



**Preston City Council**  
**Unaudited Statement of Accounts**  
**2023-24**







CHRISTIAN  
SCIENCE CHURCH

CHURCH STREET

FISHERGATE

COUNTY HALL/TRAINS

TOWN HALL & 7

GUILD HALL & BUSES

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# Narrative Report

## 1 Councillor Preface

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### **Introduction to the 2023/24 Statement of Accounts by Councillor Martyn Rawlinson, Cabinet Member for Resources and Deputy Leader.**

I am pleased to introduce the statement of accounts for the 2023/24 financial year.



During 2023/24 we continued to pursue our ambitious regeneration agenda for Preston by taking a direct role in regenerating our city. The Towns Fund projects are progressing, in particular Animate, a new, Council-owned £45m leisure and entertainment complex for the city centre, The Harris Re-Imagining project, that will transform our treasured Harris Museum and Art Gallery, continued support for Preston's Youth Zone and the renewal of other Harris Quarter heritage buildings such as Amounderness House which will bring back into use a City Centre Grade 1 listed building.

We are delivering a further £20m of Levelling Up funding awarded by the Department of Levelling Up Housing and Communities (DLUHC). Preston's bid 'Active Travel: Transforming our Community Infrastructure', will bring a better quality of life, health and wellbeing benefits to our residents.

2023/24 was the second year into the £5.2m funding allocation from the Government's UK Shared Prosperity Fund. This funding is helping to invest in our communities, address the climate emergency, strengthen local business, the economy and innovation ecosystem, and support our most vulnerable residents back into employment.

We continue to maintain high quality statutory and operational services including waste collection, parks, Preston Markets, cemetery and crematorium services. 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.

In September 2023 the Council undertook a LGA Corporate Peer Challenge (CPC) and a Peer Review Response Plan sets out the ambitions and improvements the Council has planned.

We have healthy levels of reserves and balances however the financial forecast shows these reducing over the medium term. The major regeneration schemes bring a higher level of financial risk and the Council is mitigating these risks where possible through value engineering and effective use of resources. 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 and have sufficient reserves. The Budget Working Group will now commence formulating the next budget proposals.

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.

# Narrative Report

## 2 Director of Resources Narrative Report (Section 151 Officer)

### 1. Introduction

I am pleased to present to you Preston City Council's Statement of Accounts for 2023/24.

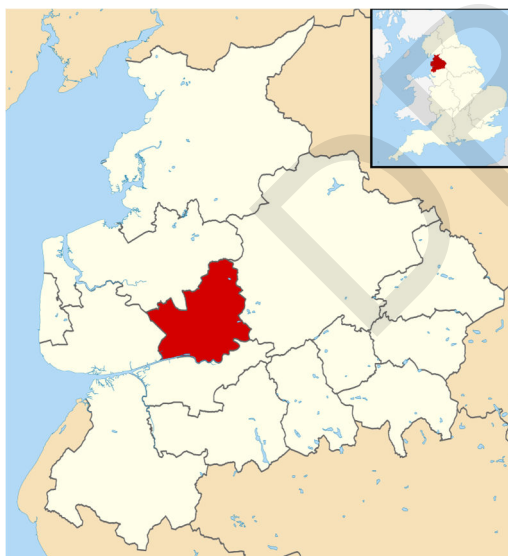
The purpose of this narrative report is to provide information about Preston, including keys issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31st March 2024.



The narrative report adopts the following structure:

- An Introduction to Preston
- Information about the Council
- The Council's Non-Financial Performance in 2023/24
- Financial Performance of the Council in 2023/24
- Economic Climate and Financial Outlook for the Future
- Principal Risks and Uncertainties affecting the Council
- Explanation of Financial Statements

### 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.



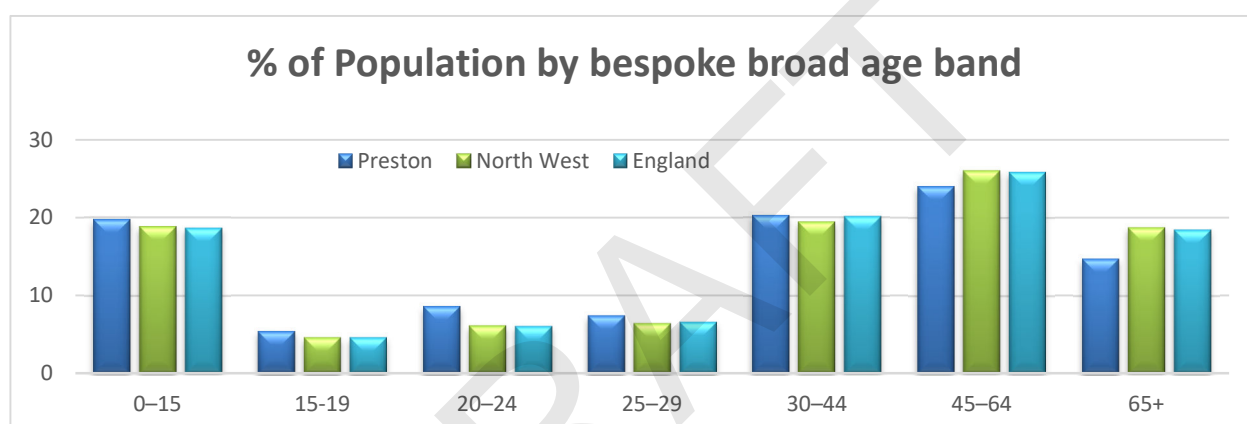


## Narrative Report

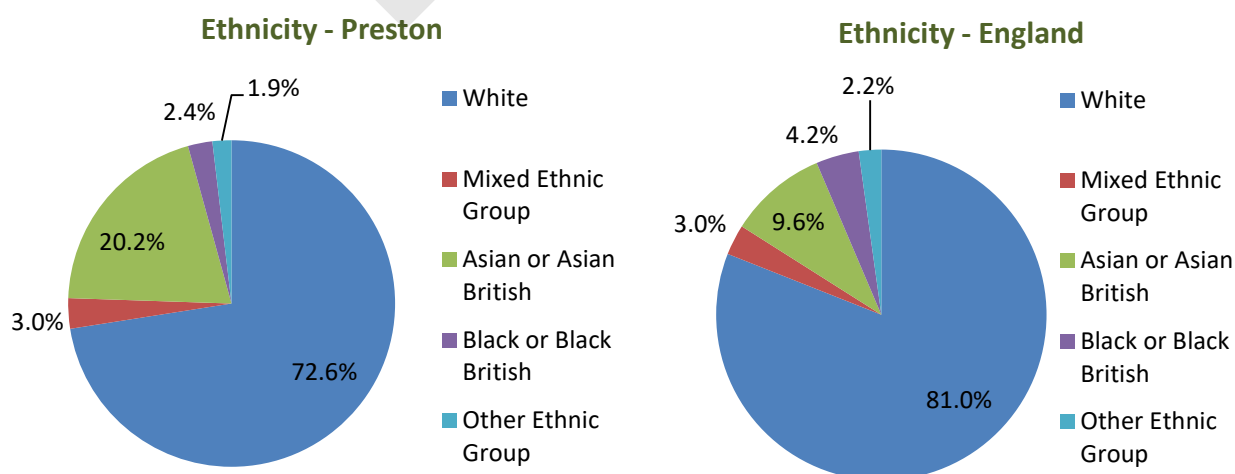
The River Ribble provides a southern border for the City and the Forest of Bowland forms a backdrop to Preston to the northeast, while the Fylde lies to the west. The southern section of Preston is mostly urbanised whilst north Preston is quite rural.

### Population

- Preston had a population of 147,900 according to the 2021 census. 2022 mid-year population estimates put the population at 151,582.
- The population of Preston is projected to increase by 5.1% at 2043.
- The number of people per km<sup>2</sup> is more than two and a half times the England and Wales average.
- Preston’s population is relatively young with a higher-than-average percentage of under 25s and fewer elderly people (65+).
- The presence of the large university, the University of Central Lancashire (UCLan), in central Preston has a strong impact on the age distribution in the area.



Preston is a diverse and multicultural City, the ethnic makeup based on the 2021 census is shown in the comparative graphs below.



# Narrative Report

## Local Economy and Business Information

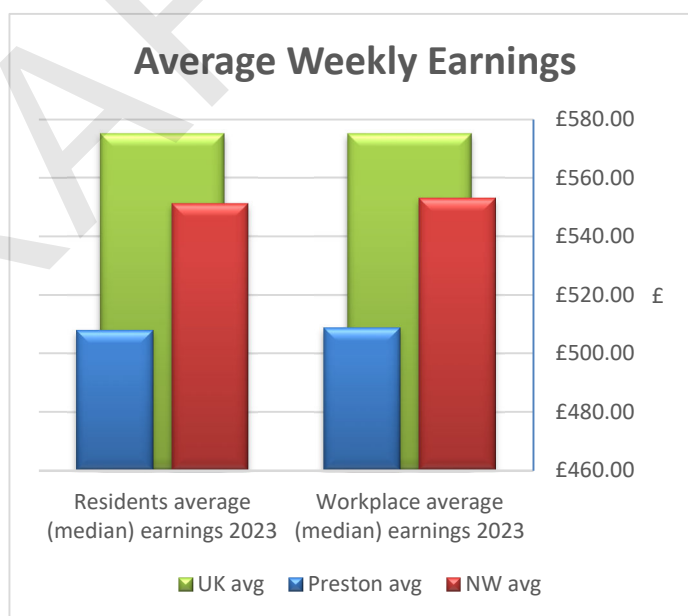
Preston is an important retail centre which includes the City Centre and the Deepdale retail park. The City is also a significant night time destination offering restaurants, pubs and clubs.

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 68,700 dwellings, and 82% are owner occupied or private rented. In comparison to other areas, Preston has a high proportion of its dwelling stock in the registered social landlord sector. Almost half of its housing stock is in lowest category 'A' Council tax band, possibly due to the high number of terraced houses within the city. The authority recorded almost 4,000 net additional dwellings in total over the 2016/17 to 2020/21 year periods.

Provisional statistics for 2023 show the average (median) weekly earnings for residents in Preston is £507.9 (2022 £408.8) compared to the UK average of £574.9 (2022 £533.7). However, estimates show a workplace average weekly earnings for Preston of £508.8 (2022 £488.4) compared to the North West average of £552.9 (2022 £504.6). 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 2023 also show the average (mean) income in Preston was £30,831, this is 87.1% of the average for the UK, this is a 17.7% increase on the previous year.



Source: Office for National Statistics - Annual Survey of Hours and Earnings

14.7% of households in Preston were in fuel poverty in 2021, compared with 13.1% nationally. 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.



# Narrative Report

## 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.

### 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 at the end of 2023/24 was:

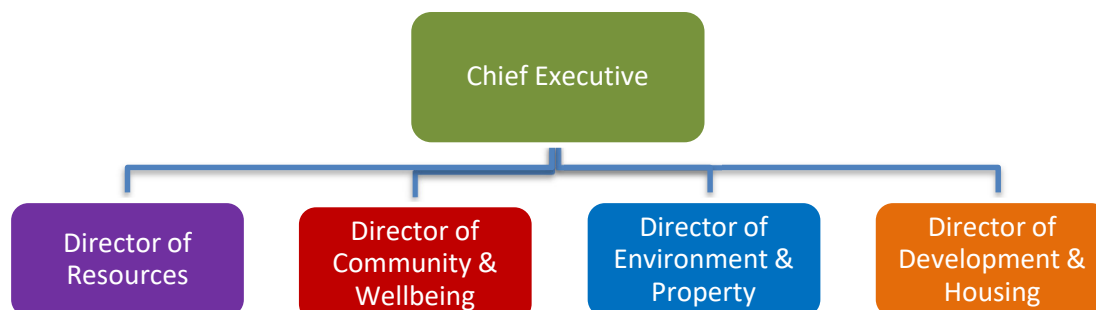
Political Make-up at the end of 2023/24	
Labour	31
Conservative	10
Liberal Democrat	7

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), made up of the Chief Executive (Adrian Phillips) and four Directors.

### Council Organisational Structure



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.

## Narrative Report

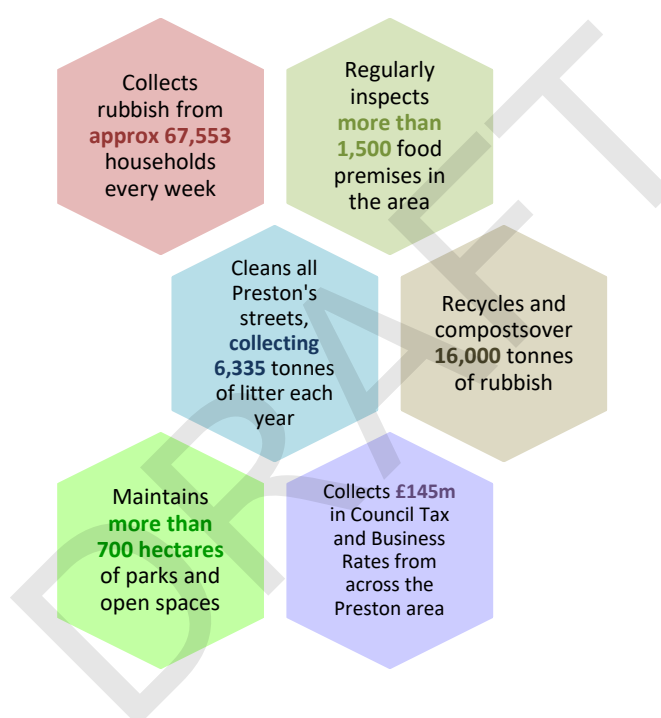
### Council Employees

The Council is one of the largest employers in the area with 595 (552.3 FTE) employees. 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 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 2023/24, the Council spent nearly £90 million providing a range of public services from waste collection to planning.

### During an average year, the Council:



### Environmental

Preston City Council, along with the 14 District Councils (including the two Unitary Authorities) 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. Members agreed a Notice of Motion, declaring a Climate Change Emergency at the April 2019 Council meeting. A Councillors task and finish working group was set up and considered options available.

The Council has a dedicated Climate Change Officer. A Climate Jury has been held in Preston to provide an opportunity for a representative group of local people to consider how Preston can address the opportunities and challenges of climate change in a way that is fair to everyone and agree recommendations to local leaders in response. A summary of climate related activity and its contribution to the council's commitment to delivering net zero will be included in the Council's Climate Action Plan. To support decarbonisation more widely across the city, Preston's investment

## Narrative Report

plan for the UK Shared Prosperity Fund allocated £1.4 million to projects to reduce carbon emissions, increase resilience to climate change and deliver the co-benefits of warmer homes, and more green spaces. Funding has been provided to Preston College to expand green skills training, preparing the future workforce for the green economy. Funding has been allocated to Cosy Homes in Lancashire to support those on lower incomes to insulate their homes.

### 4. The Council's Non- Financial Performance in 2023/24

The key issues that influenced the Council and its Financial Position in 2023/24 are as follows.

- Towns Fund City Centre Regeneration Schemes and Levelling Up Fund Scheme.
- The UK Shared Prosperity Fund and working with Communities.
- The economic position – inflation, high interest rates, increased construction costs.
- The Councils current Corporate Priorities: 'Your City' 'Fairness for You' 'Your Council'

#### Our Priority Areas

The Council is currently developing a new vision and priorities for the city during 2024/25 which will result in new corporate priority areas replacing the existing ones, an improved Performance Management Framework, and improved performance reporting arrangements to ensure Members receive key performance and place data for the whole of Preston.

During 2023/24 the current vision for Preston was to be a growing vibrant City and we have been achieving this by focusing on **three priority areas**:-

#### Preston – A growing vibrant City

Your City	• Secure investment; improve assets & infrastructure; attract high quality jobs
Fairness for you	• 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	• 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 2024 which can be found at: <https://www.preston.gov.uk/corporateplan>



# Narrative Report

## 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.

A Preston Regeneration Board (PRB) has been established; an innovative collaboration between three anchor institutions – Preston City Council, Lancashire County Council, The University of Central Lancashire and Preston’s private business sector represented by a leading business networking group, Preston Partnership.

A City Investment Plan, first drafted in 2020 has driven forward positive change and progress in the city alongside a strengthened collaboration and partnership working between anchor institutions and the private sector. Preston 35 is the refreshed version of the City Investment Plan, an important step towards the development of an economic plan through which to focus the combined resources of a wide range of partners to deliver our vision and priorities up to, and beyond 2032, Preston’s next Guild Year.

We have a Cultural Framework Board with our creative partners.

## How we Performed in 2023/24 – Achieving Preston’s Priorities



During 2023/24 significant progress was made on the Towns Fund City Centre projects. Construction on Animate (Harris Quarter Cinema & Leisure Scheme) is progressing well, with the scheme on course to be open in early 2025. Construction works on the ‘Harris Your Place’ Museum and Library project are ongoing. The Amounderness House project to bring back into use an empty grade 1 listed building should progress to the construction stage during 2024. Onside have commenced initial construction clearance work on site for the Youth Zone

# Narrative Report

The Council is close to entering into pre-construction contracts to deliver a further £20m of Levelling Up funding through the 'Active Travel: Transforming our Community Infrastructure' scheme. This will see improvements in new active travel including a new cycle/footbridge over the River Ribble to replace the Old Tram Bridge, and extensive improvements to the city's key parks, sports facilities, open spaces and heritage buildings. The projects are improving the City for residents, visitors and businesses alike. Preston continues to be a growing vibrant City.

Through the Fairness for You Agenda the Council has remained committed to the ambitious Community Wealth Building Agenda and helping residents and individuals.

The following gives a summary of progress during 2023/24 and the next steps.

## Your Council

### How we performed

- **Cyber security platform** and its extension to cover the Disaster Recovery site and the Microsoft 365 environment.
- Approved procurement of a **data security, governance, and compliance software platform**.
- **Cyber risk awareness - targeted training** for staff and Council Members and use of phishing simulation tests.
- **Preston Markets website** - Visitor numbers increased.
- **Carbon Neutral** - A Climate Change Officer in place. Climate Jury appointed to consider options on how the Council can become carbon neutral by 2030.

## Your Council

### What's next

- Climate Change Action Plan working towards a **Carbon Neutral Council** by 2030.
- **Visual Surveillance strategy**

## Your City

### How we performed

- **Animate - New Cinema, Bowling & Restaurant Development** - Significant progress on construction of the £45m scheme with an estimated opening date in early 2025.
- **Preston, South Ribble and Lancashire City Deal** - new Preston Western Distributor and East-West Link Road opened.
- **Levelling Up Fund** - £20m government funding, Parks regeneration and Active Travel infrastructure improvements pre works.
- **A Towns Fund Board** - overseeing the implementation of the Towns Fund schemes

## Your City

### What's next

- Progressing the **Towns Fund Schemes**
- **Animate** - final construction stage of the major redevelopment leisure scheme.
- **Harris Your Place** - main construction works to continue
- **Levelling Up Fund £20m Active Travel Scheme** - scheme in progress

## Fairness for You

### How we performed

- **Community Wealth Building** - We continue to progress this agenda through innovative and progressive dialogue and action with anchor institutions and community partners.
- **Financial Inclusion** - increased numbers accessing the [www.helpinpreston.com](http://www.helpinpreston.com) website.
- **Rough Sleeper Initiative** - received continued funding to reduce the number of people sleeping rough in Preston.
- **Changing Futures Programme** working in partnership to support those experiencing multiple disadvantages

## Fairness for You

### What's next

- Work towards increasing the flow of **affordable housing units**
- Supporting establishment of **Co-operatives**
- Third year **UK Shared Prosperity Fund** including investing in our communities, addressing the climate emergency, strengthening the local business

## 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 2024 (*see link below*). Growth budget proposals were agreed for 2024/25 and a £1.1m savings target set for 2025/26 onwards. The Budget Working Group which consists of Cabinet Members will consider an updated forecast, the impact of outturn, long term commitments of the Council, income projections, Council priorities and work towards formulating the next savings plan. The Cabinet will consult on its budget proposals January 2025.

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

### Managing Performance

The Council has embedded financial management procedures and processes in place. The Cabinet Member for Resources is kept up to date on key financial areas and risks via Cabinet Member meetings and updates with the Section 151 Officer. Quarterly financial reports are presented to the Cabinet Member for Resources following review by the Corporate Management Team. Additional financial monitoring arrangements have been put in place for Towns Fund, Levelling Up and UKSPF funded schemes. A monitoring and Evaluation (M&E) board has been set up which meets periodically to review the performance, financial position and risks of each of the Towns Fund Schemes. External partners attend the M&E Board meetings. Grant Funding Agreements (GFAs) and Memorandums of Understanding (MOUs) are in place to ensure the Council can provide the necessary monitoring information to Government. Similar arrangements are in place for the Levelling Up funding and the UKSPF funding. Corporate Management Team, Assistant Directors and Service Heads are responsible for their budgets. Monthly financial monitoring reports are provided by the Finance Team and each service has a nominated Accountant.

The Council is currently putting in place an improved performance management framework. This involves a new vision and corporate priorities. Targeted performance indicators and place data will help monitor performance and outcomes against the Council's new priority areas. The Council's own performance monitoring IT system has been refreshed and the reporting structure reviewed to ensure the reports are meaningful and have the right level of information for those assessing the information.



## Narrative Report

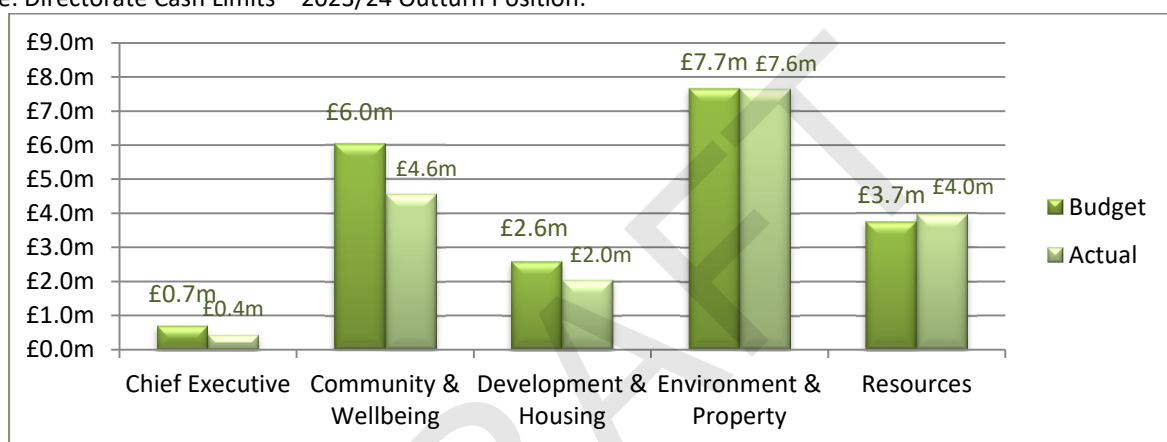
### 5. Financial Performance of the Council in 2023/24

The Council set an original revenue net budget of £24.085m (February 2023 Budget Council) for 2023/24. This was revised to £25.346m as a result of known forecast issues and reported to Budget Council in February 2024. 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 will be reported within the Outturn Report to Cabinet on 19th June 2024. Full details of expenditure, income and budget variances are set out within the Outturn Report which will be available on the Council’s website.

Table: Directorate Cash Limits – 2023/24 Outturn Position:



The outturn position for 2023/24 resulted in a net underspend of £2.655m 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 £2.263m into 2024/25 the underlying underspend is £0.392m, but this is subject to change pending approval of the slippage and final outturn position when the Outturn Report is considered by Cabinet. This expected outturn position improves the Council’s financial standing 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 significant inflation costs on the major unknown long-term impact on the economy.

The Council sets aside government grants 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.

## Narrative Report

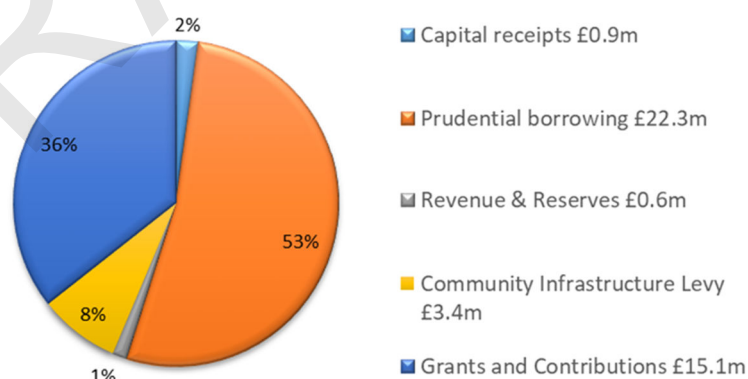
The table below shows the summary revenue budget outturn for 2023/24:

Summary of Revenue Expenditure in 2023/24	Budget £m	Actual £m	Variance £m
Service Directorate – Cash Limit Net Expenditure <i>(see chart above)</i>	20.7	18.6	-2.1
Other net expenditure <i>(as set out in the outturn report)</i>	8.2	25.1	16.9
<b>Total Net Expenditure</b>	<b>28.9</b>	<b>43.7</b>	<b>14.8</b>
<b>Financing:</b>			
Government Grants	-2.5	-2.6	-0.1
Non-Domestic Rate Distribution	-6.8	-6.6	0.2
Capital grants and contributions	-2.5	-20.1	-17.6
Council Tax Requirement	-14.1	-14.1	0.0
<b>Sub total</b>	<b>-25.9</b>	<b>-43.4</b>	<b>-17.5</b>
Net Call on General Fund Balance	3.0	0.3	-2.7

### Capital Investment in 2023/24

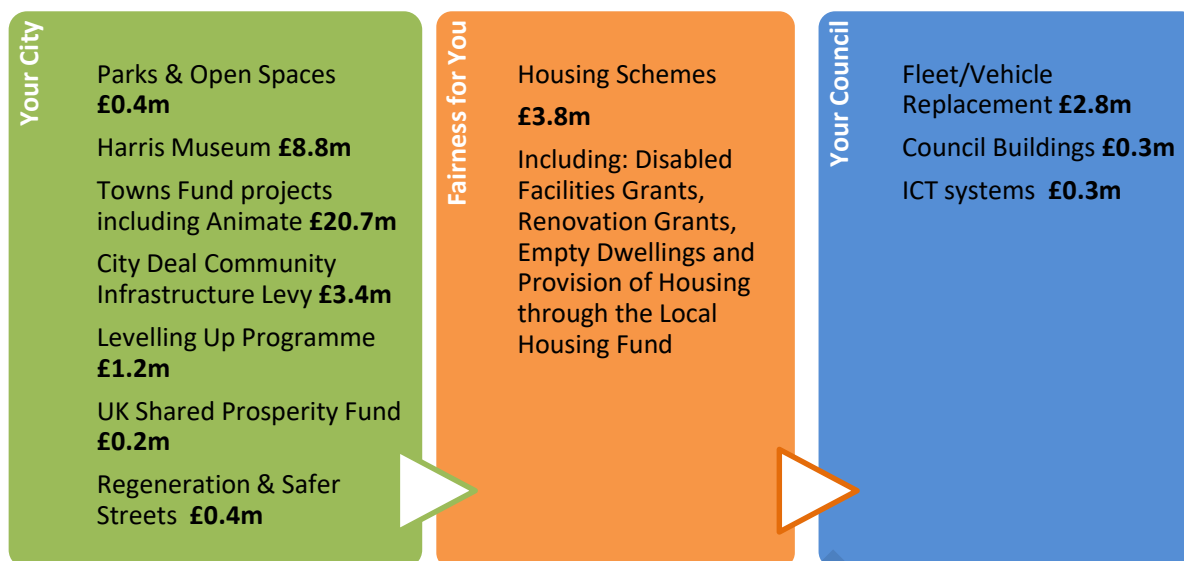
During 2023/24 the Council spent £42.280m on capital projects against a latest budget estimate of £51.021m. This was financed via various funding sources as indicated in the pie chart opposite. Further details can be found in the Outturn report presented to Cabinet 19 June 2024.

### Financing of 2023/24 Capital Expenditure



## Narrative Report

Capital schemes expenditure 2023/24 by Council Priority:



### Future Capital Spending Plans

The Council has an ambitious five-year capital programme of £120.8m which includes key schemes aiming to create regeneration of the City Centre and investment in major infrastructure via the City Deal Partnership, Levelling Up and the Towns Fund programme. The table below shows the predicted spend over the period to 2027/28 as approved by Council in February 2024 in relation to the Council’s key priorities.

**Table: Capital Investment Programme Summary 2023/24 to 2027/28:**

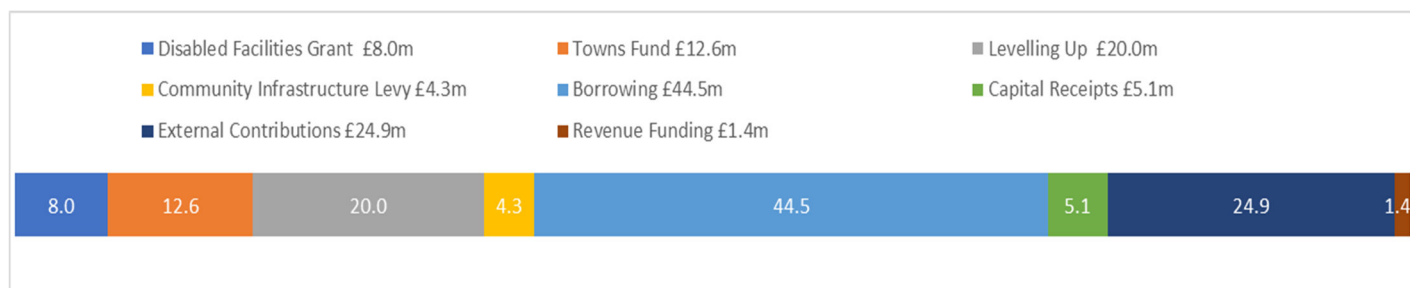
Priority Area	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	Total £m
Your Council	4.5	5.6	2.0	0.3	0.0	12.4
Your City	42.8	44.9	8.0	0.3	0.0	96.0
Fairness for You	3.5	3.9	1.6	1.7	1.7	12.4
<b>Estimated Expenditure</b>	<b>50.8</b>	<b>54.4</b>	<b>11.6</b>	<b>2.3</b>	<b>1.7</b>	<b>120.8</b>

The capital programme, approved at the Budget Council meeting in February 2024 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 have increased by £23m from the end of March 2023 to the end of March 2024. The increase is largely due to the increase in Assets Under Construction as the construction of the Animate cinema and leisure complex progresses. 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 2023	At 31 March 2024
	£m	£m
Non-current assets	190.2	225.6
Current assets, Current Liabilities and Long-term Liabilities	4.1	(8.7)
<b>Net Assets</b>	<b>194.3</b>	<b>216.9</b>
Represented by: Usable reserves	57.4	64.8
Represented by: Unusable reserves	136.9	152.1

**Non-Current Assets** - In 2023/24, the Council spent £42.3m 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.

### 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 2024 was met by a combination of long term debt of £12.5m 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 £0.7m in 2023/24.

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 2024 was £45.4m.

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 2023/24 was £53.2m. The Council's total long term debt was £12.5m which is well below the Authorised Limit.

#### Long Term Debt:

- £12.5m (£12.4m 2022/23)

## Narrative Report

The Council's investments are exposed to interest rate risk and volatility in the money markets. There was a small increase in the fair value of the long term investments. The security of capital remains the Council's main investment objective.

The investments held as at 31 March 2024 were:

### *Long Term Investments:*

- £19.4m (£19.2m 2022/23)

### **Pension Fund Liabilities**

The latest triennial valuation was carried out as at 31 March 2022 (to take effect 01 April 2023). This resulted in the overall pension deficit changing to a surplus. For accounting reasons, the Council is only permitted to recognise a deficit of £5.5m (£5.8m for 2022/23) for its share of the Pension Fund (see Note 36f for further details).

The next full revaluation of the Fund will take place with an effective date of 31st March 2025 with any revised contribution rates effective from 1st April 2026.

### **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 2024 was £0.598m 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 £0.096m. The actual rate of in year collection of Council Tax for 2023/24 was 90.17% (90.80% for 2022/23). The in-year collection rates have remained low since April 2013 mainly due to Council Tax being collected from claimants who previously received full Council Tax Benefit. The slight decrease on the previous year is due to the ongoing cost of living crisis.

In April 2014 government introduced the current business rates retention scheme. Under this system the Council retains a 40% share of its NNDR. The accumulated surplus on the Collection Fund for NNDR is £1.628m as at 31 March 2024. The Council's share of the surplus is £0.651m.

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:

## Narrative Report

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 have effective City Centre Asset
Failure to support Council priorities through ineffective ICT systems
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

**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
UK Economy – inflation and interest rates
Future Government funding levels from 2025/26 onwards
Towns Fund and Levelling Up major financial project risk
Housing building levels not in line with forecast projections
Savings target from 2025/26 onwards
Changes in Government Policy
Council Tax Support Scheme and impact on council tax collection rates
Movements in cashflow and interest rates
Security of monies invested with counterparties

The Achieving Preston's Priorities report to Budget Council February 2024 sets out the above and details the risks, potential impact and mitigations/controls in place.

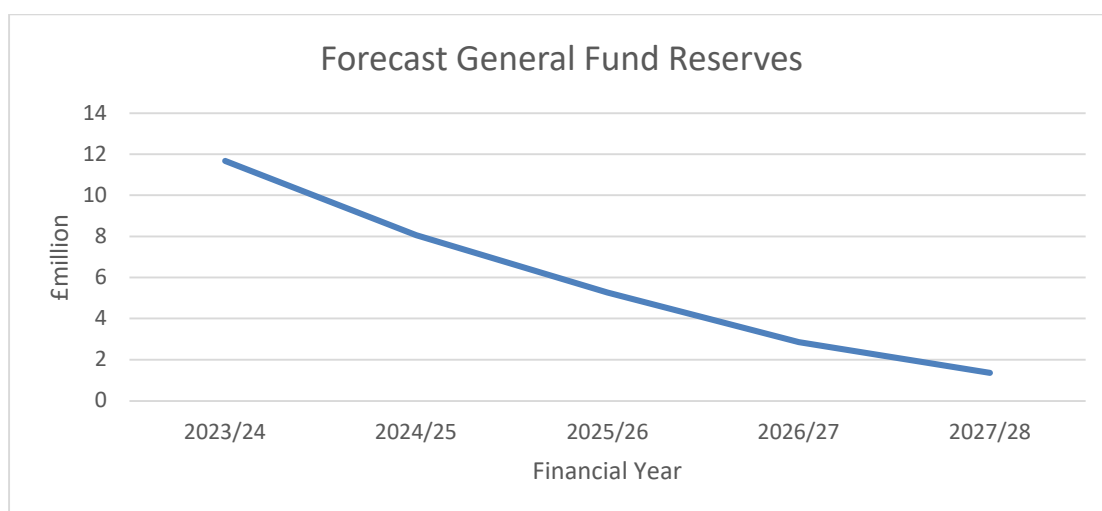
### 6. The Economic Climate and Financial Outlook for the Future:

The MTFS reported to Budget Council in February 2024 set out the Council's spending plans and available capital and revenue resources for the period 2023/24 to 2027/28 including the funds required to deliver the Council's essential services and the objectives in our priority areas. They also highlighted the key areas/issues facing the Council in the current year and future years.

The table below summarises the forecast General Fund year end reserves taking into consideration the impact of the 2023/24 year-end outturn position and assuming the £1.1m savings target is identified and implemented from 2025/26.



## Narrative Report



It is difficult to forecast with any certainty future levels of Local Government funding from 2025 onwards whilst there are single year Local Government Finance Settlements.

The Council is continuing with its ambitious City Centre plans including the major Towns Fund schemes and the Levelling Up schemes however these do bring additional financial risk for the Council. The high interest rates and sharp increase to steel and construction costs are impacting on the projected costs of funding the major regeneration schemes. Mitigation measures have been put in place where possible to avoid higher borrowing costs on the Animate scheme.

The Budget Working Group consisting of Cabinet, Backbenchers and Corporate Management Team are meeting during 2024 to formulate the next efficiency plan. Budget Council in February 2024 approved funding for a transformation post to progress a Council wide transformation agenda. This will include continuing to work on the digital agenda through the Service Improvement Board to enable further savings through new technology including the opportunity for some processes to be fully end-to-end automated.

The Council currently has a significant level of non-earmarked reserves, however these are shown to decrease as they are used to fund the shortfall over the life of the forecast. The aim is for the Council to bridge the gap, i.e. the shortfall between how much the Council spends and how much the Council receives in funding and build up reserves to ensure, long term financial sustainability for the Council.

The Council carefully considers and monitors the risks throughout the financial year. A number of high-level financial risks are set out in the Achieving Preston's Priorities documents presented to Members in October and February each year and are also included within the Corporate Risk Register. The risks are reviewed by Corporate Management Team and presented to Cabinet and Audit Committee.

## Narrative Report

### 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 as at 31st March. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and the Service Reporting Code of Practice 2023/24 (SeRCOP) and comprises core and supplementary statements.

#### The Core Financial Statements:

**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.

**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).

**Balance Sheet** – this sets out the Council's assets and liabilities as at 31st March 2024 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.

#### The Supplementary Statements:

**Statement of Responsibilities for the Statement of Accounts** - identifies the officer who is responsible for the proper administration of the Council's financial affairs.

**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.

**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.

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

## Narrative Report

### 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.

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# 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) 2023/24 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 31<sup>st</sup> March 2024.

Signed

Date 31st May 2024



Jackie Wilding  
Director of Resources  
(Section 151 Officer)



**Independent Auditor’s Report for Preston City Council**

Report to be included following conclusion of the audit of the accounts.

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# Independent Auditor's Report for Preston City Council

Report to be included following conclusion of the audit of the accounts.

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# Preston City Council

# Core Financial Statements

2023/24



## 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.

2022/23			2023/24			
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000
			<b>Service Segments</b>			
543	75	468	Chief Executive	2,174	1,740	434
16,844	12,497	4,347	Community & Wellbeing	16,751	12,197	4,554
4,999	2,729	2,270	Development & Housing	4,833	2,803	2,030
13,763	4,034	9,729	Environment & Property	13,496	4,238	9,258
3,969	325	3,644	Resources	4,410	451	3,959
47,268	34,467	12,801	Central Services*	47,609	37,118	10,491
<b>87,386</b>	<b>54,127</b>	<b>33,259</b>	<b>Cost of Services</b>	<b>89,273</b>	<b>58,547</b>	<b>30,726</b>
		96	<b>Other Operating Expenditure</b>			298
		(5,486)	<b>Financing and Investment Income and Expenditure</b>			(4,876)
		(519)	<b>Other Income</b>			(535)
		(33,863)	<b>Taxation and Non-Specific Grant Income</b>			(44,888)
		<b>(6,513)</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>(19,275)</b>
		(1,558)	(Surplus)/Deficit on revaluation of non-current assets	22(a)		(2,198)
		(56,207)	Remeasurements of the net defined (benefit)/liability	36(g)		(1,152)
		<b>(57,765)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(3,350)</b>
		<b>(64,278)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(22,625)</b>

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

## 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	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
<b>Balance as at 1 April 2022</b>	11,442	31,046	42,488	4,571	9,505	56,564	73,461	130,025
<b>Total Comprehensive Income and Expenditure</b>	6,513	-	6,513	-	-	6,513	57,765	64,278
Adjustments between accounting basis and funding basis under regulations	9 (6,730)	-	(6,730)	(282)	1,360	(5,652)	5,652	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	(217)	-	(217)	(282)	1,360	861	63,417	64,278
Transfers (to)/from Earmarked Reserves	732	(732)	-	-	-	-	-	-
<b>Increase/Decrease (movement) in year</b>	515	(732)	(217)	(282)	1,360	861	63,417	64,278
<b>Balance as at 31 March 2023 carried forward</b>	11,957	30,314	42,271	4,289	10,865	57,425	136,878	194,303
<b>Total Comprehensive Income and Expenditure</b>	19,275	-	19,275	-	-	19,275	3,350	22,625
Adjustments between accounting basis and funding basis under regulations	9 (16,862)	-	(16,862)	(11)	4,962	(11,911)	11,911	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	2,413	-	2,413	(11)	4,962	7,364	15,261	22,625
Transfers (to)/from Earmarked Reserves	21(a) (2,692)	2,692	-	-	-	-	-	-
<b>Increase/Decrease (movement) in year</b>	(279)	2,692	2,413	(11)	4,962	7,364	15,261	22,625
<b>Balance as at 31 March 2024 carried forward</b>	11,678	33,006	44,684	4,278	15,827	64,789	152,139	216,928

## 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 31 March 2023		Note		As at 31 March 2024
£'000				£'000
83,801	Property, Plant & Equipment	11	117,447	
41,858	Heritage Assets	12	42,998	
45,177	Investment Properties	15	45,352	
-	Intangible Assets	16	288	
19,243	Long-term Investments	13(a)	19,419	
99	Long-term Debtors	13(b)	84	
<b>190,178</b>	<b>Total Long Term Assets</b>			<b>225,588</b>
15,141	Short-term Investments	13(b)	4,003	
221	Inventories		250	
21,035	Short-term Debtors	17	15,989	
29,563	Cash and Cash Equivalents	19	23,909	
<b>65,960</b>	<b>Total Current Assets</b>			<b>44,151</b>
(132)	Short-term Borrowing	13(b)	(164)	
(37,103)	Short-term Creditors	20	(29,683)	
<b>(37,235)</b>	<b>Total Current Liabilities</b>			<b>(29,847)</b>
(3,880)	Provisions	14	(2,706)	
(12,467)	Long-term Borrowing	13(a)	(12,463)	
(5,796)	Pension Liability	36 (f)	(5,475)	
(2,457)	Capital Grants Receipts in Advance	18	(2,320)	
<b>(24,600)</b>	<b>Total Long-term Liabilities</b>			<b>(22,964)</b>
<b>194,303</b>	<b>Net Assets</b>			<b>216,928</b>
	<b>Represented by</b>			
57,425	Usable Reserves	21 & MIRS	64,789	
136,878	Unusable Reserves	22 & MIRS	152,139	
<b>194,303</b>	<b>Total Reserves</b>			<b>216,928</b>

The unaudited accounts were authorised for issue by the Section 151 Officer on the 31 May 2024

## 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.

2022/23		2023/24
£'000	Note	£'000
6,513	Net surplus or (deficit) on the provision of services	19,275
(12,730)	Adjustment to surplus or deficit on the provision of services for non-cash movements	23 (216)
<u>(12,681)</u>	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23 <u>(22,145)</u>
<b>(18,898)</b>	<b>Net cash flows from operating activities</b>	<b>(3,086)</b>
3,176	Net cash flows from investing activities	24 (1,682)
<u>(3,968)</u>	Net cash flows from financing activities	25 <u>(886)</u>
<b>(19,690)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(5,654)</b>
<u>49,253</u>	Cash and cash equivalents at the beginning of the reporting period	<u>29,563</u>
<b><u>29,563</u></b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b><u>23,909</u></b>



**Notes to the**

**Core**

**Financial**

**Statements**

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# 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 2023/24 financial year and its position at 31 March 2024. 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 2023/24 (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.

# Notes to the Core Financial Statements

## Accounting Policies

### 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 benefits (e.g. 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 4.9% (4.8% 2022/23) 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:



## Notes to the Core Financial Statements

### Accounting Policies

- 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:
  - 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 His 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.

## Notes to the Core Financial Statements

### Accounting Policies

#### 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.

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. Overheads and Support Services

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

#### 16. Long Term Contracts

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.

#### 17. 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

### 18. 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 Global Standards 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, infrastructure assets and assets under construction are initially measured at historic cost, comprising their purchase price and any costs attributable to bringing the assets into use for their intended purpose.

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.

## Notes to the Core Financial Statements

### Accounting Policies

Components have been recognised in the financial year where:

- 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.

#### 19. 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.

#### 20. 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 to 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.

# Notes to the Core Financial Statements

## Accounting Policies

### 21. 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.

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.

### 22. Joint Operations

Joint operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets and resources of the parties rather than the establishment of a separate entity.

The Council has a joint operation with Lancaster City Council for Revenues and Benefits and with Lancaster City Council and Fylde Borough Council for Corporate Enquiry. In accordance with the Code the Council has accounted for its share of the income and expenditure within its own single entity accounts.

### 23. 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

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



## Notes to the Core Financial Statements

### Accounting Policies

- 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.

#### 24. 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 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

## Notes to the Core Financial Statements

### Accounting Policies

- level 3 – unobservable inputs for the asset or liability.

#### 25. 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. Some works of art have been recently revalued and are held at that market valuation. The remainder of the fine art collection is held at insurance valuation. 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 artwork it is held on the Balance Sheet at cost, being the current market value, and any donations will be held at insurance value with reference to an appropriate commercial market for the artwork using the most relevant and recent information available from sales at auctions.

##### (ii) Decorative Art

The decorative art collection includes ceramics and glass, scent bottles, card cases, enamels, clocks, watches and silver. The general fashion for collecting these items goes in peaks and troughs. The collections are held at market value if there is one with the remainder being held at insurance valuation. 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 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 artwork 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 are held at insurance valuations.

##### (iv) Civic Regalia

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. These assets are held in the Balance Sheet at a value based on an insurance purposes valuation carried out in 2009.

##### (v) Memorials

Within the Council's Parks and Public Open Spaces there are a number of war memorials. These memorials are held at historical cost on the Balance Sheet at a nominal value.

## Notes to the Core Financial Statements

### Accounting Policies

#### (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.

#### 26. 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.

#### 27. Intangible Assets

Expenditure on Intangible Assets, i.e. assets with no physical substance (generally software licences that are not an integral part of a particular IT system) is capitalised when it is expected that economic benefits or service potential will flow from that asset to the Council for more than one financial year. This excludes annual software licences which are charged directly to service revenue accounts. Expenditure under £20k is classed as de minimis and treated as revenue expenditure.

Intangible assets are measured at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, starting the year after acquisition.

## Notes to the Core Financial Statements

### 2. Accounting Standards Issued, but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted.

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.

Accounting Standards that have been issued but not yet adopted, include:

- IFRS 16 Leases
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

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 was deferred until 1 April 2024. The Council has reviewed its leases to assess the impact of the change. Our assessment has identified that the value of leases currently charged to the Comprehensive Income & Expenditure Statement is approximately £0.028m. Therefore, the implementation of IFRS 16 will not have a material impact on these financial statements.

None of the other accounting standards above are likely to have a material effect upon adoption or have limited application to Preston City Council.

### 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 judgements made in the Statement of Accounts are:

#### Investment Property

Investment Properties have been assessed using the identifiable criteria under the international accounting standards of being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration.

#### Group Accounts

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

#### Fair Values

When measuring the fair value of a non-financial asset, the Council uses judgement to ascertain a market participant's ability to generate economic benefits by using the asset in its highest and best use. It also uses judgements regarding inputs to valuation techniques.

## Notes to the Core Financial Statements

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

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

Item	Uncertainty	Effect if actual results differ
Pensions Liability & Pensions Asset	<p>Estimation of the net liability or asset to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide expert advice on the assumptions to be applied.</p> <p>During 2023/24 the Council's actuaries advised that the net pension deficit has decreased to £5.5m due to the re-measurement of assets and liabilities, and an adjustment for the asset ceiling (at 2022/23 it was a £5.8m deficit). See Note 36(h) for further details.</p>	<p>Sensitivity to the factors contributing to this estimate is shown in Note 36(l). Small changes have major impacts on the pension liability. A 0.5% per annum increase in the discount rate assumption would result in a pension asset of £16.4m. A one year addition to the members' life expectancy would result in a pension liability of £5.9m.</p>
Fixed Assets	<p>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 Institution of Chartered Surveyors (RICS). The Council carries out a rolling programme that ensures all appropriate Plant, Property and Equipment are revalued within a five year cycle. All assets reviewed had a valuation date of 31 March 2024. Investment Properties are revalued annually at Fair Value and Heritage Assets have their valuations reviewed annually.</p>	<p>The values are only estimates and could be over or understated if a sale actually occurred. The assets most vulnerable to uncertainty are those valued under Current Value and Fair Value methods. A 1% variation in these valuations could affect the asset values by £1.11m.</p>
Debtors	<p>At 31 March 2024, the Council had a short term debtor balance of £28.2m (£33.5m at 31 March 2023). We recognise an impairment allowance of £12.1m (£12.4m at 31 March 2023) against this balance.</p>	<p>Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement. A 1% increase in the impairment of doubtful debts would result in an additional charge of £0.121m to the CI&amp;ES.</p>

### 5. Events after the Balance Sheet Date

The Unaudited Statement of Accounts was authorised for issue by the Director of Resources (S151 Officer) on 31 May 2024. 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 2024, 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.

## Notes to the Core Financial Statements

### 6. Other Operating Expenditure

2022/23 £'000		2023/24 £'000
385	Payments of precepts to parishes	414
(289)	Gain on the disposal of non-current (fixed) assets	(116)
<b>96</b>	<b>Total</b>	<b>298</b>

### 7. Financing and Investment Income and Expenditure

2022/23 £'000		2023/24 £'000
594	Interest payable and similar charges	685
1,532	Net interest on the net defined benefit liability	212
(1,730)	Interest receivable and similar income	(3,349)
256	Fair Value movement on Pooled Investment Funds	(175)
(6,138)	Income and expenditure in relation to investment properties and changes in their fair value	(2,249)
<b>(5,486)</b>	<b>Total</b>	<b>(4,876)</b>

### 8. Taxation & Non-Specific Grant Income

2022/23 £'000		Note	2023/24 £'000
(13,457)	Council Tax		(14,215)
(6,656)	Business Rate Retention Scheme		(7,618)
(2,512)	General Government Grants	10	(2,535)
(10,853)	Capital Grants & Contributions	10	(20,106)
(385)	Parish Precepts		(414)
<b>(33,863)</b>	<b>Total</b>		<b>(44,888)</b>



## 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.

2023/24	Movement in Unusable Reserves  £'000	Usable Reserves		
		General Fund Balance  £'000	Capital Receipts Reserve  £'000	Capital Grants Unapplied  £'000
<b>Adjustments Primarily involving the Capital Adjustment Account</b>				
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement (CI&amp;ES)</b>				
Charges for depreciation and impairment of non current assets	(1,767)	1,767		
Revaluation losses on Property, Plant & Equipment	(41)	41		
Movements in the fair value of Investment Properties	625	(625)		
Capital grants and contributions credited to the CI&ES	8,441	(17,429)		8,988
Revenue Expenditure funded from Capital under Statute	(1,098)	1,098		
Net gain or loss on sale or derecognition of non-current assets	(260)	260		
Other Income		(535)	535	
<b>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the repayment of debt	738	(738)		
Capital expenditure charged to the General Fund balance	631	(631)		
<b>Transfer in respect of Community Infrastructure Levy Receipts</b>		389		(389)
<b>Adjustments Primarily involving the Capital Grants Unapplied Account</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	3,311			(3,311)
Application of grants to the General Fund		326		(326)
<b>Adjustments Primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES		(378)	378	
Use of the Capital Receipts Reserve to finance new capital expenditure	924		(924)	
<b>Adjustments Primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	9	(9)		
<b>Adjustments Primarily involving the Pooled Investment Funds Adjustment Account</b>				
Statutory override to mitigate the impact of fair value movements on pooled investment funds.	175	(175)		
<b>Adjustments Primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(3,553)	3,553		
Employer's pensions contributions and direct payments to pensioners payable in the year	2,721	(2,721)		
<b>Adjustments Primarily involving the Collection Fund Adjustment Account</b>				
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	1,093	(1,093)		
<b>Adjustments Primarily involving the Accumulated Absences Account</b>				
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	(38)	38		
<b>Total Adjustments</b>	<b>11,911</b>	<b>(16,862)</b>	<b>(11)</b>	<b>4,962</b>

## 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.

2022/23	Movement in Unusable Reserves  £'000	Usable Reserves		
		General Fund Balance  £'000	Capital Receipts Reserve  £'000	Capital Grants Unapplied  £'000
<b>Adjustments Primarily involving the Capital Adjustment Account</b>				
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement (CI&amp;ES)</b>				
Charges for depreciation and impairment of non current assets	(1,594)	1,594		
Revaluation losses on Property, Plant & Equipment	228	(228)		
Movements in the fair value of Investment Properties	4,124	(4,124)		
Capital grants and contributions unapplied	1,895	(6,676)		4,781
Revenue Expenditure funded from Capital under Statute	(867)	867		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	-	-		
Other Income		(519)	519	
<b>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	753	(753)		
Capital expenditure charged against the General Fund balance	380	(380)		
<b>Transfer in respect of Community Infrastructure Levy Receipts</b>		825		(825)
<b>Adjustments Primarily involving the Capital Grants Unapplied Account</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	2,596			(2,596)
Application of grants to the General Fund		-		-
<b>Adjustments Primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES		(290)	290	
Use of the Capital Receipts Reserve to finance new capital expenditure	1,091		(1,091)	
<b>Adjustments Primarily involving the Financial Instruments Adjustment Account</b>				
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	9	(9)		
<b>Adjustments Primarily involving the Pooled Investment Funds Adjustment Account</b>				
Statutory override to mitigate the impact of fair value movements on pooled investment funds.	(256)	256		
<b>Adjustments Primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(7,533)	7,533		
Employer's pensions contributions and direct payments to pensioners payable in the year	3,109	(3,109)		
<b>Adjustments Primarily involving the Collection Fund Adjustment Account</b>				
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	1,755	(1,755)		
<b>Adjustments Primarily involving the Accumulated Absences Account</b>				
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	(38)	38		
<b>Total Adjustments</b>	<b>5,652</b>	<b>(6,730)</b>	<b>(282)</b>	<b>1,360</b>

## 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 2023/24:

2022/23 £'000		2023/24 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
	<i>Non-ringfenced government grants</i>	
8	New Burdens Grant	8
254	Lower Tier Services Grant	-
1,866	New Homes Bonus Grant	1,613
383	Services Grant	225
-	Minimum Funding Guarantee	476
1	Revenue Support Grant	212
5,580	Business Rates Section 31 Grant	5,480
<b>8,092</b>	<b>Total non-ringfenced government grants</b>	<b>8,014</b>
	 <i>Capital grants and contributions</i>	
4,177	Community Infrastructure Levy	3,003
4,357	Towns Fund	5,830
517	Levelling Up Fund	6,017
337	Traveller Site Fund	-
273	Arts Council	-
-	Arts Council MEND Capital Grant	543
-	Arts Council Capital Grant	318
472	Lancashire County Council	349
489	National Lottery Distribution Fund	2,463
-	Lawn Tennis Association	217
-	Friends of the Harris Museum	192
-	UK Shared Prosperity Fund	174
-	Local Authority Housing Fund	128
86	Home Office	-
21	Affordable Homes	775
30	The Football Foundation	-
94	Other	97
<b>10,853</b>	<b>Total capital grants and contributions</b>	<b>20,106</b>
<b>18,945</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>28,120</b>
	 <b>Credited to Services</b>	
	<i>Grants Received for Capital Purposes</i>	
1,680	Disabled Facilities Grant	1,827
-	Local Authority Housing Fund	1,283
-	DLUHC UK Shared Prosperity Fund Capital	164
357	Towns Fund	-
18	Other Capital Grants & Contributions	20
<b>2,055</b>	<b>Total Grants Received for Capital Purposes</b>	<b>3,294</b>
	<i>Grants received for Revenue Purposes</i>	
32,865	Department for Work & Pensions Housing Benefits	34,052
-	DLUHC UK Shared Prosperity Fund	1,591
1,433	DLUHC Homelessness Grants	1,793
1,095	Other Department for Levelling Up, Housing and Communities Grants	551
24	Elections Claims Unit Grant	57
121	Department for Work & Pensions	321
320	Arts Council	365
96	Heritage Lottery Fund	61
168	Big Local	32
301	Home Office Grant	563
114	Other	373
<b>36,537</b>	<b>Total Grants Received for Revenue Purposes</b>	<b>39,759</b>
<b>38,592</b>	<b>Total Credited to Services</b>	<b>43,053</b>

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:

2022/23 £'000		2023/24 £'000
	<b>Capital Grants Receipts in Advance</b>	
137	DLUHC UK Shared Prosperity Fund	-
1,265	Heritage Lottery Fund	1,265
1,055	North West Development Agency	1,055
<b>2,457</b>	<b>Total</b>	<b>2,320</b>

## Notes to the Core Financial Statements

### 11. Property, Plant & Equipment

Movements on Balances 2023/24							
	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
<b>Cost or Valuation as at 1 April 2023</b>	21,163	16,409	6,637	14,478	2,110	39,443	<b>100,240</b>
Additions	127	2,933	1,005	14	-	29,937	<b>34,016</b>
Revaluation increase/(decrease) recognised in Revaluation Reserve	749	-	-	-	-	-	<b>749</b>
Revaluation increase/(decrease) recognised in the Surplus / Deficit on the Provision of Services	(53)	-	-	-	-	-	<b>(53)</b>
Derecognition - disposals	-	(622)	-	-	-	-	<b>(622)</b>
Reclassifications (including to/from Investment Properties)	108	-	-	-	(133)	405	<b>380</b>
Impairment losses recognised in Revaluation Reserve	(6)	-	-	-	-	(124)	<b>(130)</b>
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	(91)	-	-	-	-	(37)	<b>(128)</b>
<b>Cost or Valuation 31 March 2024</b>	<b>21,997</b>	<b>18,720</b>	<b>7,642</b>	<b>14,492</b>	<b>1,977</b>	<b>69,624</b>	<b>134,452</b>
<b>Accumulated Depreciation as at 1 April 2023</b>	(1,363)	(12,175)	(2,177)	-	(65)	(659)	<b>(16,439)</b>
Depreciation charge for the year	(703)	(691)	(233)	-	(31)	-	<b>(1,658)</b>
Depreciation written back to the Revaluation Reserve	438	-	-	-	-	-	<b>438</b>
Depreciation written back to the Surplus / Deficit on the Provision of Services	32	-	-	-	-	-	<b>32</b>
Derecognition - disposals	-	622	-	-	-	-	<b>622</b>
Reclassifications (depreciation)	-	-	-	-	23	(23)	-
<b>Accumulated Depreciation as at 31 March 2024</b>	<b>(1,596)</b>	<b>(12,244)</b>	<b>(2,410)</b>	-	<b>(73)</b>	<b>(682)</b>	<b>(17,005)</b>
<b>Net book value as at 31 March 2024</b>	<b>20,401</b>	<b>6,476</b>	<b>5,232</b>	<b>14,492</b>	<b>1,904</b>	<b>68,942</b>	<b>117,447</b>

#### 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 2023/24 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

Movements on Balances 2022/23							
	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
<b>Cost or Valuation as at 1 April 2022</b>	49,828	15,723	5,866	14,418	2,096	2,174	90,105
Additions	50	756	771	60	18	8,039	9,694
Revaluation increase/(decrease) recognised in Revaluation Reserve	422	-	-	-	5	-	427
Revaluation increase/(decrease) recognised in the Surplus / Deficit on the Provision of Services	228	-	-	-	-	-	228
Derecognition - disposals	-	(70)	-	-	-	-	(70)
Reclassifications (including to/from Investment Properties)	(29,365)	-	-	-	-	29,308	(57)
Impairment losses recognised in Revaluation Reserve	-	-	-	-	-	(78)	(78)
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	(9)	-	(9)
<b>Cost or Valuation 31 March 2023</b>	<b>21,163</b>	<b>16,409</b>	<b>6,637</b>	<b>14,478</b>	<b>2,110</b>	<b>39,443</b>	<b>100,240</b>
<b>Accumulated Depreciation as at 1 April 2022</b>	<b>(1,795)</b>	<b>(11,491)</b>	<b>(1,965)</b>	<b>-</b>	<b>(46)</b>	<b>0</b>	<b>(15,297)</b>
Depreciation charge for the year	(647)	(754)	(212)	-	(24)	-	(1,637)
Depreciation written back to the Revaluation Reserve	368	-	-	-	5	-	373
Depreciation written back to the Surplus / Deficit on the Provision of Services	52	-	-	-	-	-	52
Derecognition - disposals	-	70	-	-	-	-	70
Reclassifications (depreciation)	659	-	-	-	-	(659)	-
<b>Accumulated Depreciation as at 31 March 2023</b>	<b>(1,363)</b>	<b>(12,175)</b>	<b>(2,177)</b>	<b>-</b>	<b>(65)</b>	<b>(659)</b>	<b>(16,439)</b>
<b>Net book value as at 31 March 2023</b>	<b>19,800</b>	<b>4,234</b>	<b>4,460</b>	<b>14,478</b>	<b>2,045</b>	<b>38,784</b>	<b>83,801</b>

#### 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 2022/23 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 2023	Number at 31 March 2024
<b>Non-Current Assets owned by the Council include the following:-</b>		
<b>Operational Buildings</b>		
Central Administration Buildings	1	1
Other Office Buildings	3	3
Markets	2	2
Public Conveniences	11	11
Depots	1	1
Sub-depots	7	7
Surface Car Parks	5	4
Multi-storey Car Parks	1	1
Cemetery	1	1
Crematorium	1	1
<b>Operational Equipment</b>		
Vehicles	112	117
<b>Infrastructure Assets</b>		
Lock Gates	4	4
Railway	1	1
Swing Bridge	1	1
<b>Community Assets</b>		
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	24	24
Park Lodges/Houses	2	2
<b>Heritage Assets</b>		
War Memorial	7	7
Works of Art and Collections (value £100k and over)	45	45
<b>Investment and Other Buildings and Properties</b>		
Other Office Buildings	8	6
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	60	59
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 2024, the Council was contractually committed to a total of £31.843m (2022/23 £5.78m). The capital schemes with material values of commitments are as follows : -

	<b>As at 31 March 2024</b>
	<b>£'000</b>
Guild Hall	84
Re-Imagining the Harris	6,976
Preston Youth Zone	3,850
Harris Quarter Cinema and Leisure Scheme (Animate)	19,737
Levelling Up Fund Ribble Bridge Crossing	140
Other Levelling Up Projects	468
Local Authority Housing Fund	128
Vehicle Replacement Scheme	460
<b>Total</b>	<b>31,843</b>

#### Asset Valuation

The Council's property portfolio is valued by 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 appropriate Property, Plant and Equipment required to be measured at current 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.

	<b>Property, Plant &amp; Equipment</b>						<b>Total</b>
	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra- structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets Not Held for Sale</b>	<b>Asset Under Construction</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at historical cost	41	18,720	7,642	14,492		69,624	<b>110,519</b>
Valued at fair value as at;							
31 March 2020	743	-	-	-	1,582	-	<b>2,325</b>
31 March 2021	11,281	-	-	-	-	-	<b>11,281</b>
31 March 2022	1,801	-	-	-	-	-	<b>1,801</b>
31 March 2023	3,683	-	-	-	395	-	<b>4,078</b>
31 March 2024	4,448	-	-	-	-	-	<b>4,448</b>
<b>Current Value 2023/24</b>							
<b>Total</b>	<b>21,997</b>	<b>18,720</b>	<b>7,642</b>	<b>14,492</b>	<b>1,977</b>	<b>69,624</b>	<b>134,452</b>

All the Council's surplus assets have been assessed as Level 2 for valuation purposes (see Note 1 item 24 for explanation of fair value levels).

## Notes to the Core Financial Statements

### 12. Heritage Assets

Movements on Balances					Total
	Fine Art	Decorative Art	Social History	Civic Regalia	
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation as at 1 April 2022</b>	36,761	3,693	354	208	41,016
Additions	-	5	-	-	5
Revaluation Gains	729	97	11	-	837
Revaluation Losses recognised in the Revaluation Reserve	-	-	-	-	-
<b>31 March 2023</b>	<b>37,490</b>	<b>3,795</b>	<b>365</b>	<b>208</b>	<b>41,858</b>
<b>Cost or Valuation as at 1 April 2023</b>	37,490	3,795	365	208	41,858
Additions	-	-	-	-	-
Revaluation Gains	959	163	18	-	1,140
Revaluation Losses recognised in the Revaluation Reserve	-	-	-	-	-
<b>31 March 2024</b>	<b>38,449</b>	<b>3,958</b>	<b>383</b>	<b>208</b>	<b>42,998</b>

#### 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 of asset have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to any potential financial gain. As such, they are unlikely to be sold. The Council's Fine and Decorative Art collections are held at market valuation where they have one, otherwise the insurance valuation is used. Where assets are donated for nil consideration they are valued on acquisition. The Council's Social History Collection is valued at the insurance valuation. The Civic Regalia are included in the Balance Sheet at based on an insurance purposes valuation carried out in 2009.

According to the Code there is no prescribed minimum period between valuations for Heritage Assets and so the Council does not intend to revalue its these 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 (<https://www.theharris.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 31/03/23 £'000	Short Term 31/03/23 £'000		Long Term 31/03/24 £'000	Short Term 31/03/24 £'000
<b>Financial Assets</b>				
<b>Investments</b>				
<i>At amortised cost</i>				
-	15,000	Principal	-	4,000
-	141	Accrued interest	-	3
<i>At fair value through profit &amp; loss</i>				
19,243	-	Fair value	19,419	-
<b>19,243</b>	<b>15,141</b>	<b>Total Investments</b>	<b>19,419</b>	<b>4,003</b>
<b>Cash and Cash Equivalents</b>				
<i>At amortised cost</i>				
-	5,471	Principal	-	6,405
-	3	Accrued interest	-	4
<i>At fair value through profit &amp; loss</i>				
-	24,089	Fair Value	-	17,500
<b>-</b>	<b>29,563</b>	<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>23,909</b>
<b>Debtors</b>				
99	14,102	<i>At amortised cost</i>	84	9,848
<b>99</b>	<b>14,102</b>	<b>Total Included in Debtors</b>	<b>84</b>	<b>9,848</b>
-	6,933	Debtors that are not financial instruments	-	6,141
<b>99</b>	<b>21,035</b>	<b>Total Debtors</b>	<b>84</b>	<b>15,989</b>
Long Term 31/03/23 £'000	Short Term 31/03/23 £'000		Long Term 31/03/24 £'000	Short Term 31/03/24 £'000
<b>Financial Liabilities</b>				
<b>Borrowings</b>				
12,299	3	Financial Liabilities at amortised cost - Loans (Principal sum borrowed)	12,296	3
-	129	Financial Liabilities at amortised cost - Loans (Accrued Interest)	-	161
168	-	Financial Liabilities at amortised cost - Market Loans EIR Adjustment	167	-
<b>12,467</b>	<b>132</b>	<b>Total Borrowing</b>	<b>12,463</b>	<b>164</b>
<b>Creditors</b>				
-	27,719	Financial Liabilities at amortised cost	-	21,674
-	<b>27,719</b>	<b>Total included in Creditors</b>	-	<b>21,674</b>
-	9,384	Creditors that are not financial instruments	-	8,009
<b>-</b>	<b>37,103</b>	<b>Total Creditors</b>	<b>-</b>	<b>29,683</b>

## 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 2024.

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 2024 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 2024.
- 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 2023 Carrying amount £'000	Fair value £'000	31 March 2024 Carrying amount £'000	Fair value £'000
<b>Financial Assets held at fair value through profit or loss:</b>					
Long Term Investments - Pooled Funds	1	16,186	16,186	16,407	16,407
Long Term Investments - Bond Funds	1	3,057	3,057	3,012	3,012
Cash & Cash Equivalents - Money Market Funds	1	24,089	24,089	17,500	17,500
<b>Financial Assets held at amortised cost:</b>					
Cash & Cash Equivalents - Bank Deposits	2	3,474	3,474	2,404	2,404
Cash & Cash Equivalents - Loans to Local Authorities	2	2,000	2,000	4,005	4,018
Cash & Cash Equivalents - HM Treasury Deposits	1	-	-	-	-
Short-Term Investments - Loans to Local Authorities	2	15,141	15,141	4,003	4,012
Long-Term Debtors		99	99	84	84
Short-Term Debtors		14,102	14,102	9,848	9,848
<b>Total Financial Assets</b>		<b>78,148</b>	<b>78,148</b>	<b>57,263</b>	<b>57,285</b>
<b>Financial Liabilities held at amortised cost:</b>					
Long-term PWLB Loans	2	1,888	2,041	1,888	2,083
Long-term Market Loans	2	10,579	10,059	10,575	10,149
Short-term Creditors		27,719	27,719	21,674	21,674
Borrowing repayable within 12 months		132	132	164	164
<b>Total Financial Liabilities</b>		<b>40,318</b>	<b>39,951</b>	<b>34,301</b>	<b>34,070</b>

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 at 31st March 2024 is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date.

## Notes to the Core Financial Statements

### 13(c). Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2022/23	2023/24
	Surplus or Deficit on the Provision of Services £'000	Surplus or Deficit on the Provision of Services £'000
<b>Interest Payable and similar charges:</b>		
Financial Liabilities Measured at Amortised Cost	594	685
<b>Interest Receivable:</b>		
Financial Assets Measured at Amortised Cost	(578)	(1,073)
Financial Assets Measured at Fair Value Through Profit or Loss	(1,152)	(2,276)
<b>Total Interest Receivable</b>	<b>(1,730)</b>	<b>(3,349)</b>
<b>Net Gains / Losses On:</b>		
Financial Assets Measured at Fair Value Through Profit or Loss	(256)	(175)

### 13(d). 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 2021.

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 or equity prices



## Notes to the Core Financial Statements

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

#### 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.

	31/03/2024	Historical experience of default	Adjustment for market conditions at 31/03/24	Estimated maximum exposure to default
	£'000	%	%	£'000
	a	b	b	a * b
Debtors	9,848	4.50%	4.50%	443
	<b>9,848</b>			<b>443</b>

The Council does not generally allow credit for its debtors. Of the £9.848m (£14.102m 2022/23) outstanding for debtors, £7.646m (£9.807m 2022/23) is overdue. The impaired amount for Debtors for 2023/24 is £ 0.664m (£0.546m 2022/23). The overdue but not impaired amount can be analysed by age as follows:

2022/23		2023/24
£'000		£'000
2,300	Less than three months	1,426
2,520	Three months to one year	644
4,441	More than one year	4,912
<b>9,261</b>		<b>6,982</b>

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 borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial liabilities is as follows:

2022/23		2023/24
£'000		£'000
27,851	Less than one year	21,838
10	Between one and two years	7
-	Between two and five years	-
-	Between five and ten years	-
12,457	More than ten years	12,456
<b>40,318</b>		<b>34,301</b>

## Notes to the Core Financial Statements

### 13(d). Financial Instruments - Risks

#### (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 Treasury Management 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 Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. The full Treasury Management strategy for 2023/24 was approved by Council on 23 February 2023 and is available on the Council's website.

The key areas of the Treasury Management 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.

#### (ii) Credit risk (cont'd)

The table below summarise 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 2024		As at 31 March 2023	
	Long-Term £'000	Short-Term £'000	Long-Term £'000	Short-Term £'000
Unrated Local Authorities	-	4,003	-	15,141
<b>Total</b>	-	<b>4,003</b>	-	<b>15,141</b>
Credit risk not applicable *	19,419	-	19,243	-
<b>Total Investments</b>	<b>19,419</b>	<b>4,003</b>	<b>19,243</b>	<b>15,141</b>

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

At 31 March 2024, there were no loss allowances related to treasury investments.

## Notes to the Core Financial Statements

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

#### (iii) Liquidity risk (cont'd)

Amounts payable relating to statutory debts, e.g. 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:

2022/23 £'000		2023/24 £'000
78,049	Less than one year	57,179
15	Between one and two years	-
-	Between two and three years	-
84	More than three years	84
<b>78,148</b>		<b>57,263</b>

#### (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 (1,018)
Decrease in fair value of investments held at fair value through profit & loss	154
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(864)</b>

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

Decrease in fair value of fixed rate borrowings liabilities of 1% rise in interest rates (no impact on Comprehensive Income & Expenditure Statement)	(1,767)
Increase in fair value of fixed rate borrowings liabilities of 1% fall in interest rates (no impact on Comprehensive Income & Expenditure Statement)	2,279

#### (v) Market risk (Price risk)

The market prices 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 £'000
As at 1 April 2023	3,880
Amounts used in 2023/24	30
Additional/New provisions made in 2023/24	(1,204)
<b>As at 31 March 2024</b>	<b>2,706</b>

#### Purpose of Provision

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.

## 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.

2022/23		2023/24
£'000		£'000
40,846	Balance as at 1 April	45,177
-	Disposals	(260)
150	Acquisitions/Enhancements	192
4,124	Net gains from fair value adjustments	624
57	Transfer from PPE	-
-	Transfer to PPE	(381)
<b>45,177</b>	<b>Balance as at 31 March</b>	<b>45,352</b>

Of the movement in the fair value of investment properties over the year £129k of the £260k disposals are attributable to a Level 3 asset. Of the net gains from fair value adjustments (£624k) £16k was attributable to Level 3 assets.

### 15(a). Fair Value Hierarchy

Of the Council's Investment Property assets valued at £45.4m, ground rents of £32.9m have been assessed as Level 3 in the fair value hierarchy due to the lack of observable inputs to determine their fair value.

The valuation of the Grounds Rents within Investment Property Portfolio was undertaken by way of both the Market Approach and the Income Approach, as defined in VPS 5 of the RICS Valuation – Global Standards – 31 January 2022. Analysis of rents, yields, repair expenditure, insurance liabilities, management costs, and in addition capital values, where available, in respect of the subject properties, and comparable properties, were factored into the valuations.

A sensitivity analysis of Level 3 assets (i.e. Ground Rents £32.9m) indicated that a 1% increase in the unobservable yields adopted would reduce their value by £5.1m. A 1% decrease would increase their value by £7.3m.

There has been no change in valuation technique in year.

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2024 and 2023 are as follows:

	Quoted prices in	Other	Significant	Fair value as
	active markets for	significant	unobservable	at 31 March
	identical assets	observable	unobservable	2024
<i>Recurring fair value measurements using:</i>	(Level 1)	inputs (Level 2)	inputs (Level 3)	
	£'000	£'000	£'000	£'000
Advert Hoarding	-	100	-	100
Agricultural	-	1,674	-	1,674
Car Parks	-	477	-	477
Garages	-	100	-	100
Ground Rents - Industrial	-	0	11,266	11,266
Ground Rents - Office	-	0	5,886	5,886
Ground Rents - Other	-	0	11,254	11,254
Ground Rents - Retail	-	0	4,511	4,511
Industrial	-	8,363	-	8,363
Licensed Property	-	0	-	-
Offices	-	12	-	12
Retail	-	1,709	-	1,709
Retail Housing Shops	-	-	-	0
<b>Total</b>	<b>-</b>	<b>12,435</b>	<b>32,917</b>	<b>45,352</b>

### 2022/23 Comparative Figures

	Quoted prices in	Other	Significant	Fair value as
	active markets for	significant	unobservable	at 31 March
	identical assets	observable	unobservable	2023
<i>Recurring fair value measurements using:</i>	(Level 1)	inputs (Level 2)	inputs (Level 3)	
	£'000	£'000	£'000	£'000
Advert Hoarding	-	100	-	100
Agricultural	-	1,264	-	1,264
Car Parks	-	573	-	573
Garages	-	116	-	116
Ground Rents - Industrial	-	-	11,255	11,255
Ground Rents - Office	-	-	5,881	5,881
Ground Rents - Other	-	-	11,254	11,254
Ground Rents - Retail	-	-	4,640	4,640
Industrial	-	8,040	-	8,040
Licensed Property	-	-	-	-
Offices	-	249	-	249
Retail	-	1,805	-	1,805
Retail Housing Shops	-	-	-	0
<b>Total</b>	<b>-</b>	<b>12,147</b>	<b>33,030</b>	<b>45,177</b>

### 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. Intangible Assets

The Council accounts for its software licence and acquisition costs as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, plant and equipment.

Depreciation is charged on a straight line basis on all intangible assets. Newly acquired assets are depreciated from the year following acquisition.

The movement on intangible asset balances during the year is as follows:

2022/23 £'000		2023/24 £'000
-	Balance as at 1 April	-
-	Acquisitions/Enhancements	288
-	In-year depreciation	-
<u>-</u>	<b>Balance as at 31 March</b>	<u>288</u>

### 17. Short-term Debtors

As at 31 March 2023 £'000		As at 31 March 2024 £'000
6,541	Trade Receivables*	6,391
892	Prepayments	524
13,602	Other Receivable Amounts **	9,074
<u>21,035</u>	<b>Total</b>	<u>15,989</u>

\* Trade Receivables includes £4.8m (2022/23 £5.3m) relating to CIL invoices being paid on an agreed instalment plan.

\*\* Other Receivable Amounts includes £3.1m (2022/23 £3.7m) owed to the Authority by Preceptors

### 18. Capital Grants Receipts in Advance

2022/23 £'000		2023/24 £'000
2,320	Balance as at 1 April	2,457
137	Received during the year	-
-	Conditions met and released during the year	(137)
<u>2,457</u>	<b>Balance as at 31 March</b>	<u>2,320</u>

### 19. Cash & Cash Equivalents

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

As at 31 March 2023 £'000		As at 31 March 2024 £'000
3	Cash held by the Council	3
1,469	Bank Current Accounts	2,397
28,091	Short-term Deposits under 3 months	21,509
<u>29,563</u>	<b>Total Cash &amp; Cash Equivalents</b>	<u>23,909</u>

### 20. Creditors

As at 31 March 2023 £'000		As at 31 March 2024 £'000
333	Trade Payables	213
36,770	Other Payables*	29,470
<u>37,103</u>	<b>Total</b>	<u>29,683</u>

\* The 2023/24 figure includes £0.3m (2022/23 £7.6m) relating to Covid grants owed to Central Government.

## Notes to the Core Financial Statements

### 21. 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.

#### 21(a). Transfers to/from Earmarked Reserves

Balance as at 01/04/22 £'000	Transfers Out £'000	Transfers In £'000	Balance as at 31/03/23 £'000		Balance as at 01/04/23 £'000	Transfers Out £'000	Transfers In £'000	Balance as at 31/03/24 £'000
182	(61)	7	128	(a) Capital Reserves	128	(12)	7	123
58	(30)	-	28	(b) Building Control	28	(18)	-	10
5,154	(465)	473	5,162	(c) Voluntary Set Aside for Debt Repayment	5,162	(290)	474	5,346
192	(203)	194	183	(d) IT Fund General Reserve	183	(162)	125	146
280	(273)	-	7	(e) Legal & Insurance Matters Reserve	7	(316)	765	456
396	-	8	404	(f) Land Charges	404	(52)	-	352
7	-	-	7	(g) Land Charges New Legislation Reserve	7	-	-	7
120	-	-	120	(h) City Centre Regeneration	120	-	-	120
445	(155)	389	679	(i) Housing Benefit & Council Tax Reserve	679	(425)	-	254
51	-	-	51	(j) Investment Properties Dilapidations Reserve	51	-	-	51
15	-	-	15	(k) Alleygate Maintenance Reserve	15	-	-	15
274	-	-	274	(l) Municipal Mutual Insurance Reserve	274	-	-	274
985	(17)	-	968	(m) General Commuted Sums	968	(37)	-	931
5,476	(150)	-	5,326	(n) Community Related Assets Reserve	5,326	(150)	-	5,176
21	(20)	-	1	(o) Localising Council Tax Support	1	-	-	1
6,571	(458)	-	6,113	(p) Business Rates Equalisation Reserve	6,113	(581)	850	6,382
1,000	-	-	1,000	(q) Guild Reserve	1,000	-	69	1,069
-	-	887	887	(r) Treasury Management Earmarked Reserve	887	-	2,689	3,576
20	-	396	416	(s) Arts & Cultural Strategy Reserve	416	(287)	359	488
81	-	-	81	(t) Individual Electoral Registration Reserve	81	(23)	-	58
3,777	(974)	803	3,606	(u) City Deal Reserve	3,606	(536)	803	3,873
50	-	-	50	(v) Vehicle Maintenance Reserve	50	-	-	50
383	(32)	-	351	(w) Cemetery & Crematorium Reserve	351	(28)	20	343
906	(136)	260	1,030	(x) Community Infrastructure Levy Admin	1,030	(140)	190	1,080
591	-	24	615	(y) Efficiency Planning Reserve	615	(115)	-	500
10	(10)	-	-	(z) Housing Zone Reserve	-	-	-	-
135	-	-	135	(aa) Planning Appeals/Inquiry Reserve	135	-	-	135
234	-	-	234	(ab) Self-Insurance Reserve	234	-	-	234
742	-	-	742	(ac) Triennial Review Reserve	742	-	-	742
437	(280)	51	208	(ad) City Centre Assets Reserve	208	(208)	195	195
107	(55)	-	52	(ae) Council Tax Hardship Fund Reserve	52	(41)	-	11
2,288	(1,340)	-	948	(af) COVID Reserve	948	(267)	-	681
58	-	-	58	(ag) Art Fund	58	-	-	58
-	-	435	435	(ah) New Burdens/Responsibilities Grant Reserve	435	(337)	171	269
<b>31,046</b>	<b>(4,659)</b>	<b>3,927</b>	<b>30,314</b>	<b>Total</b>	<b>30,314</b>	<b>(4,025)</b>	<b>6,717</b>	<b>33,006</b>

#### 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.



## Notes to the Core Financial Statements

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

(j)	Investment Properties Dilapidations Reserve	Voluntary set aside for dilapidation works.
(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)	Treasury Reserve	Voluntary set aside for the future increased costs of borrowing and to manage the risks of fair value movements on pooled investments.
(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)	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.
(y)	Efficiency Planning Reserve	Set aside towards funding one-off costs of the implementation of the savings plans.
(z)	Housing Zone Reserve	Set aside of Government Grant to support house building on large designated sites within the City.
(aa)	Planning Appeals/Public Inquiry Reserve	Voluntary set aside to fund future Planning Appeals and Public Inquiries.
(ab)	Self-Insurance Fund Reserve	Self-insurance fund to cover risks that the Council haven't externally insured for.
(ac)	Triennial Review Reserve	Set aside until the next triennial review in anticipation of future pension fund fluctuations.
(ad)	City Centre Assets Reserve	Voluntary set aside to cover essential maintenance costs.
(ae)	Council Tax Hardship Fund Reserve	Set aside to deliver financial support, including reduced council tax bills, to economically vulnerable residents.
(af)	COVID Reserve	Set aside to cover service recovery costs.
(ag)	Art Fund	Income received in advance from Charities set aside for future Art programmes and materials
(ah)	New Burdens/Responsibilities Grant Reserve	Set aside of new burdens/responsibilities funding which the council received during the year, this funding will be drawn down in line with the grant conditions.

### 21(b). Capital Grants Unapplied

		Balance as at 01/04/22	Receipts in Year	Expenditure in Year	Transfer	Balance as at 01/04/23	Receipts in Year	Expenditure in Year	Transfer	Balance as at 31/03/24
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(a)	Section 106 Unapplied Capital	571	-	-	-	571	31	(1)	(282)	319
(b)	Unapplied Capital Grants & Contributions	2,556	4,761	(2,360)	-	4,957	8,181	(3,137)	(44)	9,957
(c)	Community Infrastructure Levy	4,991	5,196	(5,003)	(1,018)	4,166	3,804	(3,392)	(801)	3,777
(d)	Affordable Homes	1,387	20	(236)	-	1,171	775	(172)	-	1,774
	<b>Total</b>	<b>9,505</b>	<b>9,977</b>	<b>(7,599)</b>	<b>(1,018)</b>	<b>10,865</b>	<b>12,791</b>	<b>(6,702)</b>	<b>(1,127)</b>	<b>15,827</b>

## Notes to the Core Financial Statements

### 22. Unusable Reserves

2022/23		2023/24
£'000		£'000
67,952	Revaluation Reserve	69,844
(421)	Financial Instruments Adjustment Account	(412)
76,713	Capital Adjustment Account	88,523
(5,796)	Pensions Reserve	(5,476)
(537)	Collection Fund Adjustment Account	555
(318)	Accumulated Absences Account	(356)
(715)	Pooled Investment Funds Adjustment Account	(539)
<b>136,878</b>	<b>Total Unusable Reserves</b>	<b>152,139</b>

### 22(a). Revaluation Reserve

2022/23		2023/24
£'000		£'000
66,634	Balance as at 1 April	67,952
1,702	Upward revaluation of assets	2,343
(144)	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(145)
1,558	Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	2,198
(240)	Difference between fair value depreciation and historical cost depreciation	(306)
<b>67,952</b>	<b>Balance as at 31 March</b>	<b>69,844</b>

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.

### 22(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.

2022/23		2023/24
£'000		£'000
(430)	Balance as at 1 April	(421)
9	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	9
<b>(421)</b>	<b>Balance as at 31 March</b>	<b>(412)</b>

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

### 22(c). Capital Adjustment Account

2022/23 £'000		2023/24 £'000
67,867	Balance as at 1 April	76,713
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):	
(1,593)	Charges for depreciation and impairment of non-current assets	(1,767)
228	Reversal of Previous Years Revaluation Loss charged to CIES	-
-	Revaluation losses on Property, Plant & Equipment	(41)
(867)	Revenue Expenditure funded from Capital under Statute	(1,098)
-	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(260)
<u>(2,232)</u>		<u>(3,166)</u>
240	Adjusting amounts written out of the Revaluation Reserve	306
<u>(1,992)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(2,860)</u>
	Capital financing applied in the year:	
1,091	Use of the Capital Receipts Reserve to finance new capital expenditure	924
1,894	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	8,441
2,596	Application of grants to capital financing from the Capital Grants Unapplied Account	3,311
753	Statutory provision for the financing of capital investment charged against the General Fund Balance	738
380	Capital Expenditure charged against the General Fund balance	631
<u>6,714</u>		<u>14,045</u>
4,124	Movements in the market value of Investment Properties debited or credited to the CI&ES	625
<u>76,713</u>	<b>Balance as at 31 March</b>	<u>88,523</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.

### 22(d). Pensions Reserve

2022/23 £'000		2023/24 £'000
(57,579)	Balance as at 1 April	(5,796)
56,207	Remeasurements of the net defined benefit liability	1,152
(7,533)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	(3,553)
3,109	Employer's pensions contributions and direct payments to pensioners payable in the year	2,721
<u>(5,796)</u>	<b>Balance as at 31 March</b>	<u>(5,476)</u>

## Notes to the Core Financial Statements

### 22(e). Collection Fund Adjustment Account

2022/23 £'000		2023/24 £'000
	<b>Council Tax</b>	
(388)	Balance as at 1 April	(188)
188	Share of Council Tax surplus / (deficit) for the year	93
12	(Surplus) / deficit transferred to the General Fund as determined by regulation	(1)
<b>(188)</b>	<b>Balance as at 31 March</b>	<b>(96)</b>
	<b>Business Rates</b>	
(1,904)	Balance as at 1 April	(349)
71	Share of Business Rates surplus / (deficit) for the year	1,261
3	Share of renewable energy schemes surplus / (deficit) for the year	(1)
1,481	(Surplus) / deficit transferred to the General Fund as determined by regulation	(260)
<b>(349)</b>	<b>Balance as at 31 March</b>	<b>651</b>
<b>(537)</b>	<b>Total Balance as at 31 March</b>	<b>555</b>

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.

### 22(f). Accumulated Absences Account

2022/23 £'000		2023/24 £'000
(280)	Balance as at 1 April	(318)
280	Settlement or cancellation of accrual made at the end of the preceding year	318
(318)	Amounts accrued at the end of the current year	(356)
<b>(38)</b>	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>(38)</b>
<b>(318)</b>	<b>Balance as at 31 March</b>	<b>(356)</b>

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, e.g. 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.

### 22(g). Pooled Investment Funds Adjustment Account

2022/23 £'000		2023/24 £'000
(459)	Balance as at 1 April	(715)
(256)	Statutory override to mitigate the impact of fair value movements on pooled investment funds	176
<b>(715)</b>	<b>Balance as at 31 March</b>	<b>(539)</b>

As a result of the implementation of IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) 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 has been extended to 2024/25.

## Notes to the Core Financial Statements

### 23. Cash Flow Statement - Operating Activities

The cash flows for operating activities included the following items

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
1,592	Interest Received	3,487
(596)	Interest Paid	(652)

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
1,585	Depreciation	1,657
(220)	Impairment and downward valuations	410
(13,089)	Increase/(decrease) in creditors	(6,610)
(3,169)	(Increase)/decrease in debtors	6,653
4	(Increase)/decrease in inventories	(29)
7,032	Movement in pension liability	(320)
(4,873)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,977)
<b>(12,730)</b>	<b>Adjusted net surplus or deficit on the provision of services for non-cash movements</b>	<b>(216)</b>

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

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(809)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(912)
(11,872)	Any other items for which the cash effects are investing or financing cash flows	(21,233)
<b>(12,681)</b>		<b>(22,145)</b>

### 24. Cash Flow Statement - Investing Activities

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(4,374)	Purchase of property, plant and equipment, investment property and intangible assets	(32,628)
(15,000)	Purchase of short-term and long-term investments	(4,000)
809	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	912
10,000	Proceeds from short-term and long-term investments	15,000
11,741	Other receipts from investing activities	19,034
<b>3,176</b>	<b>Net cash flows from investing activities</b>	<b>(1,682)</b>

### 25. Cash Flow Statement - Financing Activities

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(3,965)	Council tax and NNDR adjustments	(881)
(3)	Repayments of short-term and long-term borrowing	(5)
<b>(3,968)</b>	<b>Net cash flows from financing activities</b>	<b>(886)</b>

## Notes to the Core Financial Statements

### 26. 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 £'000	Short Term Borrowings £'000	Total £'000
<b>Balance as at 1 April 2023</b>	<b>12,467</b>	<b>132</b>	<b>12,599</b>
<b>Cash Flows</b>			
Repayment	(2)	-	(2)
<b>Non-Cash</b>			
Fair Value	(2)	32	30
<b>Balance as at 31 March 2024</b>	<b>12,463</b>	<b>164</b>	<b>12,627</b>
	Long Term Borrowings	Short Term Borrowings	Total
	£'000	£'000	£'000
<b>Balance as at 1 April 2022</b>	<b>12,472</b>	<b>131</b>	<b>12,603</b>
<b>Cash Flows</b>			
Repayment	(3)	-	(3)
<b>Non-Cash</b>			
Fair Value	(2)	1	(1)
<b>Balance as at 31 March 2023</b>	<b>12,467</b>	<b>132</b>	<b>12,599</b>

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## Notes to the Core Financial Statements

### 27. 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.

2022/23				2023/24			
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
468	-	-	468	434	-	-	434
4,636	(289)	-	4,347	4,646	(92)	-	4,554
2,213	57	-	2,270	1,975	55	-	2,030
9,350	379	-	9,729	9,095	163	-	9,258
3,652	(8)	-	3,644	3,884	75	-	3,959
15,986	920	(4,105)	12,801	23,985	524	(14,018)	10,491
<b>36,305</b>	<b>1,059</b>	<b>(4,105)</b>	<b>33,259</b>	<b>44,019</b>	<b>725</b>	<b>(14,018)</b>	<b>30,726</b>
(36,820)	(327)	(2,625)	(39,772)	(43,740)	(3,417)	(2,844)	(50,001)
<b>(515)</b>	<b>732</b>	<b>(6,730)</b>	<b>(6,513)</b>	<b>279</b>	<b>(2,692)</b>	<b>(16,862)</b>	<b>(19,275)</b>
11,442	31,046			11,957	30,314		
515	(732)			(279)	2,692		
<b>11,957</b>	<b>30,314</b>			<b>11,678</b>	<b>33,006</b>		

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

## Notes to the Core Financial Statements

### 27(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

2023/24	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	434	-				434
Communities & Environment	4,646	(92)				4,554
Customer Services	1,975	55				2,030
Development & Housing	9,095	163				9,258
Resources	3,884	75				3,959
Central Services*	23,985	524	(14,888)	832	38	10,491
<b>Net Cost of Services</b>	<b>44,019</b>	<b>725</b>	<b>(14,888)</b>	<b>832</b>	<b>38</b>	<b>30,726</b>
Other Income and Expenditure	(43,740)	(3,417)	(1,032)	-	(1,812)	(50,001)
<b>(Surplus)/Deficit</b>	<b>279</b>	<b>(2,692)</b>	<b>(15,920)</b>	<b>832</b>	<b>(1,774)</b>	<b>(19,275)</b>

2022/23	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	468	-				468
Communities & Environment	4,636	(289)				4,347
Customer Services	2,213	57				2,270
Development & Housing	9,350	379				9,729
Resources	3,652	(8)				3,644
Central Services*	15,986	920	(8,567)	4,424	38	12,801
<b>Net Cost of Services</b>	<b>36,305</b>	<b>1,059</b>	<b>(8,567)</b>	<b>4,424</b>	<b>38</b>	<b>33,259</b>
Other Income and Expenditure	(36,820)	(327)	(598)		(2,027)	(39,772)
<b>(Surplus)/Deficit</b>	<b>(515)</b>	<b>732</b>	<b>(9,165)</b>	<b>4,424</b>	<b>(1,989)</b>	<b>(6,513)</b>

#### **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 i.e. Minimum Revenue Provision 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

### 27(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.

### 27(b). Expenditure and Income Analysed by Nature

2022/23 £'000		2023/24 £'000
	<b>Expenditure</b>	
26,441	Employee benefits expenses	25,189
52,981	Other service expenses	56,340
9,305	Depreciation, amortisation, impairment	9,607
2,126	Interest payments	897
385	Precepts and levies	414
(289)	Gain on disposal of assets	(116)
<b>90,949</b>	<b>Total Expenditure</b>	<b>92,331</b>
	<b>Income</b>	
(19,993)	Fees, charges and other service income	(19,974)
(5,598)	Interest and investment income	(4,149)
(13,841)	Income from council tax, non-domestic rates, district rate income	(14,629)
(58,030)	Government grants and contributions	(72,854)
<b>(97,462)</b>	<b>Total Income</b>	<b>(111,606)</b>
<b>(6,513)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(19,275)</b>

### 28. Members' Allowances

2022/23 £'000	Allowances	2023/24 £'000
217	Basic	225
91	Special Responsibility	98
9	Mayoral Duties	10
-	Co-opted Members	-
<b>317</b>	<b>Total</b>	<b>333</b>

## Notes to the Core Financial Statements

### 29. Officers' Remuneration

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

	2022/23 No.	2023/24 No.
£50,000 - £54,999	13	11
£55,000 - £59,999	4	10
£60,000 - £64,999	1	-
£65,000 - £69,999	1	3
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-
£80,000 - £84,999	2	3
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	1
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	-	-	2	-	2	-	21	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	1	-	1	-	81
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total cost included in bandings							21	81
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							-	-
Total cost included in CI&ES							21	81

## Notes to the Core Financial Statements

### 29. Officers' Remuneration (cont'd)

Further details for Senior Officers (as per Regulation 7 of the Accounts and Audit regulations 2015) whose Salary Remuneration is £50,000 or more per year are shown below:

**Senior Officers - salary is between £50,000 and £150,000 per year - 2022/23 & 2023/24.**

			Salary (including fees & allowances) £'000	Benefits in Kind £'000	Total Remuneration excluding pension contributions £'000	Pension contributions £'000	Total Remuneration including pension contributions £'000
Chief Executive	2023/24	Note 1	114	-	114	14	128
	2022/23		111	-	111	19	130
Deputy Chief Executive & Director of Community & Wellbeing	2023/24		89	-	89	11	100
	2022/23		83	-	83	15	98
Director Development & Housing	2023/24		84	-	84	11	95
	2022/23		81	-	81	15	96
Director of Resources	2023/24		84	-	84	11	95
	2022/23		81	-	81	15	96
Director of Environment and Property	2023/24	Note 2	84	-	84	11	95
	2022/23		74	-	74	14	88
Assistant Director (City Solicitor & Monitoring Officer)	2023/24		68	-	68	9	77
	2022/23		66	-	66	12	78
<b>Total</b>	<b>2023/24</b>		<b>523</b>	<b>-</b>	<b>523</b>	<b>67</b>	<b>590</b>
<b>Total</b>	<b>2022/23</b>		<b>496</b>	<b>-</b>	<b>496</b>	<b>90</b>	<b>586</b>

**Note 1:** The Chief Executive salary for 23-24 and 22-23 includes Returning Officer payment for Preston City Council

**Note 2:** This Director post for 22-23 includes only 11 months salary. The Head of Shared Service & Deputy Director Customer Services was seconded from 1/9/22 as Interim Director on an annualised salary of £78,133 and made permanent on the 23/11/22 on an annualised salary of £80,955 pa after the previous post holder left on the 31.7.22.

### 30. Termination Benefits

The Council terminated 1 contract of employment in 2023/24 (2022/23 2), incurring costs of £80,906 (2022/23 £20,757).

## Notes to the Core Financial Statements

### 31. 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 (e.g. 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. Elected members must provide details of interests within 28 days of being elected and these details are subject to regular review by the Member Services team. 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. Declarations of interests in meetings, including the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting which are open to public inspection.

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 £0.361m (2022/23 £0.162m) 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 £0.030m (2022/23 £0.136m) on behalf of Friends of Fishwick & St Matthew's (FAM) 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

Three officers of the Council have declared interests in organisations that have received either grants or with which the Council has done business, payments made to 3 organisations total £0.034m (2022/23 £0.000m).

#### (iv) Partnership working

During 2023/24 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 the Chief Executive of the Council are on the City Deal Committee. 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 2023/24 the Council received £0.803m (2022/23 £0.803m) from the City Deal and paid £5.006m (2022/23 £6.868m) to the City Deal.

### 32. Joint Operations

The Council is party to a shared service for Revenue and Benefits with Lancaster City Council and for Corporate Enquiry with Fylde Borough Council and Lancaster City Council.

#### • 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. It is accounted for as a jointly controlled operation whereby each Council accounts for its share of costs and income. The Host Authority of the Shared Service is Preston City Council.

The Shared Service 2023/24 gross expenditure was £3.92m (2022/23 £3.78m) with receipts from Lancaster City Council of £1.96m (2022/23 £1.89m).

#### • 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 2023/24 gross expenditure was £0.159m (2022/23 £0.173m) with receipts from Lancaster City Council of £0.064m (2022/23 £0.069m) and Fylde Borough Council of £0.031m (2022/23 £0.035m).



## Notes to the Core Financial Statements

### 33. External Audit Costs

2022/23		2023/24
£'000		£'000
101	<b>Preston City Council incurred the following fees relating to external audit and inspection:</b>	
	Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor	176
-	Fees payable to Grant Thornton LLP for the certification of grant claims & returns - previous year	22
-	Fees payable to KPMG LLP for the certification of grant claims & returns - current year	24
<b>101</b>		<b>222</b>

### 34. 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 2023/24 gross expenditure was £0.159m (2022/23 £0.173m).

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:

2022/23		2023/24
£'000		£'000
1,890	Revenues & Benefits Shared Service	1,963
<b>1,890</b>		<b>1,963</b>

### 35. 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.

2022/23		2023/24
£'000		£'000
19,849	Opening Capital Financing Requirement	23,850
	Capital Investment:	
9,694	Property, Plant & Equipment	34,016
5	Heritage Assets	-
150	Investment Properties	192
-	Intangible Assets	289
7,924	Revenue Expenditure Funded from Capital Under Statute	7,784
	Sources of finance:	
(1,019)	Capital receipts	(924)
(11,620)	Government grants and other contributions	(18,439)
	Sums set aside from revenue:	
(332)	Voluntary set aside from Earmarked Reserves	(259)
(48)	Direct Revenue contributions	(372)
(753)	MRP (Minimum Revenue Provision)	(738)
<b>23,850</b>	<b>Closing Capital Financing Requirement</b>	<b>45,399</b>
	<b>Explanation of movements in year</b>	
(753)	Sums set aside from Revenue (MRP)	(737)
4,754	Increase in underlying need to borrow (unsupported by government financial assistance)	22,286
<b>4,001</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>21,549</b>

## Notes to the Core Financial Statements

### 36. 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 2024 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 latest actuarial valuation of the Fund was carried out at 31st March 2022, and at that date showed a funding level of 115% (assets of £10.7bn against accrued liabilities of £9.3bn). At this actuarial valuation the duration of liabilities is 16 years for this Council.

#### (b) 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 remedy for McCloud became law from October 2023. The key feature of the remedy is to extend the final salary scheme underpin to all members who were in a public sector scheme on or before 31 March 2012 and either remain active or left service after 1 April 2014. The figures provided by the actuary include an allowance for the financial impact that is substantially in line with the remedy.

#### (c) Consumer Price Inflation (CPI)

HM Treasury have 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 remained the same as last year at 2.7%.

#### (d) 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.

#### 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 2022 which showed a funding level of 115%

## Notes to the Core Financial Statements

### 36. Defined Benefit Pension Scheme (cont'd)

#### (d) Governance and Risk Management continued

##### **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.

##### **Other Risks**

Actions taken by the government 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 36 (1) indicates the change in the defined benefit obligation for changes in the key assumptions.

## Notes to the Core Financial Statements

### 36. Defined Benefit Pension Scheme (cont'd)

#### **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.

#### **(e) 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.

#### **(f) 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:

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
240,576	Present Value of Funded Liabilities	242,806
5,796	Present Value of Discretionary Benefit Arrangements	5,475
(290,726)	Fair Value of Employer Assets	(309,128)
50,150	Effect of the Asset Ceiling*	66,322
<b>5,796</b>	Net Pension Deficit	<b>5,475</b>

\* In accordance with paragraph 64 of IAS 19 and IFRIC 14 we are required to consider the impact of an asset ceiling on the recognition of assets in the Statement of Accounts. An asset ceiling is the limit above which further increases in net pension assets cease to be recognised for accounting purposes. The potential impact of the asset ceiling has been calculated as follows:

Present value of accounting service cost in perpetuity less the total of

- Present value of primary contributions in perpetuity, and
- Present value of secondary contributions over the recovery period

At 31 March 2024, as asset ceiling of £66.3m was applied to the fund which limited the Pension fund balance to nil. However, the asset ceiling does not apply to the Discretionary Benefit Arrangements which are valued at £5.5m (£5.8m 2022/23) and this makes up the Pension Deficit amount as at 31 March 2024.

## Notes to the Core Financial Statements

### 36. Defined Benefit Pension Scheme (cont'd)

#### (g) 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
2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000
		<b>Service Cost:</b>		
(5,977)	-	- Current service cost	(3,258)	-
(19)	-	- Curtailments	-	-
(96)	-	- Administration expenses of the Pension Fund	(105)	-
91	-	- Payments to pension fund (higher)/lower than Pension Fund estimated amount	23	-
-	-		-	-
		<b>Financing and Investment Income and Expenditure</b>		
(1,532)	(177)	Net interest expense	(212)	(266)
<b>(7,533)</b>	<b>(177)</b>	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(3,552)</b>	<b>(266)</b>
		<b>Remeasurement of the Net Defined Liability Comprising:</b>		
128,139	1,583	Actuarial gains / (losses) arising on changes in financial assumptions	3,506	40
-	-	- Change in demographic assumptions gain /(loss)	3,325	91
(22,833)	(1,177)	Experience gain /(loss)	(1,989)	(52)
1,051	-	- Remeasurement gain on assets	10,075	-
(50,150)	-	- Effect of limiting a net defined benefit asset to the asset ceiling	(13,765)	-
<b>56,207</b>	<b>406</b>	<b>Total remeasurements recognised in other comprehensive income</b>	<b>1,152</b>	<b>79</b>
<b>48,674</b>	<b>229</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,400)</b>	<b>(187)</b>
		<b>Movement in Reserves Statement:</b>		
7,533	177	Reversal of net charges made to the surplus or deficit on the provision of services Actual amount charged against the General Fund	3,552	266
(2,608)	-	- Balance for pensions	(2,218)	-
-	(501)	Discretionary Benefits	-	(503)

## Notes to the Core Financial Statements

### 36. Defined Benefit Pension Scheme (cont'd)

#### (h) 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
2022/23	2022/23		2023/24	2023/24
£'000	£'000		£'000	£'000
290,206	-	- Opening fair value of scheme assets	290,726	-
8,008	-	- Interest income	13,825	-
1,051	-	- Remeasurements	10,075	-
592	574	Contributions from employer	2,744	508
1,034	-	- Contributions from employees into the scheme	1,116	-
(10,069)	(574)	Benefits/transfers paid	(9,253)	(508)
(96)	-	- Administration Expenses	(105)	-
<b>290,726</b>	<b>-</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>309,128</b>	<b>-</b>

#### (i) Reconciliation of Present Value of the Scheme Liabilities

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2022/23	2022/23		2023/24	2023/24
£'000	£'000		£'000	£'000
345,177	6,599	Opening fair value of scheme liabilities	246,372	5,796
5,977	-	- Current Service Cost	3,258	-
9,540	177	Interest Cost	11,630	266
1,034	-	- Contributions from scheme participants	1,116	-
		Remeasurement (gains) and losses:		
22,833	1,177	Experience (gain) / loss	1,989	52
(128,139)	(1,583)	(Gain) / loss on financial assumptions	(3,506)	(40)
-	-	- (Gain) / loss on demographic assumptions	(3,325)	(91)
19	-	- Curtailments	-	-
(10,069)	(574)	Benefits/transfers paid	(9,253)	(508)
<b>246,372</b>	<b>5,796</b>	<b>Closing Fair Value of Scheme Liabilities</b>	<b>248,281</b>	<b>5,475</b>



## Notes to the Core Financial Statements

### 36. Defined Benefit Pension Scheme (cont'd)

#### (j) Pension Scheme Assets Comprised:

Asset Category	Period Ended 31 March 2023			Period Ended 31 March 2024		
	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
<b>Cash</b>						
- Cash Accounts	-	2,311	2,311	-	5,716	5,716
<b>Bonds</b>						
- Overseas Corporate	599	-	599	-	246	246
<b>Equities</b>						
- Financials	338	-	338	340	-	340
<b>Property</b>						
- Offices	-	54	54	-	54	54
- Industrial / Warehouse	-	2,098	2,098	-	1,613	1,613
- Shops	-	585	585	-	1,035	1,035
- Multi let Commercial Building	-	1,642	1,642	-	1,270	1,270
<b>Alternatives</b>						
- UK Private Equity	-	5,032	5,032	-	5,006	5,006
- Overseas Private Equity	-	19,332	19,332	-	18,274	18,274
- Infrastructure	-	45,223	45,223	-	46,750	46,750
- Credit funds	-	42,187	42,187	-	45,715	45,715
- Indirect Property Funds	-	25,592	25,592	-	24,583	24,583
- Pooled Fixed Income	-	4,190	4,190	-	11,939	11,939
- UK Pooled Equity Funds	-	3,077	3,077	-	935	935
- Overseas Pooled Equity Funds	-	138,466	138,466	-	145,653	145,653
<b>Total Assets</b>	<b>937</b>	<b>289,789</b>	<b>290,726</b>	<b>340</b>	<b>308,789</b>	<b>309,129</b>

## Notes to the Core Financial Statements

### 36. Defined Benefit Pension Scheme (cont'd)

#### (k) 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 2022.

The main assumptions used by the actuary have been:

<b>31 March 2023</b>		<b>31 March 2024</b>
%		%
2.7	Rate of CPI Inflation	2.7
4.2	Rate of increase in salaries	4.2
2.8	Rate of increase in pensions	2.8
4.8	Rate for discounting scheme liabilities	4.9
	Life expectancy at 65 for current pensioners:	
21.5 years	Men	21.1 years
23.8 years	Women	23.5 years
	Life expectancy for future pensioners (aged 65 in 20 years' time):	
22.8 years	Men	22.4 years
25.6 years	Women	25.3 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.

#### (l) Sensitivity Analysis

<b>Change in Assumptions at 31 March 2024</b>	<b>Impact on the Defined Benefit Balance Increase / (Decrease) £'000</b>
1 year increase in life expectancy	(5,907)
Increase of 0.25% in salaries	(1,346)
Increase of 0.25% in inflation	(8,614)
Increase of 0.5% in discount rate	16,371
Increase of 1% in 2023/24 Investment returns	3,064
Decrease of 1% in 2023/24 Investment returns	(3,064)

#### (m) 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 2024 will be at a rate of 12.8% of pay (£2.2m), and discretionary post-retirement benefits of £0.5m.

## Notes to the Core Financial Statements

### 37. Contingent Liabilities

#### Summary of Liability

##### (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 are just two outstanding claims reported to the Council alleging industrial disease and noise induced hearing loss. The claims are still being investigated and there is not enough financial information to adequately place a reserve on the eventual value of the claim, but the total is estimated to be approximately £0.020m. 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 £0.319m in 2023/24 (£0.571m in 2022/23).

##### (iii) Gateway Stock Transfer Asbestos Warranty

The housing stock transfer to Community Gateway Association (CGA) took place on the 28th November 2005. A Collateral Warranty is in place with the Security Trustee for the transfer, Prudential Trustee Company Limited. The time limit for the asbestos indemnity lasts for a period of 35 years from the date of the deed. The limitation for claims ends in 2040.

##### (iv) 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 2023/24 (£0.524m in 2022/23). However, there is a risk that the Council's financial liability could increase should the financial position of MMI worsen, or if new claims are received. The administrators anticipate the last claims to be settled by 2060.

##### (v) Judicial Review

The Council published a Memorandum of Understanding in April 2020 setting out its 5 years housing land supply. This document was a joint document with South Ribble Borough Council and Chorley Council. The legality of the revised Memorandum of Understanding was challenged in the High Court. An agreement was reached in August 2021 and the challenge was withdrawn. The Council is to pay the Appellant's legal costs. Costs, if cannot be agreed, are to be assessed, but are estimated at a maximum of £50k.

##### (vi) Grange Farm

At the end of financial year 2023/24 there were potential legal and financial liabilities associated to the legacy of part of the land being used as a major landfill site. In April 2023 Cabinet agreed to transfer the freehold interest in the land to Lancashire County Council. Heads of Terms for the transfer of the freehold title have been agreed with Lancashire County Council. It is estimated that the transfer will take during the next 12 months, but there may be a residual risk to the Council for remedial works on site.

##### (vii) Avenham Park Lodge

There are potential legal and financial liabilities related to the repairs of this residential property. The property has been neglected by the tenant over the years resulting in significant dilapidation. Nevertheless, the tenant has a secure tenancy that can only be terminated by either agreement or an order of the court. Efforts to bring the tenancy to an end by agreement have been ignored by the tenant. The Council has now issued the pre-action notice to seek the court order.

### 38. 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 £0.535m in 2023/24 (2022/23 £0.519m). The amount the Council receives in future years is dependent on future market conditions. The Council is forecasting £0.400m of income for 2024/25.

#### (ii) Gateway Stock Transfer Disposals Clawback Agreement

The housing stock transfer to Community Gateway Association (CGA) took place on the 28th November 2005. The disposal agreement provides that CGA will transfer to the Council 50% of any financial gain on disposal of land for 30 years after transfer, which occurred in November 2005.

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## 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.

2022/23		2023/24		
		National Non Domestic Rates	Council Tax	Total
£'000		£'000	£'000	£'000
<b>Income</b>				
91,586	Council Tax	-	98,976	98,976
49,987	National Non-Domestic Rates	46,857	-	46,857
52	Transfers from the General Fund	-	352	352
<b>Apportionment of Previous Year Deficit</b>				
1,851	Central Government	-	-	-
1,493	Preston City Council	-	-	-
383	Lancashire County Council	-	-	-
7	Police and Crime Commissioner for Lancashire	-	-	-
40	Lancashire Combined Fire Authority	-	-	-
3,774		-	-	-
<b>145,399</b>	<b>Total Income</b>	<b>46,857</b>	<b>99,328</b>	<b>146,185</b>
<b>Expenditure</b>				
<b>Precepts, Demands and Shares</b>				
24,221	Central Government	24,057	-	24,057
32,645	Preston City Council	19,246	14,121	33,367
64,582	Lancashire County Council	4,330	64,718	69,048
9,403	Police and Crime Commissioner for Lancashire	-	10,334	10,334
3,557	Lancashire Combined Fire Authority	481	3,381	3,862
385	Parish Councils	-	414	414
134,793		48,114	92,968	141,082
<b>Apportionment of Previous Year Surplus</b>				
-	Central Government	325	-	325
-	Preston City Council	260	1	261
-	Lancashire County Council	58	13	71
-	Police and Crime Commissioner for Lancashire	-	2	2
-	Lancashire Combined Fire Authority	6	1	7
-		649	17	666
<b>Charges to the Collection Fund</b>				
533	Write-offs of uncollectable amounts	3,276	660	3,936
3,853	Increase in Bad and Doubtful Debts Impairment Allowance	(2,741)	5,080	2,339
1,255	Increase / (Decrease) in Provision for Appeals	(2,934)	-	(2,934)
238	Cost of Collection Allowance	235	-	235
National Non-Domestic Rates Transitional Protection				
(495)	Payments	(2,280)	-	(2,280)
25	Renewable Energy amounts	35	-	35
5,409		(4,409)	5,740	1,331
<b>140,202</b>	<b>Total Expenditure</b>	<b>44,354</b>	<b>98,725</b>	<b>143,079</b>
<b>(5,197)</b>	<b>Movement on fund balance (Surplus) / Deficit</b>	<b>(2,503)</b>	<b>(603)</b>	<b>(3,106)</b>
7,273	Balance on Collection Fund Brought Forward	875	1,201	2,076
<b>2,076</b>	<b>(Surplus) / Deficit on Collection Fund Carried Forward</b>	<b>(1,628)</b>	<b>598</b>	<b>(1,030)</b>

## Notes to the Collection Fund

### Index of Explanatory Notes to Collection Fund

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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 Police and Crime Commissioner for Lancashire (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 2023	31 March 2024
	No.	No.
Number of Chargeable Dwellings per Band at 31st March		
Band A	29,982	30,567
Band B	13,015	13,305
Band C	10,580	10,991
Band D	7,099	7,301
Band E	3,302	3,515
Band F	1,836	1,984
Band G	982	1,030
Band H	68	66
<b>Total</b>	<b>66,864</b>	<b>68,759</b>
Band 'D' Equivalent Properties (Tax Base for the calculation of Council Tax)	41,098	42,650

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 2023 and 31st March 2024 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.

	<b>31 March 2023</b>	<b>31 March 2024</b>
NNDR Rateable Value at 31st March	£151,557,660	£151,877,468
NNDR Multiplier	0.512	0.512

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 2023/24 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 2023/24 Preston City Council paid a tariff of £17.748m 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 2023/24.

Conversely, if income exceeds the baseline amount, the Council must pay 50% of this growth as a levy to Central Government. In 2023/24, the Council achieved growth against the baseline and was liable to make a levy payment of £0.638m.

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 2024. 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 2024 has been calculated at £6.766m (Preston City Council's share is £2.706m) 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 surplus balance on the Collection Fund of £1.030m represents:

(i) a surplus of £1.628m on NNDR (Preston City Council's share is £0.651m) mainly due to reliefs and retail discount being lower than forecast.

(ii) a deficit of £0.598m on Council Tax (Preston City Council's share is £0.096m) due to the high brought forward deficit, as in previous years the collection rate was lower than forecast and the contribution to the bad debt provision was higher than forecast, both due to the impact of the cost of living crisis. The deficit has reduced due to the increase in income due to the increase in the Council Tax base.

### 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
22,223	Balance at 1 April	26,066
(197)	Write-offs during the year for previous years	(660)
4,040	Contributions to provisions during year	5,740
3,843	Net increase / (decrease) in provision	5,080
<b>26,066</b>	<b>Balance at 31 March</b>	<b>31,146</b>



## 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.

2022/23 £'000		2023/24 £'000
3,514	Balance at 1 April	4,075
(30)	Write-offs during the year for previous years	(102)
591	Contributions to provisions during year	821
561	Net increase / (decrease) in provision	719
<b>4,075</b>	<b>Balance at 31 March</b>	<b>4,794</b>

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

2022/23 £'000		2023/24 £'000
10,537	Balance at 1 April	10,547
10	Contributions to provisions during year	(2,741)
10	Net increase / (decrease) in provision	(2,741)
<b>10,547</b>	<b>Balance at 31 March</b>	<b>7,806</b>

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

2022/23 £'000		2023/24 £'000
4,215	Balance at 1 April	4,219
4	Contributions to provisions during year	(1,096)
4	Net increase / (decrease) in provision	(1,096)
<b>4,219</b>	<b>Balance at 31 March</b>	<b>3,123</b>

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 2023.

2022/23 £'000		2023/24 £'000
8,445	Balance at 1 April	9,701
(2,628)	Amounts charged to provision	(3,009)
3,884	Contributions to provisions during year	75
1,256	Net increase / (decrease) in provision	(2,934)
<b>9,701</b>	<b>Balance at 31 March</b>	<b>6,767</b>

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

2022/23 £'000		2023/24 £'000
3,378	Balance at 1 April	3,880
(1,051)	Amounts charged to provision	(1,204)
1,553	Contributions to provisions during year	30
502	Net increase / (decrease) in provision	(1,174)
<b>3,880</b>	<b>Balance at 31 March</b>	<b>2,706</b>

## Bequests and Trust Funds (Unconsolidated)

	Balance as at 1 April 2023	Expenditure/ Transfers	Income/ Transfers	Gains/ (Losses) on Investments*	Balance as at 31 March 2024
	£	£	£	£	£
<b>Preston Relief in Need</b>					
Restricted Endowment Fund	74,513	-	-	1,813	<b>76,326</b>
Unrestricted Endowment Fund	192,779	-	-	7,627	<b>200,406</b>
Restricted Grant Fund	19,243	-	3,266	-	<b>22,509</b>
Unrestricted Grant Fund	23,661	(3)	7,148	-	<b>30,806</b>
<b>Dr Shepherd's Library Trust Fund</b>					
Endowment Fund	3,411	-	-	100	<b>3,511</b>
Grant Fund	1,081	(2)	120	-	<b>1,199</b>

### 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 2023	(Expenditure) /Transfers	Income/ Transfers	Balance as at 31 March 2024
	£	£	£	£
<b>Mayors Fund Raising Account</b>				
Grant Fund	4,216	(19,914)	19,150	<b>3,452</b>

2023/24

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

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 comply 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 is currently developing a new vision and prioritisation for the City. A new Corporate Plan setting out the new visions and priorities will be published during 2024/25.

During 2023/24 the Council vision was 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 sets out priority areas and during 2023/24 the priority areas were

**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 have all been encapsulated in the document Achieving Preston's Priorities approved annually at the February Budget Council meeting. This can be found on the Council's website. Each of the three priority areas had a series of corporate projects associated with them which were designed to progress the priorities. In addition, Service Delivery Plans include key work areas which reflect individual service area contributions to the priorities. Moving forward an improved Performance Management Framework will set out the new reporting framework for the Vision and 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 of an annual self-assessment system of reporting

### Council Policies

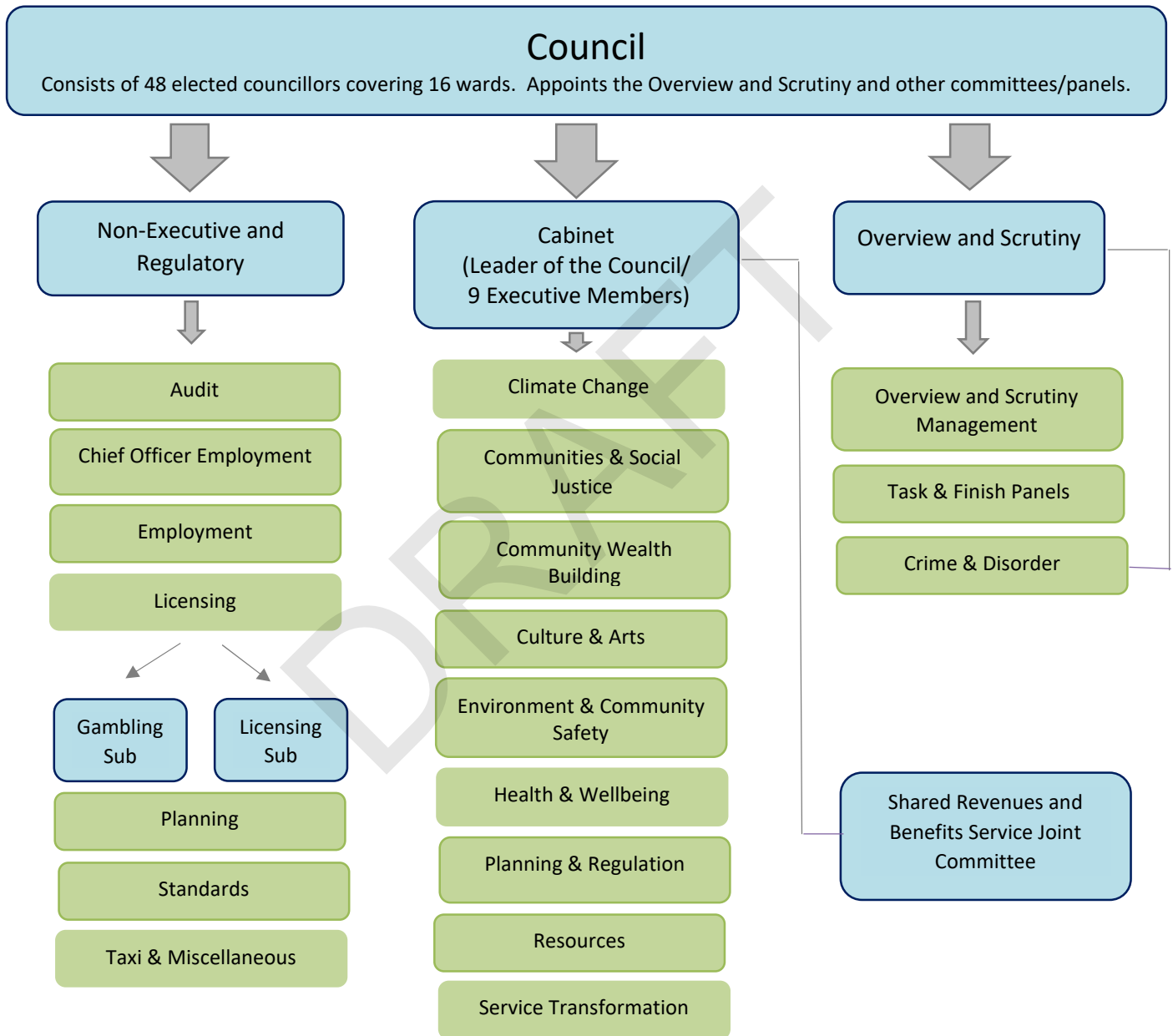
- Anti-Fraud Corruption Statement/Strategy
- Whistleblowing Policy
- Anti Money Laundering Policy
- Anti Bribery Policy / Response Plan
- Fraud Response Plan

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 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 2023/24.



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

### Corporate Governance Group

One of the main 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 before it goes to CMT and recommends other governance improvements to Corporate Management Team. Other items tabled at the meeting include the outcome of audits, updates on GDPR, Information Governance, risk and fraud, updates on the governance actions included in last year’s Annual Governance Statement, together with the current position on cyber security risks and procurement.

# 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 is charged with overseeing the Council's governance arrangements and has 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

During 2023/24, an assessment was undertaken, and this confirmed that the Audit Committee is largely operating in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. An action plan to address any shortfalls in the arrangements has been agreed with the Audit Committee and appropriate Audit Committee training is planned. The Audit Committee are considering the appointment of an Independent Member to assist in the auditing of the Committee's work.

**Table: Examples of Audit Committee Key Business during 2023/24**

<ul style="list-style-type: none"><li>• 2022/23 Draft Annual Governance Statement</li><li>• Approved Statement of Accounts for 2021/22 &amp; 2022/23</li><li>• External Audit Plan received</li><li>• Annual Audit Letter and the External Auditors Certification Report received</li><li>• Internal Audit Plan approved</li><li>• Internal Audit and Audit Committee reviews approved</li><li>• Internal Audit Progress reports received</li></ul>	<ul style="list-style-type: none"><li>• Corporate Enquiry Team Business Plan received</li><li>• Annual fraud report received</li><li>• Corporate Risk Register reviewed</li><li>• Code of Corporate Governance received</li><li>• Treasury Management report reviewed</li><li>• Waivers under the Contract Procedure Rules noted</li><li>• Debtor write offs received</li><li>• Changes to constitution noted</li><li>• Chief Internal Auditors Annual report approved</li></ul>
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## 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 Internal Audit Service provides an independent opinion on the adequacy of the internal control system. During 2023/24, 81% of the reviews undertaken were awarded either a Full or Substantial assurance rating. This has increased significantly from previous years. However, throughout the course of the year, the implementation rate of agreed management actions arising from Internal Audit reports was below the target agreed with the Audit Committee.

The Public Sector Internal Audit Standards require the Chief Audit Executive to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. They 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. Based on the work undertaken and the evidence available to Internal Audit including other sources of assurance, it is considered that the overall opinion is Reasonable.

In line with the Public Sector Internal Audit Standards the Head of Audit & Risk has carried out an internal review of the Internal Audit service and has reported compliance with the standards to the June 2024 Audit Committee. An action plan has been put in place to develop the service further.

## Statutory Officers

The Head of Paid Service, the Monitoring Officer and the Section 151 meet on a monthly basis to discuss ongoing governance issues so all parties are appraised of any potential areas of concern and are able to act proactively and take action where necessary.

## Statutory Regulations

The principal statutory obligations and functions of the Council are set out in the Council's 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. It acknowledges their responsibility for internal control, countering fraud and corruption, identifying significant risks and ensuring risk mitigation controls are in place.

## Members

All existing Members undergo MiPod training on the Code of Conduct for Members and GDPR Regulations. This is an interactive 24/7 e-learning package and links have been provided to all Parish Clerks/Parish Councillors to enable them the ability to participate in the exercise. All Members have received training in the use of Microsoft Teams.

## 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 about how to protect and process personal data. An advice surgery is provided to Members prior to every Council meeting, where

# Annual Governance Statement

Members can discuss potential conflicts of interest, etc. in respect of items on the agenda and update their Register of Interest forms to make sure they are accurate and up to date.

The present Government has responded to the recommendations outlined by the Committee on Standards in Public Life. Many of the significant changes require the implementation of secondary legislation. It is hoped that the next Government will carry out a further review and address the in-adequacies especially the sanctions in the event of a Member breaching the Council's Code of Conduct.

## Information Governance

The Council has Information Governance policies and procedures in place including having a Data Protection Officer and an Information Governance Officer in post. The UK GDPR sits alongside the Data Protection Act 2018. All staff undertake compulsory and refresher GDPR/DPA training. The Council has Corporate clear out days where staff are actively encouraged to delete information which is no longer relevant 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 the FOI Act and this deadline was complied with in 86.3% of cases. The Council currently has 51 FOI requests outstanding the 20-working day deadline date. The Council did not receive any Appeals from the ICO regarding FOI requests.

**Data Breaches:** The Council logged 26 incidents. During 2023/24:

- 784 Freedom of Information (FOI) requests were received
- 26 data breaches
- 16 subject access requests made under Data Protection legislation
- 1 right to erasure requests made under Data Protection legislation

## Counter Fraud

The Corporate Enquiry Team works in partnership with Lancaster City Council and Fylde Borough Council. During 2023/24 the team focused on Business Rates, Council Tax, Social/Council Housing and Covid related grant fraud. Throughout the year the team continued to assist with Covid related grant work returning the debts to BEIS and the Biannual National Fraud Initiative (NFI) matches hosted by the Cabinet Office for Housing Benefit and Council Tax. The team also worked on pro-active interventions of Council tax discounts and exemptions, Council Tax Support reviews and an increased number of Right to Buy applications. The team investigated allegations of fraud from members of the public, staff and external agencies.

The team also acts as the single point of contact for the Department for Work and Pensions (DWP) investigators and the 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. Following the impact of Covid the DWP redeployed their fraud team temporarily. Joint investigations which were recommenced in 2022 has seen the Corporate Enquiry Team working more closely with the DWP which has resulted in more joint working cases and potential prosecutions. The team continues to work with other organisations to tackle fraud and participates in operation GENGA, a multi-agency initiative to tackle organised crime, and LGMFIG which consists of local authority fraud team representatives. During 2023/24 the team was also proactive in the following areas

- Conducted fraud pro- active drives
- Benchmarking exercise with other local authorities to identify other areas of fraud.
- Return of Covid 19 debts to BEIS
- Identified overpayments and financial savings of £652,293.22

# Annual Governance Statement

## Risk Management

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, including strategic, operational, partnership and project. Monitoring by Directors and Managers is carried out on an on-going basis. The Corporate Governance group review outstanding risks and outstanding actions monthly. All the Council's risks are evaluated on the likelihood of risks materialising and impact if realised. Internal Audit carries out a bi-annual review of the Risk Management Framework in accordance with the terms of the Risk Management Strategy. Due to the Internal Audit team's involvement in the administration of the GRACE system the review has been carried out by a 3<sup>rd</sup> party with a Substantial assurance being provided in March 2024.

During the year, various training has been provided to both Members and Officers. This has included the software supplier providing training on the system to both members and GRACE users (officers). Risk management was also included in the management governance training that has been provided during 23/24.

## External Audit

During 2023/24, both the Statement of Accounts 2021/22 and 2022/23 have been approved by Audit Committed following the issue of draft audit opinions and the subsequent issue of completion certificates by the external Auditor.

Grant Thornton is planning to carry out the external audit of the 2023/24 Statement of Accounts during July 2024 to September 2024, which means the Council is on track to meet the statutory deadline for publishing audited accounts and eliminating the audit backlog, a position faced by many local authorities at the present time.

Grant Thornton's Value for Money conclusion was presented to Audit Committee as part of the Annual Audit Report on the 10th of April 2024. In that report Grant Thornton outlined that they were satisfied that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources and that

they did not identify any significant weaknesses in those arrangements. There were several improvement recommendations, and these are set out later in this document.

## 2023/24 Statement of Accounts

The deadline for publishing the draft Statement of Accounts for 2023/24 is 31 May 2024. Once authorised for issue, the Accounts are available for the external audit to commence. The deadline for the publication of the audited accounts is end of September 2024. The Audit Committee have delegated authority to approve the accounts on behalf of the Council however they must report the outcome to Full Council.

## Performance Management

The Council is currently developing a new vision and prioritisation for the City. This will include the production of an improved Performance Management Framework, setting new corporate priority areas for Preston and improved performance monitoring arrangements including place data for the whole of Preston. Whilst the new priorities and vision is being developed the Council is reporting outturn performance against existing strategic and operational areas. It is proposed that a new Corporate Plan will be presented to Members during the next budget process. The Council has recently refreshed the in-house performance database system which is accessible on the Council's Cityspace homepage. All existing performance indicators (PI,s) have been reviewed to identify strategic and key operational performance reporting. The PIs will have a further review following agreement of the new vision and strategic priorities. Performance reports are specifically tailored to the user e.g. Cabinet Members, Corporate Management Team or Heads of Service. The aim of the Performance Management Framework is to ensure a culture of continuous performance and improvement.

## Compliance with RIPA 2000 and the Investigatory Powers Act 2016

The Council has recently undergone a compliance inspection and it has been confirmed that no corrective action is necessary.

# Annual Governance Statement

## ICT and Digital Services

The past year has seen the following work areas-

- Renewal of our cyber security platform and its extension to cover the Disaster Recovery site and the Microsoft 365 environment.
- Procurement plans for data security, governance, and a compliance software platform. The software will enable ICT / Information Governance staff to have more visibility of Council data in the cloud, where sensitive data is located, which users have access to it, and to monitor user interactions with it.
- Projects to replace the Council's Corporate GIS and Land Charges systems are progressing to schedule and will go live later in the year.
- The Council is currently developing a Visual Surveillance 10-year strategy for the replacement and procurement of CCTV systems.

The Council has compulsory cyber security training for all staff and Members. Additional security procedures and measure have been implemented in respect of the use of IT equipment. Other areas of work for the next year and beyond include: -

- Renewal of the Council's VMware Enterprise Licence Agreement.
- Carrying out a Proof of Concept on a secure email and file transfer system.
- Investigate platforms to replace remote VPN access for both staff and suppliers.
- Prepare for the PTSN switch-off.
- Review and make improvements to the corporate website, bringing it into line with Accessibility WGAG 2.2.
- Working with the Markets to improve processes particularly around bookings and payments and to digitise processes where possible.

## Business Continuity (BC)

The Council has a Disaster Recovery/Business Continuity Plan in place. This is due to be reviewed, revised and tested during the year to

ensure the plan is up to date and remains fit for purpose. The Council has a Business Continuity (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.

## 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 2023/24 there were; -

- 112 incidents.
- Accident rate 0.33 (target 0.4).
- 2 major incidents reported under RIDDOR
- 112 events on Council owned land

Work during 2024/25 will include hand arm vibration assessments, an updated Health & Safety policy and corporate Health & Safety group meetings. Work is currently underway looking at Stress in the Workplace and an overarching Mental Health Policy.

## Towns Fund / Levelling Up / UK Shared Prosperity Fund (UKSPF) Governance

The Council is the Accountable Body for £19m of Towns Fund, £20m Levelling Up, and £5.6m UKSPF government funding. Governance Assurance Frameworks have been approved by Full Council for all these programmes.

The Towns Fund Board includes a private sector Chair, local MPs, local government representatives for Preston, the Local Enterprise Partnership, community and local voluntary representatives, local businesses and other organisations with an interest in the future development of Preston.

A Monitoring and Evaluation group is in place to monitor progress against outcomes and outputs, risk management and financial management.



## Annual Governance Statement

### Dealing with last year's Key Improvement Areas

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

<b>Employees</b>	Review and update People Strategy.
<b>Progress Update</b>	<b>Action superseded</b> - In response to the LGA Peer Review an action to develop a Workforce Strategy has been agreed. This will include a staff survey and cross organisational workshops. The People Strategy has therefore been incorporated into the Workforce Strategy.
<b>Partnerships</b>	Develop Partnership Protocol incorporating governance arrangements.
<b>Progress Update</b>	<b>Action to be carried forward</b> - Key partnerships are underpinned by documented internal controls – Shared Revenues Services and City Deal are examples. Whilst formal governance arrangements and internal controls are established for individual partnerships a generalised protocol for entering a Partnership has yet to be formally documented.
<b>Communication</b>	Communication Strategy to be developed.
<b>Progress Update</b>	<b>Completed</b> - A Communication Strategy 2023-2026 has been adopted.
<b>Communication</b>	To review and refresh feedback mechanisms to ensure that views of service users, partners and stakeholders are considered.
<b>Progress Update</b>	<b>Action superseded</b> - In response to the LGA Peer Review an action to develop a corporately led Communications, Engagement and Marketing Strategy has been agreed.
<b>Communication</b>	To review and refresh the process for distributing corporate messages through the authority to all staff on an on-going basis.
<b>Progress Update</b>	<b>Action superseded</b> - In response to the LGA Peer Review an action to develop a corporately led Communications, Engagement and Marketing Strategy has been agreed.
<b>Performance Management</b>	Implementation of the performance indicators following the review to rationalise and streamline reported figures so that they are meaningful and demonstrate achievement of objectives. The Council's Performance Hub is to be updated following a review to ensure PI trends are being reported accurately and are meeting the needs of service users.
<b>Progress Update</b>	<b>Action superseded</b> - PIs have been agreed and have been uploaded onto the Performance Hub. Some training has been provided as part of the Governance training undertaken in August/September 2023.  In response to the LGA Peer Review an action to implement a Council-wide strategic approach to the use of data and performance management by developing a Data and Performance Management Framework has been agreed.
<b>Strategic Planning</b>	Service Delivery Plans are to be compiled and published going forward linked to the Corporate Strategy and Key Projects with structured monitoring processes in place to monitor progress on a quarterly basis.
<b>Progress Update</b>	<b>Partially completed and superseded</b> - A Service Delivery Plan template has been established and IDG informed of need to complete Service Plans. Training has been provided as part of the Governance training in August/September 2023.



## Annual Governance Statement

	In response to the LGA Peer Review an action to develop a new Vision and Prioritisation for the City has been agreed this will therefore impact on the current Service Delivery Plans.
<b>Strategic Planning</b>	Refresh the existing Project Management Framework (for smaller projects).
<b>Progress Update</b>	<b>Complete</b> - Governance Assurance Frameworks for Towns Fund, Levelling Up and UKSPF projects have been established. An overarching Project Management Framework is in place and training has been provided as part of the Governance training in August/September 2023.
<b>Financial Management</b>	To undertake training in relation to smaller grant funding processes thereby ensuring that where grant funding has been obtained all conditions are adhered to.
<b>Progress Update</b>	<b>Complete</b> - Governance training provided in August/September 2023.
<b>Transparency</b>	The Local Government Transparency Code 2015 recommends the following information to be published: <ul style="list-style-type: none"> <li>• every contract which exceeds £5k to be documented on the contracts register;</li> <li>• list or register of grants to voluntary, community and social enterprise organisations (include beneficiary's registration number and purpose of grant);</li> <li>• parking account information.</li> </ul>
<b>Progress Update</b>	<b>Action to be carried forward</b> - An electronic contracts register is established. Self-monitoring reports for voluntary, community and social enterprise organisations grant funding are to be established and parking account information is to be included with the financial out-turn reports.
<b>Internal Control</b>	To further embed follow up process for agreed recommendations by relevant inspectorate, Internal & External Auditors, and other review agencies to ensure implementation within the agreed timescales.
<b>Progress Update</b>	<b>Completed</b> - Outstanding actions are reviewed at Corporate Governance Group, CMT and ultimately at Audit Committee and/or with Executive Members.
<b>Risk Management</b>	To further embed the Council's Health & Safety policies and procedures.
<b>Progress Update</b>	<b>Completed</b> - A timetable of planned H&S training has been provided including Fire Marshall and Fire Warden training.
<b>Probity</b>	To further embed the Council's Safeguarding Policy through mandatory e-learning and awareness training.
<b>Progress Update</b>	<b>Action to be carried forward</b> - Training has been developed, however, the course needs to be completed by all Officers.
<b>Information Management</b>	To further embed GDPR requirements through awareness training and the identification of Information Asset Owners.
<b>Progress Update</b>	<b>Completed</b> - Mandatory GDPR refresher training within MiPod is to be undertaken by all staff annually.
<b>Governance</b>	To review and update Audit Committee's Terms of Reference to ensure compliance with best practice guidance.

## Annual Governance Statement

<b>Progress Update</b>	<b>Completed</b> - The revised Terms of Reference were approved by Council in December 2023 and incorporated into the Council's Constitution.
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### Key Areas for Improvement 2024/25

Building on the improvements in 2023/24 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 2024/25: -

**Table: Key Improvement Areas for 2024/25**

Area	Actions for inclusion within the AGS	Target Date	Status	Responsible
Partnerships	Develop Partnership Protocol incorporating governance arrangements.	Sept 2024	Carry Forward	CMT
Transparency	The Local Government Transparency Code 2015 recommends the following information to be published; <ul style="list-style-type: none"> <li>• every contract which exceeds £5k on the contracts register;</li> <li>• list or register of grants to voluntary, community and social enterprise organisations (include beneficiary's registration number and purpose of grant);</li> <li>• parking account information.</li> </ul>	Dec 24	Carry Forward	Director of Resources
Probity	Further embed Council's Safeguarding Policy through mandatory e-learning and awareness training.	Sept 24	Carry Forward	Deputy Chief Executive / Director of Environment & Property
Governance	To further embed Equalities legislation through awareness training and undertake a review of the process for Equalities Impact Assessments (EIAs).	Sept 24	New Action	Deputy Chief Executive
Workforce	To further embed the revised staff appraisal process.	Sept 24	New Action	Director of Resources
Internal Control	To develop formal operating procedures/guidance for all service areas.	Dec 24	New Action	All Directors
Risk Management	To further embed risk management processes including the development of more formal arrangements for 'robust challenge' of risk registers and risk reviews.	Sept 24	New Action	All Directors

# Annual Governance Statement

## LGA Corporate Peer Challenge (CPC)

The Council participated in LGA Corporate Peer Challenge (CPC) in September 2023. The documents can be found on the following link: <https://www.preston.gov.uk/Local-Government-Association-LGA-Peer-Review>

The Peer team put to Preston City Council a series of key recommendations and areas which required attention based on several observations and suggestions that came out of the CPC process:

- Develop a new vision and prioritisation for the city
- Partnership working
- Communications, marketing and engagement
- Capacity and workforce
- Transformation and capacity management
- Data and performance management
- Strategic assets management

In response to the LGA recommendations the Council has put in place a Peer Review response (which can be found at the link above). This action plan highlights the improvement areas and strategic work currently being undertaken by the Council including deadline dates for implementation. A significant amount of work is already underway. The Council is preparing for a Peer-led progress review during 2024 which will look at progress to date.

## Audit Recommendations

The Council's external auditors reported recommendations for strengthening governance areas during the conclusion of the 2022/23 Statement of Accounts audit. A number of these are already in place as part of the LGA response plan and improvement areas. The Council should:

1. Ensure that new Service Development Plans are aligned to the financial plans in the MTFP.
2. Assess the extent of its contingent liabilities and express the likelihood and impact of this risk arising as well as identifying any mitigations in place. If significant, this risk should be considered for inclusion in the Corporate Risk Register.
3. Undertake a cumulative Equality Impact Assessment (EIAs) covering the impacts assessed across the full life of the MTFs and establish review dates for all EIAs to monitor actual impacts and adjust actions.
4. Review how it could improve engagement levels with external stakeholders during the budget setting process.
5. Map risks in the Strategic Risk Register to the Corporate Priorities expressed in a way which identifies the underlying risk rather than the impact.
6. Create a central electronic gifts and hospitality register
7.
  - a. consider how it can better map strategic priorities and strategic risks to KPIs
  - b. consider aligning KPIs to Oflog reporting requirements
  - c. agree a process by which the strategic risk register is updated to reflect actions and issues arising from the monitoring of performance
  - d. ensure that KPIs RAG rated green are reviewed for possible efficiency gains in particular those areas of comparatively high cost.
  - e. ensure that KPIs rated red are also reviewed for comparative low-cost consider how it will monitor progress with recruitment and retention in key service areas
8. Improve its use of benchmarking
9. Consider how it can improve its Council Climate Plan Scores as part of developing its Climate Action Plan

## Annual Governance Statement

10. Ensure transparency of decisions as to how it has prioritised certain projects over other Corporate priorities.
11. Review how it measures and monitors the success and value for money achieved from partnership working initiatives.
12. Ensure that the new electronic contracts register is complete

Updates on governance improvement areas will be reported to Members, Corporate Management Team and the Corporate Governance Group throughout the year.

### Conclusion

During 2024/25 the Council is developing a new vision and prioritisation for the City. New priorities will be set, along with an improved Performance Management framework.

The Council has set improvement areas for 2024/25. These include those highlighted in the Peer Review Response plan, Grant Thornton improvement recommendations and those highlighted as part of the full audit of governance arrangements carried out annually. Several of the LGA Peer Review highlighted areas and Grant Thornton recommendations were already in progress as part of the Councils own improvement areas. These will now be removed from the governance improvements table and monitored along with the Peer Review response plan. Progress on these areas for improvement will be reported throughout the year to Corporate Governance Group, Corporate Management Team, Cabinet and Audit Committee.

During 2023/23 the external audits of the 2021/22 and 2022/23 were concluded. The Value for Money exercise outlined the fact that external auditors were satisfied that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. No significant weaknesses were identified in those arrangements. There were a few improvement recommendations which will be implemented during 2024/25.

One of the main risk areas for the Council is the major development and regeneration within the Harris Quarter which includes schemes which are receiving £20m Towns Fund and £20m Levelling Up government funding. Specific Governance Assurance frameworks for each of the funding streams have been put in place in recognition of the significant risks and to ensure good governance arrangements and high ethical standards.

The Council's existing governance arrangements along with the improvements for 2024/25 will strengthen the Council's governance arrangements, and ongoing monitoring arrangements will ensure that the Governance Framework is effective and continues to be fit for purpose.

#### **Signed:**

**Leader of the Council**

**Chief Executive**

**Monitoring Officer**

**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 31<sup>st</sup> 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, which 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.

**Department for Levelling Up, Housing and Communities (DLUHC)** – A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

**Depreciation** - This is the measure of the wearing out, consumption, or other reduction in the useful economic life of 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.



## Glossary of Terms

**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.

**Intangible Asset** – an identifiable non-monetary asset without physical substance. Examples include patents, copyright, licenses, IT software.

**International Financial Reporting Standards (IFRS)** - Defined Accounting Standards that must be applied by all reporting organisations to their financial statements, 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.

**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 year's 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.

**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** – Local authorities are required by regulation to have regard to the CIPFA Prudential code when carrying out their duties. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent, and sustainable.

**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** – The management of the Council's borrowing, investments, and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

**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.