptions used by the actuary have been:

31 March 2020 %		31 March 2021 %
2.1	Rate of CPI Inflation	2.7
3.6	Rate of increase in salaries	4.2
2.2	Rate of increase in pensions	2.8
2.4	Rate for discounting scheme liabilities	2.1
	Life expectancy at 65 for current pensioners:	
22.3 years	Men	22.4 years
25 years	Women	25.1 years
	Life expectancy for future pensioners (aged 65 in 20 years' time):	
23.8 years	Men	23.9 years
26.8 years	Women	26.9 years

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The table below is an analysis of the sensitivity of the pension fund deficit to changes in the actuarial assumptions used.

(n) Sensitivity Analysis

Change in Assumptions at 31 March 2021	Impact on the Defined Benefit Obligation Increase / (Decrease) £'000
1 year increase in life expectancy	10,953
Increase of 0.1% in salaries	658
Increase of 0.1% in inflation	5,812
Increase of 0.1% in discount rate	(5,719)
Increase of 1% in 2020/21 Investment returns	(2,595)
Decrease of 1% in 2020/21 Investment returns	2,595

(o) Impact on the Council's Future Cash Flows

The Council has agreed a funding strategy with the pension fund for the next year. Future employer pension contributions from 1st April 2021 will be at a rate of 18.4% of pay (£2.9m) together with a pre-paid cash deficit contribution, which will be £0.4m in total for 2021/22 and 2022/23, and discretionary post-retirement benefits of £0.5m. The next valuation of the Fund will take place with an effective date of 31st March 2022 with any revised contribution rates being applied to the Council with effect from 1st April 2023.

Notes to the Core Financial Statements

35. Contingent Liabilities

(i) Employee Industrial Disease Claims

The Council has an exposure to Employers Liability Claims occurring before it took out external insurance cover in October 1989. There is just one outstanding claim reported to the Council alleging Asbestosis. This claim has only very recently been made and as yet there is not enough financial information to adequately place a reserve on the eventual value of the claim. For claims incurred but not reported prior to October 1989, it is impractical to estimate the financial impact, as such a reserve has been established and is regularly reviewed to ensure its adequacy to pay claims presented in the future.

(ii) Section 106 (S106) Agreements

S106 of the Town and Country Planning Act 1990 allows a local planning authority to enter in to a legally binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a S106 Agreement and S106 monies received by the Council are used to fund the provision of infrastructure, such as highways, recreational facilities, education, health and affordable housing, which is necessary as part of the development or to mitigate its impact. Planning obligations under S106 of the Act are subject to statutory tests concerning their necessity, their relationship to the development concerned and their fairness and reasonableness in terms of what is being requested. The tests are set out in Regulation 122 of the Community Infrastructure Levy Regulations 2010 (as amended). Such agreements or obligations may lay down conditions that monies must be spent by a specified date and on specified items, if these conditions are not met then monies may be returnable and in some cases with interest applied. The Council has a number of S106 agreements in place with an outstanding balance of £0.477 in 2020-21 (£0.485m in 2019/20).

(iii) Gateway Stock Transfer

The stock transfer to Community Gateway Association (CGA) took place on the 28th November 2005. There remains a number of Contingent Liabilities.

(a) Asbestos Warranties

The Council was required as standard practice to provide an Asbestos Warranty. On the first £4.2m of these warranties, any expenditure would be met by the Community Gateway Association (CGA). The next £5.8m would be shared 50/50 between CGA and the Council. Any expenditure above £10m would be met in full by the Council. CGA have agreed an Asbestos Management Policy with the Council and the Council is monitoring their progress with asbestos removal from their properties, which is therefore not currently giving the Council cause for concern.

(b) Disposals Clawback Agreement

The disposal agreement provides that CGA has a full warranty for land transferred in respect of ground conditions should redevelopment for social housing occur at some future date. If redevelopment was to occur the Council would negotiate with CGA on a case by case basis.

(iv) Accountable Body Issues

The Council has Accountable Body status for a number of schemes operated by the Government and related agencies. Accountable Bodies have to operate within extremely rigorous and stringent Government regulations, giving wide ranging rights for grants to be clawed back if specific output targets are not met by the partner organisations. These accounts have been prepared on the basis that none of the grants involved will either be clawed back or withheld. The Council as an Accountable Body paid grants totalling £0.075m (2019/20 £0.078m).

Notes to the Core Financial Statements

35. Contingent Liabilities (cont'd)

(v) Municipal Mutual Insurance (MMI)

Municipal Mutual Insurance was the predominant insurer of public sector bodies prior to its cessation of underwriting operations in September 1992. A Scheme of Arrangement was implemented in 1993 which, due to an unfavourable ruling from the Supreme Court, has been triggered. £0.274m is set aside in an earmarked reserve. This reserve is available to fund payments in the event of a further levy on the outstanding Municipal Mutual liabilities of £0.524m in 2020/21 (£0.524m in 2019/20).

(vi) The Guild Hall Legal Challenge

The Council is currently the subject of a claim which arose from the forfeiture by the Council of a long commercial lease held by its tenant Preston Guild Hall Limited, a company now in administration.

(vii) Judicial Review

The Council published a Memorandum of Understanding in April 2020 setting out its 5 year housing supply. This was done in conjunction with Chorley Council and South Ribble Borough Council. The legality of the revised Memorandum of Understanding was challenged in the High Court. However, a Consent Order has been agreed between the parties to the proceedings. At present the Council is awaiting a decision from the High Court in regards to an award against it.

36. Contingent Assets

(i) Right to Buy Receipts (RTB)

The Council continues to share in 'Right to Buy' receipts generated by the Community Gateway Association (CGA). The amount the Council received was £0.253m in 2020/21 (2019/20 £0.549m). The amount the Council receives in future years is dependent on future market conditions.

37. Prior Period Adjustment

The Council discovered an error in the way Trading Account income and expenditure was classified in the Comprehensive Income & Expenditure Account in previous financial years. The error meant that Trading Account income and expenditure was removed from the Central Services line of the Comprehensive Income & Expenditure Statement in order for it to be classified under Financing and Investment Income and Expenditure as is required by The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This removal of the income and expenditure from the Central Services line was incorrect as the Trading Account income and expenditure was originally accounted for in the Customer Services line of the Comprehensive Income & Expenditure Statement. Therefore, to correct the misclassification, the Trading Account income and expenditure has been added back to the Central Services line and removed from the Customer Services line of the Comprehensive Income & Expenditure Statement. There was no change to the reported financial position or performance of the Council as a result of this misclassification.

Furthermore, the Council discovered that a number of Infrastructure assets held on the Balance Sheet should have been written out during the 2006/2007 financial year as they are no longer owned by the Council. These assets related to work undertaken on highways when the Council carried out a Highways Function on behalf of Lancashire County Council under an agency agreement. This agency agreement ended in June 2006 and the assets relating to this agreement should have been written out when the agreement ended.

In order to correct these errors, the Council has restated the prior year information for 2019/20 in the relevant lines of the Comprehensive Income & Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes to the accounts. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom also requires that an Authority presents a Balance Sheet at the beginning of the preceding period when an Authority makes a retrospective restatement, known as a third Balance Sheet. Therefore, the opening Balance Sheet at 1 April 2019 has also been restated to correct the same error relating to Infrastructure Assets at the 2018/19 year-end. The Net Book Value of the Infrastructure Assets incorrectly included in the Balance Sheet at 31 March 2019 was £2.876m.

Notes to the Core Financial Statements

37. Prior Period Adjustment (continued...)

The following tables demonstrate the effects of the Prior Period Adjustments on the line items in the core financial statements.

(i) Effect on the line items in the Comprehensive Income & Expenditure Statement

	2019/20 As Originally Stated £'000	2019/20 As Restated £'000	2019/20 Restatement £'000
	Net Expenditure	Net Expenditure	Net Expenditure
PPA Relating to Trading Account Income & Expenditure			
Customer Services	2,550	4,458	1,908
Central Services	11,704	9,796	(1,908)
PPA Relation to Infrastructure Assets			
Customer Services	2,550	2,457	(93)
Development & Housing	1,641	1,571	(70)
Cost of Services	25,965	25,802	(163)
(Surplus)/Deficit on Provision of Services	(2,028)	(2,191)	(163)
Total Comprehensive Income and Expenditure	(20,285)	(20,448)	(163)

(ii) Effect on the line items in the Movement in Reserves Statement

	2019/20 As Originally Stated £'000	2019/20 As Restated £'000	2019/20 Restatement £'000
PPA Relation to Infrastructure Assets			
Balance as at 1 April 2019 (Unusable Reserves)	35,619	32,743	(2,876)
Total Comprehensive Income and Expenditure (General Fund Balance)	(2,028)	(2,191)	(163)
Adjustments between accounting basis and funding basis under regulations (General Fund Balance)	118	(45)	163
Adjustments between accounting basis and funding basis under regulations (Unusable Reserves)	(3,791)	(3,628)	163
Net Increase or Decrease before Transfers to Earmarked Reserves (Unusable Reserves)	14,466	14,629	163
Increase/Decrease (movement) in year (Unusable Reserves)	14,466	14,629	163
Balance as at 31 March 2020 carried forward (Unusable Reserves)	50,085	47,372	(2,713)
Balance as at 31 March 2020 carried forward (Total Reserves)	92,500	89,787	(2,713)

Notes to the Core Financial Statements

37. Prior Period Adjustment (continued...)

(iii) Effect on the line items in the Balance Sheet

	2018/19 As Originally Stated £'000	2018/19 As Restated £'000	2018/19 Restatement £'000	2019/20 As Originally Stated £'000	2019/20 As Restated £'000	2019/20 Restatement £'000
PPA Relation to Infrastructure Assets						
Property, Plant & Equipment	73,526	70,650	(2,876)	73,399	70,686	(2,713)
Total Long Term Assets	172,315	169,439	(2,876)	171,765	169,052	(2,713)
Net Assets	72,215	69,339	(2,876)	92,500	89,787	(2,713)
Unusable Reserves	35,619	32,743	(2,876)	50,085	47,372	(2,713)
Total Reserves	72,215	69,339	(2,876)	92,500	89,787	(2,713)

(iv) Effect on the line items in the Cash Flow Statement

	2019/20 As Originally Stated £'000	2019/20 As Restated £'000	2019/20 Restatement £'000
PPA Relation to Infrastructure Assets			
Net surplus or (deficit) on the provision of services	2,028	2,191	163
Adjustment to surplus or deficit on the provision of services for non-cash movements	9,156	8,993	(163)

(v) Balance Sheet at the beginning of the preceding period

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an Authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement, known as a third Balance Sheet. This is included with the current year's Balance Sheet on page 29. The Code does not specifically require a comparative Comprehensive Income & Expenditure Statement, Movement in Reserves Statement or Cash Flow Statement but the following notes provide a comparative Comprehensive Income & Expenditure Statement, Movement in Reserves Statement and Cash Flow Statement for ease of understanding of the Prior Period Adjustment.

Notes to the Core Financial Statements

37. Prior Period Adjustment (continued...)

(vi) Comparative Comprehensive Income and Expenditure Statement

	As Originally Stated			Restated		
	2019/20			2019/20		
	Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Service Segments						
Chief Executive	563	110	453	563	110	453
Communities & Environment	12,770	5,625	7,145	12,770	5,625	7,145
Customer Services	11,604	9,054	2,550	10,483	6,118	4,365
Development & Housing	4,412	2,771	1,641	4,342	2,771	1,571
Resources	3,080	608	2,472	3,080	608	2,472
Central Services*	46,849	35,145	11,704	47,877	38,081	9,796
Cost of Services	79,278	53,313	25,965	79,115	53,313	25,802
Other Operating Expenditure			322			322
Financing and Investment Income and Expenditure			(347)			(347)
Other Income			(437)			(437)
Taxation and Non-Specific Grant Income			(27,531)			(27,531)
(Surplus)/Deficit on Provision of Services			(2,028)			(2,191)
(Surplus)/Deficit on revaluation of non-current assets			(2,517)			(2,517)
Remeasurements of the net defined (benefit)/liability			(15,740)			(15,740)
Other Comprehensive Income and Expenditure			(18,257)			(18,257)
Total Comprehensive Income and Expenditure			(20,285)			(20,448)

Notes to the Core Financial Statements

37. Prior Period Adjustment (continued...)

(vii) Comparative Movement In Reserves Statement

Movement in Reserves Statement 2019/20 as originally stated

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance as at 1 April 2019	8,878	21,299	30,177	3,793	2,626	36,596	35,619	72,215
Total Comprehensive Income and Expenditure	2,028	-	2,028	-	-	2,028	18,257	20,285
Adjustments between accounting basis and funding basis under regulations	118	-	118	51	3,622	3,791	(3,791)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	2,146	-	2,146	51	3,622	5,819	14,466	20,285
Transfers (to)/from Earmarked Reserves	(2,201)	2,201	-	-	-	-	-	-
Increase/Decrease (movement) in year	(55)	2,201	2,146	51	3,622	5,819	14,466	20,285
Balance as at 31 March 2020 carried forward	8,823	23,500	32,323	3,844	6,248	42,415	50,085	92,500

Movement in Reserves Statement 2019/20 as restated

	General Fund Balance £'000 Restated	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Restated	Total Council Reserves £'000
Balance as at 1 April 2019 Restated	8,878	21,299	30,177	3,793	2,626	36,596	32,743	69,339
Total Comprehensive Income and Expenditure	2,191	-	2,191	-	-	2,191	18,257	20,448
Adjustments between accounting basis and funding basis under regulations	(45)	-	(45)	51	3,622	3,628	(3,628)	-
Net Increase or Decrease before Transfers to Earmarked Reserves	2,146	-	2,146	51	3,622	5,819	14,629	20,448
Transfers (to)/from Earmarked Reserves	(2,201)	2,201	-	-	-	-	-	-
Increase/Decrease (movement) in year	(55)	2,201	2,146	51	3,622	5,819	14,629	20,448
Balance as at 31 March 2020 carried forward	8,823	23,500	32,323	3,844	6,248	42,415	47,372	89,787

Notes to the Core Financial Statements

(viii) Comparative Cash Flow Statement

	2019/20 As Originally Stated	2019/20 Restated
	£'000	£'000
Net surplus or (deficit) on the provision of services	2,028	2,191
Adjustment to surplus or deficit on the provision of services for non-cash movements	9,156	8,993
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(3,670)</u>	<u>(3,670)</u>
Net cash flows from operating activities	7,514	7,514
Net cash flows from investing activities	2,087	2,087
Net cash flows from financing activities	<u>(7,703)</u>	<u>(7,703)</u>
Net increase or decrease in cash and cash equivalents	1,898	1,898
Cash and cash equivalents at the beginning of the reporting period	<u>9,508</u>	<u>9,508</u>
Cash and cash equivalents at the end of the reporting period	<u>11,406</u>	<u>11,406</u>

There was no effect on the reported cash position of the Council as a result of the Prior Period Adjustment.

Collection Fund

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.

2019/20		2020/21		
£'000		National Non Domestic Rates £'000	Council Tax £'000	Total £'000
Income				
76,981	Council Tax	-	79,541	79,541
60,166	National Non-Domestic Rates	27,825	-	27,825
-	Transfers from the General Fund	-	1,609	1,609
Apportionment of Previous Year Deficit				
543	Central Government	116	-	116
434	Preston City Council	9	-	9
97	Lancashire County Council	(9)	-	(9)
-	Lancashire Police and Crime Commissioner	-	-	-
11	Lancashire Combined Fire Authority	-	-	-
1,085		116	-	116
138,232	Total Income	27,941	81,150	109,091
Expenditure				
Precepts, Demands and Shares				
13,465	Central Government	26,924	-	26,924
42,265	Preston City Council	21,539	12,546	34,085
61,245	Lancashire County Council	4,846	54,772	59,618
7,752	Lancashire Police and Crime Commissioner	-	8,271	8,271
3,482	Lancashire Combined Fire Authority	539	2,772	3,311
333	Parish Councils	-	353	353
128,542		53,848	78,714	132,562
Apportionment of Previous Year Surplus				
-	Central Government	-	-	-
191	Preston City Council	-	22	22
799	Lancashire County Council	-	90	90
109	Lancashire Police and Crime Commissioner	-	14	14
42	Lancashire Combined Fire Authority	-	5	5
1,141		-	131	131
Charges to the Collection Fund				
1,944	Write-offs of uncollectable amounts	(8)	162	154
3,722	Increase in Bad and Doubtful Debts Impairment Allowance	2,215	3,983	6,198
(1,571)	Increase / (Decrease) in Provision for Appeals	(809)	-	(809)
225	Cost of Collection Allowance	242	-	242
	National Non-Domestic Rates Transitional Protection			
3,511	Payments	2,995	-	2,995
23	Renewable Energy amounts	22	-	22
7,854		4,657	4,145	8,802
137,537	Total Expenditure	58,505	82,990	141,495
(695)	Movement on fund balance (Surplus) / Deficit	30,564	1,840	32,404
669	Balance on Collection Fund Brought Forward	(1,138)	1,112	(26)
(26)	(Surplus) / Deficit on Collection Fund Carried Forward	29,426	2,952	32,378

Notes to the Collection Fund

Index of Explanatory Notes to Collection Fund

Note

CF1	General
CF2	Council Tax
CF3	National Non-Domestic Rates (NNDR)
CF4	Distribution of Surpluses and Deficits
CF5	Council Tax/NNDR Bad Debts Impairment Allowance and NNDR Provision for Appeals

CF1. General

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

The Council has a statutory requirement to operate the Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and NNDR. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Preston's Council Tax precepting bodies are Lancashire County Council (LCC), the Lancashire Police and Crime Commissioner (LPCC) and Lancashire Combined Fire Authority (LCFA).

In 2013/14 Central Government revised how local government was financed by introducing the retained business rate scheme. The aim of the scheme is to give Councils a greater incentive to grow businesses in their area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

Under the scheme Preston City Council retains 40% of the NNDR collected, with the remainder being paid to precepting bodies, Central Government (50%), LCC (9%) and LCFA (1%).

Collection Fund surpluses or deficits declared by the billing authority in relation to the NNDR are apportioned to the relevant precepting bodies in the subsequent financial year.

The CIPFA code of practice stipulates that a Collection Fund Income and Expenditure account is included in the Council's annual accounts. Meanwhile, the Collection Fund Balance Sheet is incorporated into the Council's Consolidated Balance Sheet.

CF2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base i.e. the equivalent number of Band D dwellings.

	31 March 2020	31 March 2021
	No.	No.
Number of Chargeable Dwellings per Band at 31st March		
Band A	27,558	27,804
Band B	11,908	12,112
Band C	9,518	9,718
Band D	6,516	6,656
Band E	2,853	2,929
Band F	1,546	1,607
Band G	913	924
Band H	42	42
Total	60,854	61,792
Band 'D' Equivalent Properties (Tax Base for the calculation of Council Tax)	39,114	39,222

Chargeable dwellings takes into account disabled relief, exemptions and the effect of estimated successful outstanding appeals reducing properties by one band. The increase in chargeable dwellings between 31st March 2020 and 31st March 2021 is largely due to new properties built during the year.

Notes to the Collection Fund

CF3. National Non-Domestic Rates (NNDR)

The Council collects NNDR for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

	31 March 2020	31 March 2021
NNDR Rateable Value at 31st March	£151,254,380	£150,524,593
NNDR Multiplier	0.504	0.512

In previous financial years the total amount due, less certain allowances, was paid to a central pool administered by Central Government, who then distributed the pool to local authorities based on a standard amount per head of the local adult population as part of the formula grant.

Under the new retained business rate scheme introduced 1st April 2013, instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due.

The level of NNDR retained locally in 2020/21 was 50% - the local share being split between Lancashire County Council (9%), Lancashire Combined Fire Authority (1%), and the Council as Billing Authority (40%).

When the retained business rates scheme was introduced Central Government set a baseline level for each billing authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their funding baseline amount. Tariffs are due from authorities who exceed their funding baseline amount, these are payable to Central Government and used to finance top ups to those authorities who do not achieve their targeted baseline funding. In 2020/21 Preston City Council paid a tariff of £18.143m to Central Government.

In addition, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of NNDR income. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2013) and other reliefs not allowed for when the safety net was set. The Council did not qualify for any safety net in 2020/21.

Conversely, if income exceeds the baseline amount, the Council must pay 50% of this growth as a levy to Central Government. In 2020/21, the Council achieved growth against the baseline and was liable to make a levy payment of £0.248m.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the VOA, and business rates outstanding as at 31 March 2021. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in the same proportion as the precepting shares. The total provision required as at 31 March 2021 has been calculated at £10.236m (Preston City Council's share is £4.094m) to mitigate against the expected impact of these appeals on NNDR income in future years.

CF4. Distribution of Surpluses and Deficits

Any year end surpluses or deficits relating to Council Tax and NNDR collection are returned to, or recovered from, the relevant precepting authorities in the following years. The amount to be distributed is based on the forecast surplus or deficit on the fund estimated in January each year.

The closing deficit balance on the Collection Fund of £32.378m represents:

(i) a deficit of £29.426m on NNDR (Preston City Council's share is £11.570m) mainly due to the extended retail relief awarded to support businesses during the Covid19 pandemic.

(ii) a deficit of £2.952m on Council Tax (Preston City Council's share is £0.483m) because the collection rate was lower than forecast and the amount of Council Tax Support awarded was higher than forecast, both due to the impact of Covid19.

CF5. Council Tax / NNDR Bad Debts Impairment Allowance and NNDR Provision for Appeals

The Collection Fund account provides for bad and doubtful debts on Council Tax arrears based on prior years experience and current year collection rates. All overdue debt is considered for impairment.

	2019/20		2020/21
	£'000		£'000
	11,389	Balance at 1 April	13,855
	(572)	Write-offs during the year for previous years	(162)
	3,038	Contributions to provisions during year	4,143
	2,466	Net increase / (decrease) in provision	3,981
	13,855	Balance at 31 March	17,836

Notes to the Collection Fund

CF5. Council Tax / NNDR Bad Debts Impairment Allowance and NNDR Provision for Appeals

The Council's proportion of these write-offs and increase in provision is shown below.

2019/20 £'000		2020/21 £'000
1,897	Balance at 1 April	2,271
(95)	Write-offs during the year for previous years	(26)
469	Contributions to provisions during year	625
374	Net increase / (decrease) in provision	599
2,271	Balance at 31 March	2,870

The Collection Fund account also provides for bad and doubtful debts on NNDR arrears on the same basis.

2019/20 £'000		2020/21 £'000
6,056	Balance at 1 April	7,313
(1,372)	Write-offs during the year for previous years	-
2,629	Contributions to provisions during year	2,216
1,257	Net increase / (decrease) in provision	2,216
7,313	Balance at 31 March	9,529

The Council's proportion of these write-offs and increase in provision is shown below.

2019/20 £'000		2020/21 £'000
2,423	Balance at 1 April	4,096
969	Adjustment to shares under the Lancashire Pilot Pool	(1,170)
(768)	Write-offs during the year for previous years	-
1,472	Contributions to provisions during year	886
1,673	Net increase / (decrease) in provision	(284)
4,096	Balance at 31 March	3,812

The Collection Fund account also provides for appeals against the rateable value set by the Valuation Office Agency (VOA) not yet settled as at 31 March 2021.

2019/20 £'000		2020/21 £'000
12,616	Balance at 1 April	11,045
(1,617)	Amounts charged to provision	(1,591)
46	Contributions to provisions during year	782
(1,571)	Net increase / (decrease) in provision	(809)
11,045	Balance at 31 March	10,236

The Council's proportion of this provision is shown below.

2019/20 £'000		2020/21 £'000
5,046	Balance at 1 April	6,185
2,019	Adjustment to shares under the Lancashire Pilot Pool	(1,767)
(906)	Amounts charged to provision	(636)
26	Contributions to provisions during year	312
1,139	Net increase / (decrease) in provision	(2,091)
6,185	Balance at 31 March	4,094

Bequests and Trust Funds (Unconsolidated)

	Balance as at 1 April 2020	Expenditure/ Transfers	Income/ Transfers	Gains/ (Losses) on Investments*	Balance as at 31 March 2021
	£	£	£	£	£
Preston Relief in Need					
Restricted Endowment Fund	62,821	-	-	11,739	74,560
Unrestricted Endowment Fund	151,784	-	-	28,501	180,285
Restricted Grant Fund	11,703	-	1,972	-	13,675
Unrestricted Grant Fund	4,802	-	5,555	-	10,357
Dr Shepherd's Library Trust Fund					
Endowment Fund	3,562	-	-	-	3,562
Grant Fund	808	-	84	-	892

Preston Relief in Need Charity

Preston Relief in Need Charity was established and registered in 1977 following the consolidation of twenty-five small local charities. It is registered with the Charity Commission no. 224848 and has now merged again with other similar local charities, the latest being the former associated Preston and District Relief in Sickness Fund with whom they had common trustees.

The Charity is managed by a Board of Trustees with day to day management entrusted to the City Treasurer of Preston City Council with the support of relevant colleagues. Meeting every ten weeks, the Trustees always ensure before making a grant that applicants have exhausted all statutory services and benefits available.

The objectives and activities of the Charity are managed by investing Endowments and the income arising may be utilised in relieving persons resident in the City of Preston or, in exceptional cases, in the immediate locality, who are in conditions of need, hardship or distress by making grants of money or providing or paying for items, services or facilities calculated to reduce the need, hardship or distress of such persons.

Other Funds (Unconsolidated)

	Balance as at 1 April 2020	(Expenditure) /Transfers	Income/ Transfers	Gains/ (Losses) on Investments	Balance as at 31 March 2021
	£	£	£	£	£
Mayors Fund Raising Account					
Grant Fund	1	-	-	-	1

2020/21

Annual Governance Statement



Annual Governance Statement

Introduction

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the Council has put in place arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

This Annual Governance Statement provides an overview of the Council's key governance systems and explains how they are tested and the assurance that can be relied upon to show that those systems are working effectively. The statement comprises an overview of the key elements of its governance framework and what evidence has been received in order to determine the effectiveness of the Council's governance arrangements. In addition the statement contains an update on areas for improvement which were identified last year together with proposed areas for improvement for the coming year.

What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account.

The Council has adopted a Code of Corporate Governance which is consistent not only with the seven core principles of the new CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*" but the general principles of openness, transparency and accountability.

The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The framework comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the Council in its pursuit of its vision and objectives. The key elements of the Council's Corporate Governance Framework are set out in the Council's Code of Corporate Governance which can be found on the website entitled [Local Code of Corporate Governance | Preston City Council](#). The Council's local Code of Corporate Governance is reviewed annually.

The table overleaf provides a summary:

The Principles

PRINCIPLE	THE COUNCIL ACHIEVES THIS BY
<p>PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p>	<ul style="list-style-type: none"> • Having formal Codes of Conduct defining standards of behaviour expected of Members and Officers • Maintaining a framework which addresses the risks of fraud and corruption including an Anti-Fraud & Corruption Strategy and Policy and a Whistleblowing Policy • Maintaining effective systems to protect the rights of staff, including whistleblowing policies
<p>PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> • Seeking the views of its stakeholders and responding appropriately • Public attendance at Council meetings • Budget consultation and service led consultation
<p>PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> • Making a clear statement of the Council's purpose and vision which forms the basis for corporate and service planning • Communicating the Council's activities and achievements, including its financial position and performance • Making a clear statement committing to the Fairness for You, Your City and Your Council Priorities
<p>PRINCIPLE D: Determining the interventions necessary to optimise the achievement of intended outcomes</p>	<ul style="list-style-type: none"> • Making a clear statement of the Council's purpose and aims and using this as a basis for corporate and service planning • Ensuring there is a sound risk management framework to support the achievement of the Council's intended outcomes
<p>PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Developing the capabilities of both Members and Officers through appropriate training • Maintaining an effective workforce plan to enhance the strategic allocation of resources • Working through effective partnerships
<p>PRINCIPLE F: Managing risks and performance through robust internal control and strong public and financial management</p>	<ul style="list-style-type: none"> • Maintaining both independent Audit and Scrutiny functions • Maintaining a robust regulatory framework • Ensuring financial management supports decision making and provides sufficient information to support the delivery of the Council's objectives.
<p>Principle G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability</p>	<ul style="list-style-type: none"> • Maintaining compliance with the Local Government Transparency Code • Maintaining effective and accessible arrangements for dealing with complaints • Maintaining an effective Scrutiny function which encourages constructive challenge

See website for the local code of governance [Local Code of Corporate Governance | Preston City Council](#) which provides a more detailed description of how the Council's governance arrangements complies with the seven main principles including how this is evidenced.

The Council's Objectives

The Council is always striving to be more responsive to what the community needs. It does so by means of openness and transparency in its decision making, enabling the views of the community to be heard as much as possible. It achieves this through specific consultation exercises which help to formulate its objectives. The vision and objectives for the Council are agreed by Cabinet as the decision making body, working with the Council's Corporate Management Team. The Council's vision is to see Preston as a growing, vibrant City.

To achieve the Council's vision and medium to long term objectives for the City, the Council has set out three priority areas. These are **Your City; Your Council, and Fairness For You**. Underpinning

the Corporate Priorities is the Medium Term Financial Strategy (MTFS) which sets out the revenue and capital resources available to the Council and how they are used to deliver essential services and objectives to priority areas. The Council's vision, priorities and MTFS are all encapsulated in the document Achieving Preston's Priorities approved annually at the February Budget Council meetings. This can be found on the Council's website. Each of the three priority areas has a number of corporate projects associated with them which are designed to progress the priorities. In addition, each Service Delivery Plan includes key work areas which reflect individual service area contributions to the priorities.

Values of Good Governance

The Council promotes and demonstrates the values of good governance by upholding high standards of conduct and behaviour. This is achieved by the following means:

Codes of Conduct/Protocols

- for Officers
- for Members
- Professional Ethics codes

The Council has Codes of Conduct for both Officers and Members plus a Member/Officer Protocol in order to ensure appropriate standards of behaviour are maintained.

Governance Assurance Reviews (GARS)

- Signed Statements of Senior Officers
- Section 151 Officer
- Monitoring Officer
- Head of Workforce
- Emergency Planning Officer (Health & Safety Manager)
- Chief Internal Auditor

Accountability for good governance is evidenced at senior officer level by means an annual self-assessment system of reporting.

Council Policies

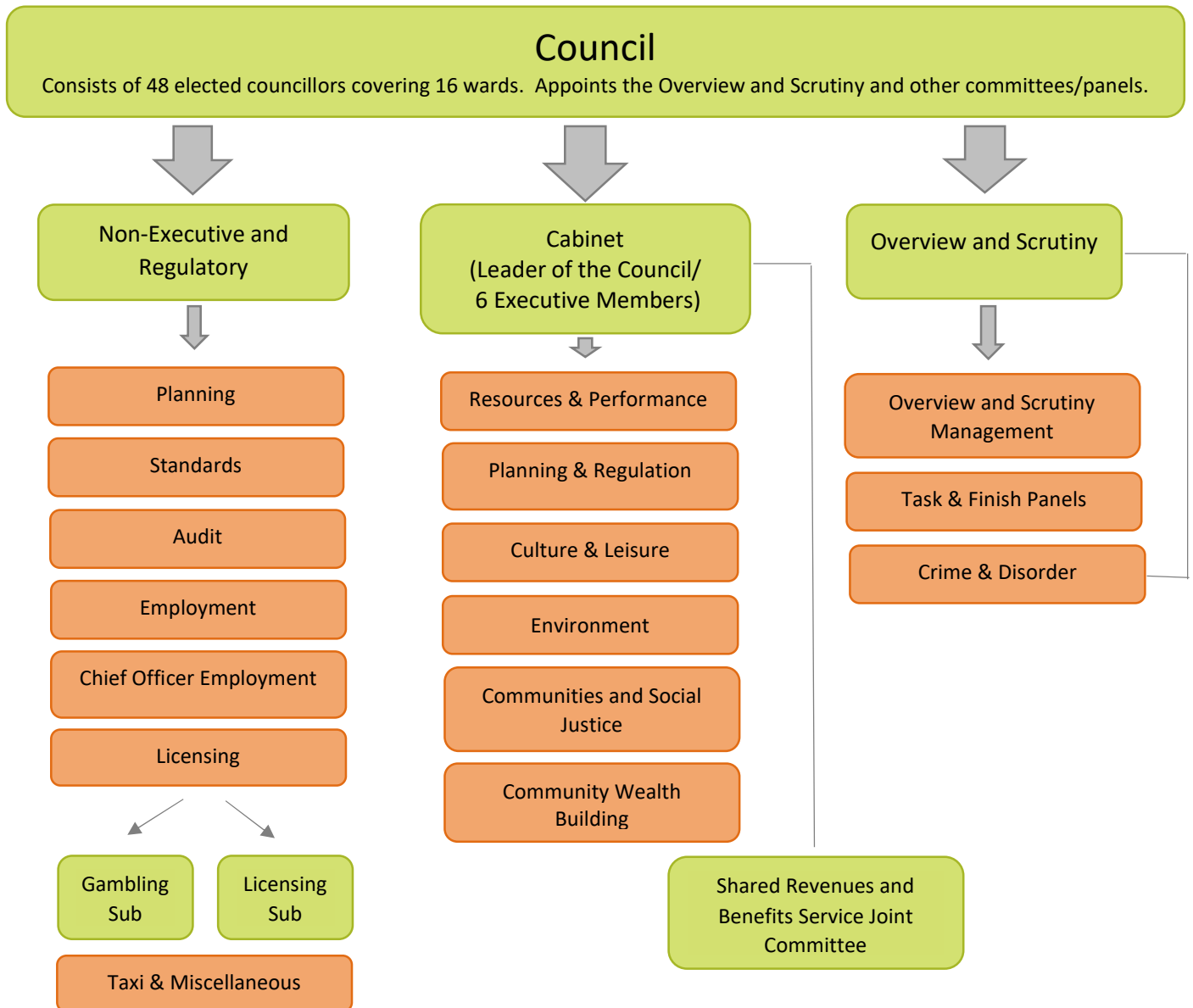
- Anti-Fraud Corruption Statement/Strategy
- Whistleblowing Policy
- Anti Money Laundering Policy
- Anti Bribery Policy / Response Plan
- Fraud Response Plan

The Council has a number of policies in place which promote high standards of conduct and behaviour throughout the Council.

Annual Governance Statement

How the Council works

All Members meet together as “The Council”. Meetings are normally open to the public. The conduct of the Council’s business is defined by formal procedures and rules which are set out in the Council’s Constitution. This explains the roles and responsibilities of the Cabinet, the non-executive, Scrutiny and Officer functions together with the delegation arrangements that are in place. It also contains the Procedure Rules and the Code of Conduct for Members. The diagram below shows the Council’s structure and its Committees.



The above reflects the structure of the Council during 2020/21. There were no local elections in May 2020 due to the Covid pandemic. Local Elections previously scheduled for May 2020 have recently been held on 6 May 2021 along with the elections for Lancashire County Council and the Police and Crime Commissioner.

The Council has made a further change at the Annual Council meeting in May 2021. Members appointed three additional Cabinet Members with responsibilities for Health & Wellbeing, Service Transformation and Climate Change.

Annual Governance Statement

How the Council Gains Assurance/Review of Effectiveness

A key feature of the Statement is how the Council gains assurance as to the effectiveness of its governance arrangements. In the first place it needs to identify the areas where assurance is required, be clear about where that assurance comes from and then consider the effectiveness of the assurance it receives. This is shown in the table below:

Assurance required upon	Sources of Assurance	Assurances received
Delivery of Council’s aims and objectives Services are delivered economically, efficiently and effectively Management of risk Effectiveness of internal controls Public accountability Budget & financial management arrangements Roles & responsibilities of Members & Officers Standards of conduct and behaviour Compliance with legislation & regulations, internal policies and procedures Action Plans dealing with significant issues approved, actioned and reported on	Constitution <ul style="list-style-type: none"> • Members • Statutory Officers • Scheme of Delegation • Financial Procedure Rules • Contract Procedure Rules Corporate Governance Group Internal and External Audit Independent external sources Scrutiny function Council, Cabinet and Panels Medium Term Financial Strategy Complaints Procedure HR policies & procedures Whistleblowing & counter fraud arrangements Risk Management Framework Performance Management Framework Codes of Conduct/Protocols Corporate Management Team	Governance Assurance Reviews (GARs) Statement of Accounts External Audit Reports Internal Audit Reports External Inspection Reports Scrutiny Reviews Effectiveness reviews of Internal Audit and Audit Committee External testing of ICT network Public Service Network accreditation Audit Committee review of Corporate risks

Corporate Governance Group

One of the key ways of facilitating assurance gathering is through the Council’s **Corporate Governance Group** of senior officers whose role is to plan and co-ordinate improvements to the Council’s Governance Framework. The group meet monthly and during the last year some of their work has involved reviewing risk management. The group also review the corporate risk register prior to going to CMT and recommends other improvements to governance to the Corporate Management Team. Other items tabled at the meeting include outcome of audits, updates on GDPR and information governance, updates on the governance actions included in last year’s Annual Governance Statement, 7 minute briefings on governance, risk and fraud, fraud updates and updates on the cyber security risks.

Annual Governance Statement

Audit Committee

The Council's Audit Committee, monitors the performance of the Council's assurance and governance framework. This is a committee which is independent of the Cabinet and reports directly to Council. The committee has the responsibility to ensure that the monitoring and probity of the Council's Governance Framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

The Council's Audit Committee, as those charged with governance, have prepared a response to the questions raised by Grant Thornton which cover important areas of risk assessment. As part of the External Audit assessment procedures and in line with the auditing standards, Grant Thornton are required to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:

- Fraud, Laws and Regulations and Going Concern

An assessment was undertaken during 2019/20 and this confirmed that the Audit Committee are largely operating in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. An action plan to address any gaps in the arrangements was agreed with the Audit Committee and comprehensive Audit Committee training was planned. The Audit Committee received treasury management training during 2019/20 however the fraud training was planned for early 2020 however had to be put on hold due to Covid. The Fraud training is now planned for 2021/22. The Audit Committee considered the appointment of an independent member for the audit of the Committee's work and a report will soon be presented to Full Council.

Table: Examples of Audit Committee Key Business during 2020/21

<ul style="list-style-type: none">• 2019/20 Annual Governance Statement approved• Unaudited 2019/20 SOA reviewed• Statement of Accounts 2019/20 approved• External Audit Plan received• Annual Audit Letter and the External Auditors Certification Report received• Internal Audit Plan approved• Internal Audit and Audit Committee reviews approved• Internal Audit Progress reports received• Chief Internal Auditors Annual report approved	<ul style="list-style-type: none">• Chief Internal Auditors Annual report approved• Corporate Enquiry Team Business Plan received• Annual fraud report received• Corporate Risk Register reviewed• Governance Improvement Plan noted• Code of Corporate Governance received• Treasury Management report reviewed• Waivers under the Contract Procedure Rules noted• Debtor write offs received• Changes to constitution noted
--	--

Internal Control

The system of internal control is a significant part of the framework and is designed to manage risk. It is the processes in place that manage risks and increase the likelihood of the Council achieving its service objectives and Corporate Priorities.

Responsible Financial Officer

The Council has incorporated the requirements of the CIPFA Statement on the Role of the Chief Financial Officer into its governance framework and has produced evidence to demonstrate its compliance with these criteria as set out in the Council's Good Governance Framework. The Section 151 Officer is a Director on the Council's Corporate Management Team and can report directly to the Chief Executive on any matter where she feels it appropriate.

Annual Governance Statement

Internal Audit and the Audit Opinion

The Public Sector Internal Audit Standards require the Chief Auditor Executive (CAE) to provide an independent opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. In order to comply with the standards, the opinion has been provided by the Acting Audit Manager and endorsed by the Director of Resources. During 20/21 CIPFA issued guidance relating to the annual opinion given by Local Government Bodies and that a limitation of scope may be applicable due to the impact that COVID 19 has had on public services.

The Internal Audit service have been given the responsibility to annually review the effectiveness of the Council's governance arrangements and any identified areas for improvement are included within the Annual Governance Statement Action Plan. During 2020/21, due to COVID 19 and the redeployment of Internal Audit Officers for much of the year, only a limited number of audit reviews have been undertaken. As such:

- the results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support a CAE annual opinion on the overall adequacy and effectiveness of the organisation's framework of control.
- the Council has effective risk management arrangements in place with the GRACE risk management system being utilised to record and manage risks at all levels.
- the Council's governance framework is generally sound, however, The Annual Governance Statement (AGS) Action Plan 2020 contained actions to address areas, previously highlighted by Internal Audit, and although progress has been made to implement these actions they have not been fully embedded by the organisation.

In line with the Public Sector Internal Audit Standards the Acting Audit Manager has carried out an internal review of the internal audit service and is reporting compliance to the July 2021 Audit Committee.

Statutory Regulations

The principal statutory obligations and functions of the Council are identified in the Constitution and reflected in the Budget and Policy Framework which is approved by Council. The Council carries out an annual review of the effectiveness of the system of internal control in line with the Accounts and Audit Regulations.

Senior Officers

Directors are required to respond to the questions raised by Grant Thornton which cover important areas of risk assessment acknowledging their responsibility for internal control, countering fraud and corruption, identification of significant risks and ensuring risk mitigation controls are in place.

Members

All existing Members undergo MiPod training on the Code of Conduct for Members. This is an interactive 24/7 e-learning package and links have been provided to all Parish Clerks/Parish Councillors to enable participation in the exercise if they wish. In response to Covid-19 all Members have received training in the use of Skype and Microsoft Teams along with major upgrades to iPads to enable the Members to undertake virtual committee meetings.

Standards Committee

The Standards Committee is responsible for promoting and maintaining high standards of conduct of Members. An Annual Report sets out the work of the Committee including training provided to Members and the number of complaints that have been received. The Committee has devised Code of Conduct and General Data Protection Regulations (GDPR) compulsory training programmes through the Council's MiPod system. Members can access information on the Council's website on the Data Protection Act 2018 and how to protect and process personal data. An advice surgery is provided to Members prior to every Council

Annual Governance Statement

meeting, where Members have the ability to discuss potential conflicts of interest etc in respect of items on the agenda.

The Government is still considering the recommendations made by the Committee on Standards in Public Life in their report on Local Government Ethical Standards. The report made 15 best practice recommendations to local authorities (which have already been actioned and reported to Standards Committee on 21 September 2020). Further legislative amendments to the Council's Code of Conduct may be necessary following the outcome of the Government's response to the recommendations.

Information Governance

The Council has Information Governance policies and procedures in place including having a Data Protection Officer and an Information Governance Officer.

The EU GDPR has been brought into UK law as the "UK GDPR" following Brexit. The UK GDPR sits alongside the **Data Protection Act 2018**. In May 2018 when the GDPR and Data Protection Act 2018 were introduced, staff awareness was raised via a 7-minute briefing; a MiPod course, management updates and the Council's intranet was updated to include information on the new legislation. The Council has also introduced a data breach incident form. The Council has Corporate clear out days with results being reported to the Corporate Governance Group.

Freedom of Information (FOI) The Council has 20 working days to respond to a request under FOI and this deadline was complied with in 86% of cases. A further 3.9% remain overdue due to Covid-19. An appeal was made to the Information Commissioner (IC) by an applicant who did not agree with an exemption the Council applied. After investigation, the ICO decided the Council engaged the exemption correctly and no further action was required.

Counter Fraud

The Corporate Enquiry Team works in partnership with Lancaster City Council and Fylde Borough Council. During 2020/21 the team focused on Business Rates, Council Tax, Social Housing and

Covid related grant fraud. Throughout the unprecedented year of 2020/2021 the fraud team has assisted with Covid related work including the execution and administration of Spotlight checks hosted by the Cabinet Office, as part of the governments automated prepayment due diligence for Covid grant applications whilst also assisting with the administration and, determination of applications when received. The team has assisted with the requirements of Local Contact Tracing by conducting home visits to those affected by Covid, to ensure those affected are self-isolating and to carry out a welfare check, providing support if necessary.

The team participated in the National Fraud Initiative data match for Housing Benefit and Council Tax and worked on ongoing pro-active data matches on small business rate relief. The team investigated allegations of fraud from members of the public, staff and external agencies.

The team acts as the single point of contact for the Department for Work and Pensions (DWP) investigators and associated work. From 29 April 2019 the Council has been participating in joint investigations with the DWP that involve Council Tax Support and national benefits however, due to the impact of Covid the DWP have redeployed their fraud team temporarily, therefore joint investigations have been held in abeyance. The team continues to work with other organisations to tackle fraud and participates in operation GENGA, a multi-agency initiative to tackle organised crime.

Annual Governance Statement

Table: 2020/21 Outcomes:

<p>Counter Fraud</p> <ul style="list-style-type: none"> • Single point of contact for the DWP • identified overpayments of £433,425.55 with estimated future savings of £223,621.32, one social housing property was recovered 	<p>Business Continuity</p> <ul style="list-style-type: none"> •The Emergency plan and the Corporate BC plan were implemented in response to the pandemic •Daily/Weekly Covid meetings held to ensure the Council had effective arrangements, plans and processes in place. •The BC plans have been updated to reflect changes to service as a result of the pandemic
<p>2020/21</p>	
<p>Health & Safety</p> <ul style="list-style-type: none"> •2020/21 - 58 accidents, 1 specified major injury reported •Accident rate 0.92 (target 0.4) •No of RIDDOR reportable accidents remains at 6 •Events on Council owned land - no events held 	<p>Information Governance & GDPR</p> <ul style="list-style-type: none"> • 645 Freedom of Information (FOI) requests rec'd •7 data breaches, none required reporting to IC •13 subject access requests made under Data Protection legislation

Response to Covid-19

As a result of the emerging pandemic the Lancashire Resilience Forum met in March 2020 to agree a Lancashire-wide emergency response. This resulted in the Lancashire Resilience Forum establishing a command structure for Lancashire to target key crisis areas. The Council’s senior managers played a key role within the respective areas ensuring that a local response was put in place.

The Council swiftly implemented its Business Continuity plan. This involved Covid-19 Corporate Management Team response meetings and all departments having a Service Area Co-ordinator. These were fundamental in leading the Council through actions such as mobilising the Council’s workforce to begin to move from ‘business as usual activity’ to emerging new priorities such as the humanitarian response through the establishment of a Community Food Hub to a system of administering grants to local business. Whilst the financial year was nearing an end by the time this work was instigated, much was achieved by year-end including the establishment of a Community Hub, which was established to support those on the NHS shielding list and the vulnerable.

The Council provided sound leadership during the crisis with the ability to move resources around to ensure that it had the capacity to respond. Teams whose usual work had ceased were moved into new areas of activity, with much achieved through agile working, for example, a dedicated call centre for the Food Hub was operated remotely by staff working from home, with IT solutions put into place to enable this to happen. This was operated not only in usual business hours, but also during the evenings and weekends. The ICT department provided an excellent service in enabling staff to work from home. Furthermore all the Council’s activities were risk assessed and additional control measures were put in place such as social distancing in offices, extra PPE, hand sanitizers, screens, and implementing new changes to work patterns. The Council has operated Covid testing sites at various locations, liaised with businesses to enable them to open and operate safely in the City Centre, liaised with the NHS in setting up pop up vaccination sites, provided grant funding to organisations assisting the vulnerable, provided self-isolation payments, made business grant payments and discretionary grant payments.

Annual Governance Statement

To enable decisions to be made during the crisis delegated powers were given to the Chief Executive in consultation with the Leader and Group Leaders. This meant that the Council was able to respond to urgent issues swiftly

Risk Management

The Council continues to improve the risk management system. Following on from improvements to strengthen the risk management system through bespoke compulsory training sessions and improvements to the GRACE risk management system, the Chief Internal Auditor met with all Directors early in 2021 to improve the high level reporting of risks. The Corporate Governance group review outstanding risks and outstanding actions monthly and also review high risks and the high risks which are shown to be mitigated to low risk. The Corporate Management team have received updates on the above with highlights of the risks and actions were the reviews are outstanding. All the Council's strategic and operational risks are evaluated on the likelihood of risks materialising and impact if realised. Internal Audit carries out an annual review of the Risk Management Framework in accordance with the terms of the Risk Management Policy.

Business Continuity (BC)

The Council's dedicated Business Continuity Recovery Group (BCRG), who regularly met to ensure the Council's disaster recovery/business continuity processes of the Council were in place and up to date, assisted in ensuring the Council effectively responded to the Pandemic swiftly and ensured key services were in operation.

The Council implemented the emergency plans at the start of the Covid-19 pandemic with the BC corporate plan being implemented subsequently. Each service identified a dedicated Service Area Co-ordinator to oversee the implementation of the BC/Covid plan. Clear reporting lines were put in place and key issues/areas reported from/to the officers via a dedicated lead which sat on the Covid CMT team (the Corporate Management Team, Health and Safety representative, Communications representative and HR representative).

The Council has a BC Policy Statement, a Corporate BC Plan and individual service BC

Plans. These documents are all available on the Council's intranet (Cityspace). The Council's system data is backed up on a virtual server at a remote location.

Performance Management

The overall aim of the Performance Management Framework is to ensure a culture of continuous performance and improvement. An AGS action was to make improvements to the Council's Performance Management System. Progress has included rationalising the existing PIs, implementing new PIs and identifying each PI as strategic or operational in order to link in to the Council's Achieving Preston's Priorities. Improvements to the Council's performance management recording system have been delayed due to the Covid-19 pandemic and a new target date is planned for September 2021.

External Audit

In December 2020 the external auditors, Grant Thornton, gave an unqualified opinion on the Council's 2019/20 accounts together with an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness for securing economy, efficiency and effectiveness in its use of resources.

ICT and Digital Services

During the last few months, we have signed a new Enterprise Licence Agreement (ELA) with Microsoft, providing the Council with all the relevant licences for the migration to Microsoft 365. Configuration of the platform is now underway to ensure appropriate governance and security is in place before starting to train and move the user base. This is a major internal transformation project for the Council and includes:-

Annual Governance Statement

- Development of a new intranet in SharePoint online;
- Development of PowerApps and Flow to automate internal transactions;
- Cleansing and migration of file shares to SharePoint online / Teams or OneDrive, ensuring appropriate security and governance of data;
- Training of the entire workforce and all Council Members.

The migration will be phased over several months to avoid service disruptions.

Two years of research and development into the Council's data centre strategy for the next 5 to 8 years culminated in a report to Council being approved to procure and implement new infrastructure equipment, expand back-up regimes and increase disaster recovery capabilities. Essential power works to the data centre have just been completed and implementation of the new equipment and migration of all our workloads will occur over the coming months.

MyScan will be going live very soon. This is an off shoot of the Council's ScanStation system in the One Stop Shop. MyScan will enable our customers to scan their document proofs using their own mobile device and send them securely and directly to the correct Council department.

Other areas of work for the next year and beyond include: -

- Network infrastructure and security upgrades;
- Investigate move of voice to Teams;
- Investigate cloud contact centre integrated to Teams and more service;
- channels (webchat / SMS etc);
- Develop and continuously improve customer journeys and digital transactions on the Councils' website;
- IT Service Management – investigate new ITSM tool.

Health & Safety

The Council has a corporate Health and Safety team, although line managers manage health and safety in their own areas seeking advice from the corporate health and safety section when necessary.

During the Pandemic the Health and Safety team have been key to ensuring the each of the workplaces are Covid secure and have continued to give advice on health and safety matters

A consultant has been brought in to carry out work place noise measurements. As a result of this work health surveillance will be introduced and checks on personal protective equipment. We will also be looking at further noise reduction measures.

Annual Governance Statement

Dealing with last year's Key Improvement Areas

In last year's Annual Governance Statement the Council set itself six major areas for improvement. The following shows the progress that was made against the Areas for Improvement reported in last year's Annual Governance Statement:

Employees	Review and update People Strategy.
Progress Update	Covid-19 meant that management resources working on the People Strategy had to be redirected to the emergency response. Further reviews have been undertaken as a result of the pandemic. The People Strategy will be carried forward as an action in 2021/22.
Partnerships	Identify key partnerships and develop Partnership Protocol incorporating governance arrangements. Formal monitoring and reporting to Members on Partnership governance will be carried out annually.
Progress Update	The Council's existing partnerships were identified to have strong formal governance arrangements in place, e.g. the Revenues and Benefits shared service. However there was no formal document setting out protocol for the governance arrangements. Work is currently in progress to bring a document setting out the partnership arrangements protocol to Audit Committee during 2021/22.
Communication	Communication Strategy to be developed.
Progress Update	The Communication strategy has been drafted and is currently awaiting approval and roll out. This action will be carried forward into 2021/22.
Performance Management	(i) A review of all performance indicators to be undertaken in order to rationalise and streamline reported figures so that they are meaningful and demonstrate achievement of objectives. (ii) The Council's Performance Hub to be reviewed to ensure PI trends are being reported accurately and are meeting the needs of service users.
Progress Update	A review of performance indicators was carried out during 2019/20 which looked at all existing performance indicators assessing them if they are meaningful and demonstrate achievement of objectives. As a result a large number of PI's have been removed and other more meaningful ones introduced. These are identified as corporate or operational indicators; the corporate PI's linking to the Council's Corporate Priorities. A review of the Performance Hub system was carried out to review whether fit for purpose. The outcome was the system would be fit for purpose subject to a number of IT updates and a streamline to the process of uploading the data. This work had planned to be complete by June 2020 however the Covid-19 pandemic has delayed progress and therefore this will be carried forward as an action into 2021/22 with an estimated completion date of September 2021.
Strategic Planning	To further embed the project management framework.
Progress Update	This action was delayed due to the pandemic. Work is underway on this action which includes additional templates guidance to ensure the Councils project management framework is robust. The Council is the accountable body for the Towns Fund grant of £19.9m therefore the Council will further implement processes, procedures and reporting requirements to ensure that strong governance arrangements are in place for this Government funding. This is being carried forward into 2021/22.

Annual Governance Statement

People Management	Review and update staff appraisal process.
Progress Update	Work is progressing on implementing an amended Performance Development Review process which is estimated to be complete by 2021/22. HR will present the new process to IDG during the next couple of months.
Financial Management	To undertake training in relation to grant funding processes.
Progress Update	Work is underway to strengthen the grant funding processes. Individual training has been provided to a number of senior officers, however, training to IDG is estimated to be carried out in the next couple of months.
Transparency	Information to be published to enable compliance with local government transparency code 2015.
Progress Update	The Council have appointed a qualified and experienced procurement officer and their first task will be to oversee the implementation of a centralised contract register database. Individual Services have been contacted to ensure they have their register of contracts up to date in readiness to be implemented on a new centralised register. The Council is in the process of publishing the required data.

Key Areas for Improvement

Building on the improvements in 2020/21 the Council has undertaken an in-depth review of all the governance arrangements and identified the following areas where it wishes to see stepped improvements in 2021/22:-

Table: Key Improvement Areas for 2021/22

Area	Actions for inclusion within the AGS	Target Date	Status	Responsible
Employees	Review and update People Strategy.			Director of Communities and Environment
	Progress of action 1 as at 31.03.21: Review and update of People Strategy is currently underway. Research has been undertaken regarding the People Strategy and a draft document is to be put before CMT for consultation. Action to be carried forward.	December 2021	In Progress	
Partnerships	Develop Partnership Protocol incorporating governance arrangements.			CMT
	Progress of action 2 as at 31.03.21: Action to be carried forward.	October 2021	In Progress	
Communication	Communication Strategy to be developed.			Deputy Chief Executive/ Director of
	Progress of action 3 as at 31.03.21:	October 2021		

Annual Governance Statement

	A Communication Strategy covering both internal and external communication has been drafted and is awaiting approval and roll-out. Action to be carried forward.		Draft complete awaiting approval	Customer Services
	To review and refresh feedback mechanisms to ensure that views of service users, partners and stakeholders are taken into account.	March 2021		
	Progress of action 4 as at 31.03.21: Action to be carried forward.			
Performance Management	Implementation of the performance indicators following the review undertaken during 2019/20 to rationalise and streamline reported figures so that they are meaningful and demonstrate achievement of objectives. The Council's Performance Hub to be updated following a review undertaken during 2019/20 to ensure PI trends are being reported accurately and are meeting the needs of service users.	Sept 2021	In Progress nearing Implementation stage	Chief Executive / Director of Resources
	Progress of action 5 as at 31.03.21: New PIs have been identified and agreed by CMT. Reporting arrangements were being put in place prior to lockdown; this included updating of PIs on website and reporting to members. Action to be carried forward.			
Strategic Planning	To further embed the Project Management Framework through staff training and awareness of guidance/ templates to be used. Guidance/ templates to be updated to ensure strong governance arrangements in place as accountable body for £19.9m Towns Fund grant.	December 2021	In Progress	CMT
	Progress of action 6 as at 31.03.21: Action to be carried forward.			
People Management	Review and update of staff appraisal process.			
	Progress of action 7 as at 31.03.21: Review and update of staff appraisal process is currently underway	December 2021	In progress – long term	

Annual Governance Statement

	however, completion has been delayed due to COVID-19 pandemic. Action to be continued in 2021/22.		impact of Covid now needs to be taken into consideration.	Director of Communities and Environment
Financial Management	To undertake training in relation to grant funding processes thereby ensuring that where grant funding has been obtained all conditions are adhered to.	October 2021	In progress – additional processes being implemented as a result of Towns Fund	Director of Resources
	Progress of action 8 as at 31.03.21: Action to be carried forward.			
Transparency	Following review of compliance with Local Government Transparency Code 2015 additional information is to be published this includes: <ul style="list-style-type: none"> • merchant category for all items of expenditure; • all invitations to tender where contract exceeds £5k; • every contract which exceeds £5k on the contracts register; • list or register of grants to voluntary, community and social enterprise organisations (include beneficiary's registration number and purpose of grant); • parking account information. 	December 2021	In Progress	Director of Resources
	Progress of action 9 as at 31.03.21: Action to be carried forward.			
Risk Management	Review of risk registers within GRACE to ensure that all risks to service delivery are captured with particular reference to: <ul style="list-style-type: none"> • Projects • Impact of COVID-19 pandemic 	October 2021	Reminders to be sent July 2021	Director of Resources

In addition to the above the Council is intending to continue with the programme of 7 minute briefings on governance, risk management and fraud.

Annual Governance Statement

Conclusion

The Covid-19 pandemic has had a significant impact on the Council. During 2020/21 it has been paramount that the Council ensures that its governance arrangements are robust and effective in order to respond to the global pandemic. Additional governance arrangements were put in place, for example:-

- Procedures/processes introduced to allow the majority of the workforce to work remotely,
- Arrangements to enable Member virtual meetings to be held whilst retaining full public access,
- Assurance arrangements put in place to mitigate the financial risk when paying significant numbers of business grant
- Procedures to pay business grants and discretionary grants
- Governance arrangements required to set up and operate a community hub and provide food to the vulnerable
- Health and safety Covid arrangements to ensure staff can work in a Covid safe environment
- Procedures and assurance arrangements for paying self-isolation payments
- Arrangements for operating Covid testing sites and liaising with the NHS on vaccination sites
- Arrangements for liaising and providing a statutory inspection service to business premises

The impact of Covid-19 has been considered in all governance arrangements with risk owners asked to take account the impact of Covid-19 on services and processes. Both Members and officers will need to continue to be vigilant to ensure that our governance arrangements remain robust, sustainable and effective.

As a result of Covid-19 the Council has not been able to fully implement the improvements set out in last year's Annual Governance Statement. Details of progress are included within this document. Current plans are in place to ensure these are fully implemented during 2021/22.

In addition, additional governance arrangements are being put in place specifically in response to the Council being the Accountable Body for £19.9m of Towns Fund grant funding. This is to ensure the Council fully protects this significant amount of public funding and ensures it is used for the purpose it has been granted.

Alongside the impact of Covid-19 and the ongoing reductions in funding there are a number of contingent liabilities which may have a significant financial impact on the Council's resources if they materialise. These include guarantees and legal challenges such as a Planning Judicial Review, and a civil action for unlawful forfeiture.

There has been a delay in fully implementing the enhanced improvements set out in last year's Annual Governance Statement due to Covid. Once implemented we are satisfied that these measures will address the improvements required following the in-depth review of all governance arrangements to ensure the Council has strong effective governance arrangements in place. We will monitor their implementation as part of our next annual review.

Annual Governance Statement

Signed:

Cllr M Brown

Leader of the Council

A Phillips

Chief Executive

C Parmenter

Monitoring Officer

J Wilding

Section 151 Officer

Glossary of Terms

This Glossary of Terms is designed to aid interpretation of the Council's Statement of Accounts.

Accounting Policies - The rules and practices adopted that determine how transactions and other events are reflected in financial statements.

Accruals - The concept 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.

Accumulated Absences Account - The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March.

Actuary - An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.

Authorised Limit - This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balances - The total level of funds the Council has accumulated over the years, available to support revenue expenditure within the year (also known as reserves).

Bequest and Trust Funds - Funds administered by the Council on behalf of charitable organisations and/or specific organisations.

Budget - A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

Business Improvement District (BID) - BIDs are provided for under Part 4 of the Local Government Act 2003 (England & Wales) whereby a levy is collected from Business Ratepayers to provide agreed additional services.

Capital Expenditure - Expenditure on the acquisition, creation or enhancement of a non-current asset e.g. property, plant and equipment that have a long term value to the Council.

Cash Equivalents - Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA) - The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading accountancy body for the public sector. The statement of accounts is prepared in accordance with the code of practice published by CIPFA.

CIPFA code of Practice on Local Authority Accounting (The Code) – The Code incorporates guidance in line with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). It sets out the proper accounting practice to be adopted for the statement of accounts to ensure they give a 'true and fair' view of the financial position, financial performance and cash flows of the Council.

Collection Fund - The Collection Fund is a separate statutory fund which Billing Authorities have to maintain. It shows the transactions in relation to collection from taxpayers of National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to Precepting Authorities and the General Fund.

Community Assets - A class of asset within property, plant and equipment that the Local Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Community Infrastructure Levy (CIL) - CIL is a planning charge available to Local Authorities for new types of development in their areas.

Contingent Liability - A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or

Glossary of Terms

- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Council Tax - This is a banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each Local Authority for the properties in its area.

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

Council Tax Support Scheme - This is the assistance provided by Billing Authorities to households on low incomes to help them pay their Council Tax bill. This scheme replaced Council Tax benefit in April 2013 and is a locally based scheme.

Creditors - Amounts owed by the Council for work done, services rendered or goods received for which payment has not been made by the Balance Sheet date.

Debtors - Amounts owed to the Council for work carried out, services rendered or goods provided by the Council for which income has not been received by the Balance Sheet date.

Depreciation - This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a property, plant and equipment, whether arising from use, passage of time or obsolescence through technological or other change.

Direct Revenue Financing - Resources provided from an Authority's revenue budget to finance the cost of capital projects.

Earmarked Reserves – The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Events after the Balance Sheet Date - These are events, favourable or adverse, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

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 Council 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 - This is a lease that substantially transfers all of the risks and rewards of ownership of a non-current 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 (debtors) and trade payables (creditors) and complex ones such as derivatives and embedded derivatives.

General Fund - This is the main revenue account of the Council covering day to day spending on services other than the provision of housing. Credited to the fund are charges made by the Council, specific Government and other grants and receipts from the Collection Fund.

Heritage Assets - These assets are held due to their historical, artistic, scientific, technological, geophysical or environmental qualities. They are intended to be preserved in trust for future generations, which are held and maintained for its contribution to knowledge and culture.

Housing Benefit - This is financial help to persons on low income to meet, in whole or part, their rent. Benefit is paid by Local Councils but Central Government refunds part of the cost of these benefits and of the running costs of the services to Local Councils.

Glossary of Terms

International Financial Reporting Standards (IFRS) - Defined Accounting Standards that must be applied by all reporting organisation's to their financial statements, in order to provide a true and fair view of the organisation's financial position.

Impairment - This is a reduction in the value of a non-current asset below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current assets market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets - A category of property, plant and equipment that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Market Value – The monetary value of an asset as determined by current market conditions at the balance sheet date.

Materiality - The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by the reader.

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.

Minimum Revenue Provision (MRP) - The minimum amount (as laid down in Statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Ministry of Housing, Communities & Local Government (MHCLG) - A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

National Non-Domestic Rates (NNDR) - NNDR is a tax levied on business properties and sometimes known as Business Rates. This tax is set nationally by the Government. Sums based on rateable values are collected by billing authorities and shared between major preceptors (10%), central Government (50%) and themselves (40%).

Net Book Value - The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Realisable Value - The open market value of an 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.

Non-current Assets - Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Operating Leases - An operating lease is a lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own an asset. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Operating Assets – Assets used by the Council in the delivery of services for which it has responsibility.

Precept - This is a charge levied by one Authority which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

Property / Plant & Equipment - Assets that are held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Examples include council dwellings, other land and buildings, vehicles, plant, equipment, infrastructure assets and community assets.

Provision - These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

Glossary of Terms

Prudence - Prudence is the inclusion of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Prudential Code for Capital Finance - The basic principle of the Code is that Local Authorities will be free to invest in capital expenditure so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the Authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

Public Works Loan Board (PWLB) - PWLB is a lending facility operated by the UK Debt Management Office (DMO) on behalf of HM Treasury. The facility provides loans to local authorities.

Related Parties - Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transactions - A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves - Amounts set aside in one year's accounts which can be spent in later years. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

Residual Value - This is the estimated amount which can be obtained from selling an asset after deducting disposal costs.

Revaluation Reserve - The Reserve records the accumulated gains on the non-current assets held by the Council 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 Expenditure Funded from Capital under Statute (REFCUS) - Expenditure that does not result in creation of a non-current asset, but can be classified as capital for funding purposes. Such expenditure is charged to the Comprehensive Income and Expenditure Statement and an adjustment made in the Movement in Reserves Statement to enable the expenditure to be funded from capital resources rather than impact on the Council Tax. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

Treasury Management - This is the process by which the Council controls its cash flow and its borrowing and lending activities.

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

Unusable Reserves - Unusable Reserves are not available to use to support services and are in the main used to hold unrealised gains and losses.

Usable Reserves - Usable Reserves can be applied to fund expenditure or reduce local taxation.

Useful Life - The period over which the Local Authority will derive benefits from the use of an asset.