Pendle
Borough Council

STATEMENT OF ACCOUNTS

for the year ended 31st March 2023

Introduction

This Statement of Accounts for the year ended 31st March 2023 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2022/23, issued by the Chartered Institute of Public Finance and Accountancy and the Accounts and Audit Regulations 2015.

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2023. There have been no major changes in the Council's statutory functions during the year.

The Key Accounting Statements

The Statement of Accounts comprises Core Financial Statements and related notes along with Supplementary Financial Statements. The Core Financial Statements are as follows:-

- **Movement in Reserves Statement** – This 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 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 movements in the year following those adjustments.

- **Comprehensive Income and Expenditure Statement** – This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from Council Tax. Councils raise Council Tax to cover expenditure incurred in accordance with regulations; 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.

- **Balance Sheet** – This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories; usable and unusable. Usable reserves are those reserves that the Council may use to provide services. Unusable reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations

- **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.

In addition to the core statements outlined above is the **Expenditure and Funding Analysis (EFA)**. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, Council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service departments.

Supplementary Statement

The Collection Fund is an agent's statement required by law. It shows transactions that have arisen because Pendle Borough Council is a billing authority responsible for the collection and distribution of Council Tax and Business Rates on behalf of Central Government and presenting authorities. In addition to Pendle, the major presenting authorities for Council Tax are Lancashire County Council, the Police and Crime Commissioner for Lancashire and the Lancashire Fire and Rescue Service. The Collection Fund records the income we receive from local tax payers and the money that is paid out as precepts.

The Government introduced the Business Rates Retention scheme in 2013/14 as part of its reform of the local government finance regime under which a key objective is to provide an incentive for Councils to generate business growth in their locality. There are also financial risks associated with the scheme arising from potential losses due to non-collection and changes in the business rate base as a result of appeals by businesses against their rating assessment. During 2022/23 under this scheme the Council retains 40% of total business rate income. The remainder is apportioned to the Government (50%), the County Council (9%) and the Fire Authority (1%) in accordance with regulations governing the scheme.

Our accounting policies are outlined in this document on page 21 and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and irregularities which might undermine the figures provided in these accounts.

The Director of Resources (DoR) is the statutory officer responsible for the proper administration of the Council's financial affairs. The DoR is required by law to confirm that the Council's system of internal controls and related governance arrangements can be relied upon to produce an accurate Statement of Accounts. The DoR's statement of assurance appears on page 38 of this document.

Narrative Report for 2022/23 by the Director of Resources

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information so that members of the public, including electors and residents of Pendle, Councillors, partners, stakeholders and other interested parties can:

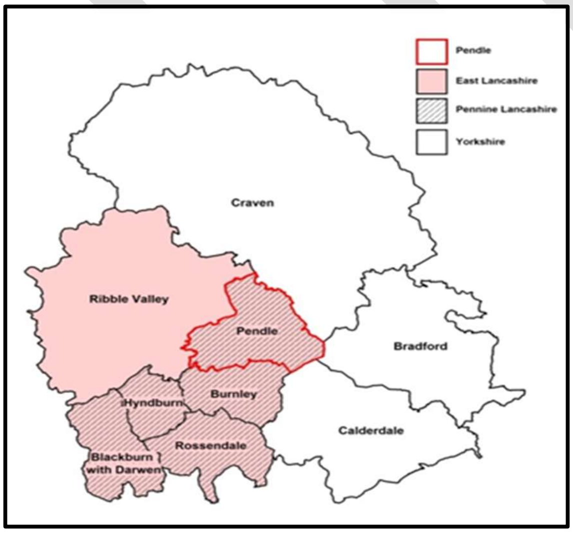
- Understand the overall financial position of the Council and the outturn for 2022/23.
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner, and
- Be assured that the financial position of the Council is sound and secure.

The Council continues to review the content of the accounts as recommended by CIPFA and our External Auditor.

This Narrative Report provides information about Pendle, including key issues affecting the Council and its accounts. It also provides a summary of the Council's financial position at 31st March 2023 and adopts the following structure:-

1. An introduction to Pendle
2. Key facts about Pendle
3. Information about the Council
4. The 2022/23 revenue budget process and medium term position
5. The capital programme for 2022/23 and over the medium term
6. Financial performance of the Council in 2022/23
7. Non-financial performance of the Council in 2022/23
8. Overview of strategic risks facing the Council
9. The financial outlook to 2025/26
10. Access to further information

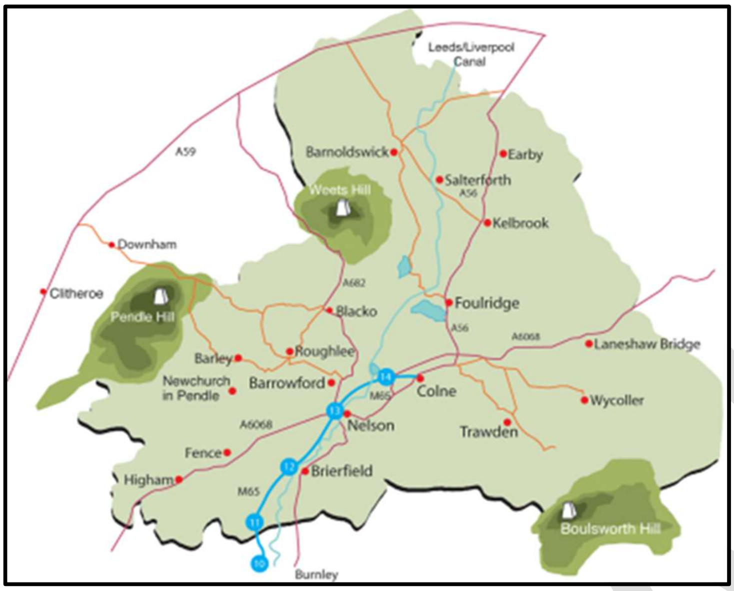
An introduction to Pendle



The Borough of Pendle is situated in north-west England on the border between Lancashire and Yorkshire. A product of local government reorganisation in 1974, it is one of twelve district Councils in the county of Lancashire. Together with Blackburn-with-Darwen, Burnley, Hyndburn and Rossendale it forms part of the Pennine Lancashire sub-region.

To the west and south, Pendle shares its border with the Lancashire districts of Ribble Valley and Burnley. To the southeast Calderdale and Bradford which are both part of West Yorkshire, whilst to the north and east lies Craven which is in North Yorkshire.

Key facts about Pendle



Geography

The Borough covers an area of 169.4 km^2, and takes its name from Pendle Hill which stands prominently at a height of 557m in the west of the Borough. Pendle Hill also forms part of the larger Forest of Bowland Area of Outstanding Natural Beauty, which extends into Ribble Valley and Lancaster.

The south of the Borough is comprised of an extensive broad valley which is highly urbanised. This extends into narrower rural steeply sided valleys with moorland tops to the north, south and east. The north of the borough, West Craven is in stark contrast to this landscape with a predominantly rural character marked by distinct drumlin features.

The Lancashire Green Belt extends into the Borough from the west, occupying much of the undeveloped central part of the M65 urban corridor. The Green Belt fulfils an important function in maintaining separation between Nelson, Barrowford, and Colne. Within Pendle there are 329 Listed Buildings, 11 scheduled monuments, and 23 Conservation Areas. The built heritage of the Borough largely relates to traditional farming landscape and its industrial legacy.

Two-thirds of Pendle's population is concentrated in four adjoining settlements - Nelson, Colne, Brierfield and Barrowford – situated in the south of the Borough. This densely populated urban area extends 8km north-east from the boundary with neighbouring Burnley, creating an extended area that has a combined population of almost 96,000. To the north, Barnoldswick and Earby are the largest settlements in West Craven.

Towns and Villages

- **Nelson** (pop. 33,500) is the largest town in Pendle and its administrative centre. It grew from a series of small hamlets during the 18th and 19th Century with industrialisation associated with the textile industry. The Nelson Town Centre Masterplan, approved in December 2021, seeks to reverse the declining fortunes of the town centre. The Council has received £25 million Town Deal funding and has established a Town Deal Board to take the project forward.

- **Colne and surrounding villages and hamlets** (pop. 23,100) is an attractive market town with medieval origins which sits prominently on a ridge. The town centre retains a high proportion of independent retailers such as Boundary Mill which can be found at the end of the m65 along with cafes and restaurants lining the high street and a number of well used theatres make it a popular night-time destination. The Council has just been granted c£6.5 million levelling up Funding for town centre projects.

- **Barrowford and surrounding villages and hamlets** (pop. 9,800) Barrowford is a large linear settlement sitting astride the busy A682 and retains strong links with the industrial towns to the south and the rural villages Pendle side to the north.

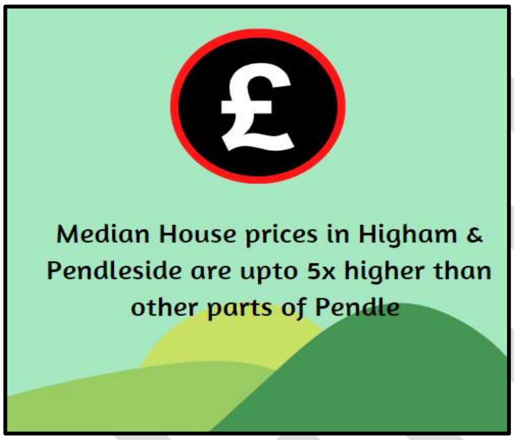
- **Brierfield** (pop. 11,900) is home to former textile mills along the banks of the Leeds and Liverpool Canal which have been converted to residential, commercial and retail uses.

- **Barnoldswick** (pop. 9,200) is the home of the jet engine, with Rolls-Royce making a significant contribution to its economy and is a large employer. Silentnight, a manufacturer of beds, is also based in the town and is a major employer.

- **Earby** (pop. 8,200) lies just 3km east of Barnoldswick. The West Craven Business Park has attracted new investment and a significant number of jobs into the area.

Housing

Pendle has deep-seated and challenging housing problems. It was formerly within the Pennine Lancashire Housing Market Renewal (HMR) pathfinder, one of just nine in the country that ended in 2010. In 2020, Pendle had 40,572 household spaces - a major part of this infrastructure (54%) built before 1919, more than twice the national average. Of all the Lancashire districts, Pendle has the highest proportion of its housing stock (61.5%) in the lowest Council tax band (Band A); with 87% of the stock in private ownership. However, there is a significant need for affordable housing in Pendle with needs assessed at between 187 and 257 dwellings per year. The Council does not own any housing stock, and is reliant on registered providers to meet these needs.



Average property prices within Pendle are less than half the national average at £130K. Detached properties, given their limited supply, sell for a significant premium in contrast to the average position at £280K. House prices also vary substantially within the Borough with properties at their cheapest within the urban M65 corridor. The affordability ratio for Pendle is 4.7 which is significantly below the national average. With affordability declining at one of the fastest rates in Lancashire, driven by high demand in rural areas, limited new stock, low wages and the type of housing available for purchase.
Viability is a significant challenge in the urban areas of Pendle. The Council has established a joint venture, PEARL, with local construction company Barnfield as a means to encourage regeneration in the Borough. Homes England funding has recently been secured for the development of affordable housing schemes on a number of major sites within Nelson and Colne. The Council has also been successful in bids for government funding to support the regeneration of Colne and Nelson Town Centres attracting investment of £6.5 million (Levelling Up) and £25 million (Town Deal) respectively.

There has been a significant reduction in empty properties in Pendle over the last few years. As of October 2020, there were 1534 empty properties which equates to 3.8% of all dwellings that were vacant. As a comparison, the average for the districts of Lancashire was 3.6%. Of much greater concern is the number of properties which have been long-term empty. Of the 765 properties considered long-term empty in October 2020, there were 182 empty for over five years and 84 empty for over 10 years. All empty properties are considered a wasted resource and may contribute towards problematic issues such as blight.

The most recent Pendle House Condition Survey revealed that 36.3% failed the Decent Homes Standard and according to the Housing Health and Safety Rating System, 22.1% contain a Category 1 hazard. This hazard is excess cold due to the stone construction.

Older homes, which dominate the private rented sector, tend to have a lower energy efficiency rating. This means that households in the lower income brackets are most susceptible to fuel poverty, as they are likely to pay a greater proportion of their income on fuel and keeping warm. With 17% of all households considered to be in fuel poverty, tackling this issue remains a key priority for Pendle, particularly in parts of Brierfield and Nelson, where one-quarter of all households are estimated to be in fuel poverty. The main factors that determine this are the energy efficiency status of the property, the cost of energy and low household income. The profile of the rented stock differs markedly from the national profile with private rented housing (18.1%) significantly higher than the national average (11.0%) and the overall proportion of social rented housing is significantly lower at 11.9% compared to 18.0%.

Deprivation

The 2019 Indices of Deprivation reveals that Pendle was the 36th most deprived area out of 317 authorities in England, when measured by the rank of average LSOA rank. This places Pendle within the top 11% most deprived places in England. 18 of its 57 LSOAs are among the 10% most deprived in the country. Pendle is in the most deprived 20% of the lower-tier Councils in England on the IMD average rank measure. In contrast, adjoining Ribble Valley is in the least deprived 20% in England.

Income and Employment

There are around 33,500 jobs within Pendle and 2,950 employers. Only 10 employers based within the Borough employ more than 250 people with the majority employing less than five. Around 30% of residents in Pendle are employed in the manufacturing industry, with 1 in 10 Pendle businesses in the manufacturing sector. This is significantly higher than the regional and national averages and is the second highest in England. Pendle forms part of one of the largest aerospace manufacturing clusters in Europe which stretches west across Lancashire to the Fylde. Rolls-Royce in Barnoldswick is a core part of this cluster. Operations at Rolls-Royce are currently being rationalised following the effects of the pandemic on the aerospace industry with significant job losses feared. This is likely to have a knock-on effect to suppliers also based within the Borough.

The relatively narrow industrial base of Pendle and its reliance on the manufacturing industry means it is especially at risk of economic decline. The Borough took significantly longer than the wider region to recover from the 2008 economic recession and early data suggests that residents and businesses have been hit particularly hard by the economic effects of the pandemic with recovery slower than the regional and national average. The industrial base of Pendle also affects wages. Weekly wages (£510.90) are lower than the regional (£578) and national averages (£612.80). This disparity is even more significant for residents of the Borough (£477.10) with inward commuters tending to take higher paid jobs. The lowest wages are concentrated in Brierfield, Nelson and Colne.

The major employment site within the Borough is Lomeshaye which is a relatively modern industrial estate built following the development of the M65 motorway. Retail, health and education also make an important contribution to the economy of Pendle and are major employers. The largest employer in the Borough is Boundary Mill Stores which is based in Colne. Retail presence within the town centres is largely made up of small independent outlets – a strength in towns like Colne and Barnoldswick.

Moreover, tourism has increasingly become important to Pendle with visitors attracted by the high quality landscape, industrial legacy, and cultural history. The Council has had success in marketing the Borough as a destination for cyclists. Pendle is also an important centre for manufacturing bicycles and fitness/sports.

Tourism & Recreation

Almost 62% of the borough (16,660 hectares) is officially designated as open countryside, with the three peaks of Pendle (557m, as displayed in the image), Weets (397m) and Boulsworth (517m) overlooking a gently rolling landscape containing some of the most interesting and attractive villages in Lancashire.

The Leeds and Liverpool Canal is a major feature and attraction within both the urban and rural areas. Tourism provides an increasingly important contribution to the local economy. There are currently 77 attractions and 54 accommodation providers in the district.

The latest figures available indicate there are almost 3million visitors to Pendle annually, although in the last year, this will have been affected by Covid-19. Visitor spend is around £130million per year with 28% of this from staying visitors. And in normal circumstances, the Tourism and hospitality industry supports around 1,700 full time jobs locally.

The Pendle area hosts a number of significant events throughout the year including the Colne Cycling Grand Prix, Pendle Walking Festival (one of the UK's largest free walking festivals) as well as the multi-award winning Great British Rhythm and Blues Festival attracting thousands of people to the area each year.

Did you know?
Pendle is most famous for its links to the now notorious witch trials of 1612. Villages like Barley and Roughlee have become a tourist attraction and base from which people climb Pendle Hill, or visit the home of one of the most famous of the Pendle Witches, Alice Nutter, who has a sculpture built of her in the village

Information about the Council

Our Strategic Plan 2020 - 2023

As a Council we have signed up to the vision we are committed to working with our partners to ensure that:

> ***"Pendle is a place where quality of life continues to improve and where people respect one another and their neighbourhoods. We want Pendle to be a sustainable place where everyone aspires to reach their full potential. We want to be recognised locally, regionally and nationally as a great area to live, learn, work, play and visit."***

The purpose of the Plan is to show how the Council will handle the strategic priorities in Pendle. It lists the important things that we'll be doing as a Council, taking into account the pandemic and our responses to it, the plan also has links to the Pendle Council Plan for recovery.

Our Financial Strategy is informed by the key priorities. How we intend to achieve our priority outcomes, can be found in our individual service plans and target delivery plans/ policies and strategies.

The Council's four strategic objectives are as follows;

STRONG SERVICES:

Working with partners, the community and volunteers to provide sustain services of good value

Through effective partnership working we will ensure that we procure and provide good value services that meet the needs of residents, visitors, and businesses. We will prioritise resources accordingly and operate decision-making structures that are open, transparent and accountable, ensuring we keep critical services going.

STRONG ECONOMY:

Helping to create strong, sustainable economic and housing growth

We will work with our public sector and private sector partners to generate jobs as well as economic and housing growth in Pendle, in a way that secures its long-term economic, environmental and social wellbeing.

STRONG ORGANISATION:

Maintaining a sustainable, resilient and efficient organisation which is Digital by Default

We will ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Pendle and its residents. To do this we will employ the right people with the right skills in the right job. We will maintain robust financial processes, standards and systems optimising the technology and resources we have available to us, making us more efficient and effective in our service delivery and becoming Digital by Default.

STRONG COMMUNITIES:

Helping to create and sustain resilient communities

We will acknowledge and build upon the Borough's diversity, demonstrating our community leadership role by working with and empowering our partners and local people to provide healthy, safe and cohesive communities. We will endeavour to maintain the quality of our green, rural and urban environment, through effective and efficient services, education, community and voluntary engagement, partnership working and, where necessary and appropriate, enforcement.

We want to achieve our vision in a sustainable way. This relies on developing strategies and action plans that take account of our values. The principles underpinning this commitment, and by which we work, are:

Our Leadership

In 2019, the Council's Political Make-Up and leadership underwent a review of its electoral arrangements by the Local Government Boundary Commission. This reduced the number of Councillors from 49 to 33 and the number of wards from 20 to 12. These are a mix of three, two and one single member. The review of electoral arrangements led to all out elections in May 2021 which resulted in a majority Conservative administration. The Council continues to have elections by thirds i.e. a third of the councillors are elected every year for 3 years, with no elections in the 4th year.

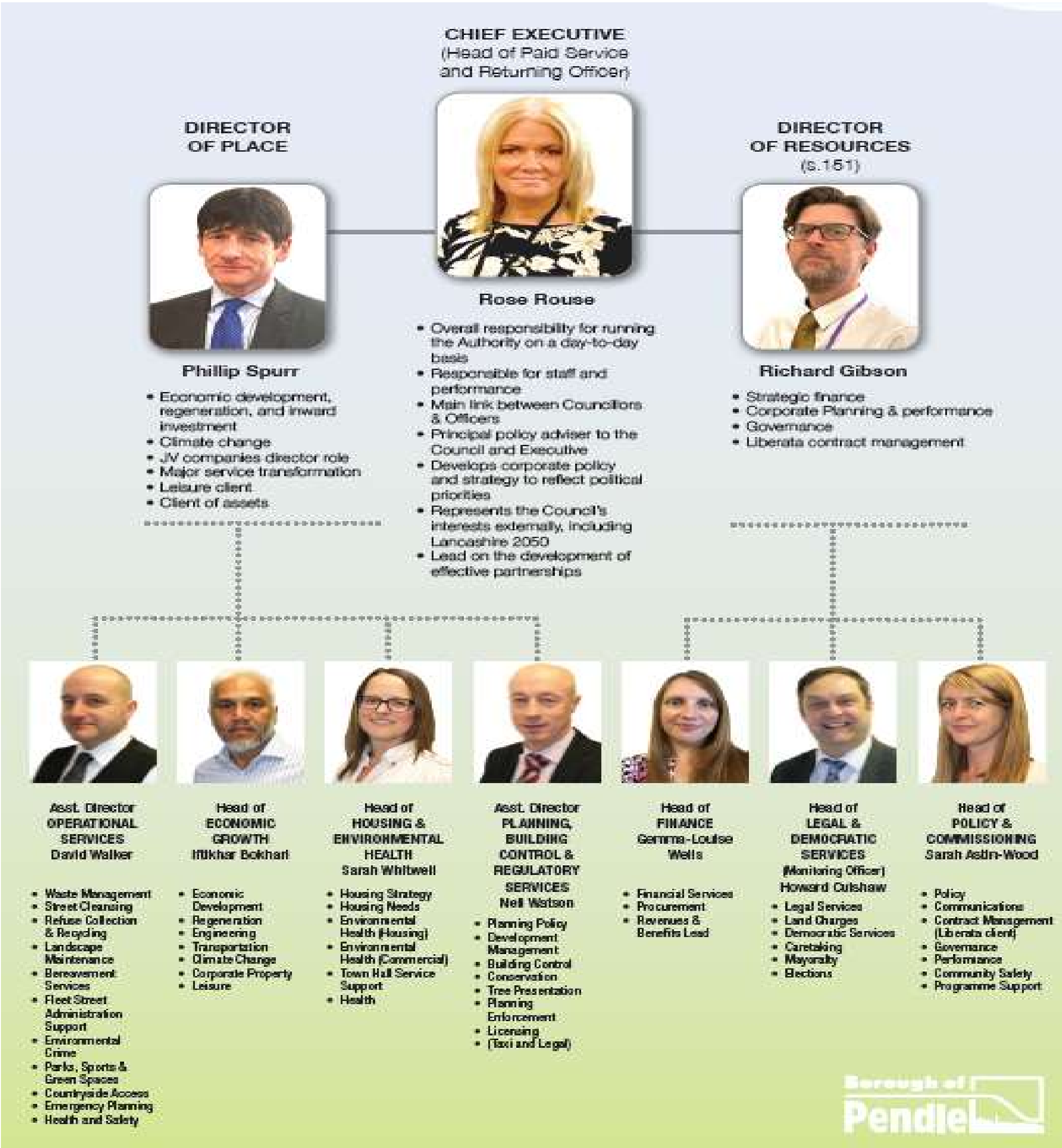
Party	Elected Members
Conservative	14
Labour	9
Liberal	7
Independents (No Group)	3
Total	33

Officer Leadership and Management

Our senior management structure has, for the last six years, been a Chief Executive/Director model along with a number of Service Managers and Heads of Service. As well as providing strategic leadership for the Council, both the Chief Executive and Corporate Director have line management responsibility for Service Managers and Heads of Service.

The Chief Executive is the Head of Paid Service and Returning Officer, the Head of Legal Services is the Monitoring Office, and the Director of Resources is the s151 Officer.

A Corporate Peer Challenge was carried out in February 2021 and the Council adopted a new organisation structure during 2022/23 but the structure as at 31st March 2023 is shown overleaf.



The Council's staffing establishment at the end of March 2023 comprised of 209 full time equivalent staff.

The 2022/23 Revenue Budget Process and Medium Term Position

The Council's budget process for the year was shaped by the on-going requirement to make reductions in net expenditure whilst trying to minimise the impact on front-line services for the people of Pendle.

Council agreed a budget requirement of £8.823m for 2022/23. This included a number of savings across service and also required a contribution from reserves of £0.477m.

Council Tax

Council agreed to increase its share of Council tax by £5.49 (1.99%). The Council set a Band D Council tax for the year of £281.50. The total Band D Council tax for the year was £2,211.42, an increase of 3.89% on the previous year made up as follows

£	2021/22	2022/23
Pendle Borough Council	276.01	281.50
Lancashire County Council	1,456.19	1,514.29
Police & Crime Commissioner	226.45	236.45
Fire & Rescue Authority	72.27	77.27
Average Parish	97.67	101.91
Total Council Tax at Band D	**2,128.59**	**2,211.42**

The Council set a Council tax base (expressed as the number of Band D equivalent properties) of 23,940 which represented a increase of 0.18% on the previous year of 23,898.

Medium Term Financial Plan 2022/23 to 2025/26

The Council's financial strategy is linked to the corporate objectives outlined above and is based around the following 4 themes:-

- **Growing** – promoting housing and employment growth
- **Charging** – where permissible to recover full costs and develop income streams
- **Saving** – reducing net expenditure by means of savings or service efficiencies
- **Stop** – stop spending on areas that are lesser priorities or which are no longer priorities

An update of the Council's medium term financial plan was considered by the Policy and Resources Committee in February 2023 covering the plan period to 2025/26.

£'m	2023/24	2024/25	2025/26
Net Expenditure	16,713	17,451	17,735
Less Retained Business Rates	- 5,528	- 5,491	- 5,454
Less Revenue Support Grant and Core Governm	- 2,191	- 1,697	- 1,697
Council Tax (@1.99%)	- 7,113	- 7,273	- 7,436
Funding Gap	**1,881**	**2,990**	**3,148**
Level of Reserves	6,904	3,915	768

The scale of savings required over the next three years represents a significant challenge to the Council and work is already underway to develop options for savings.

The Capital Programme

The Council is reliant on diminishing receipts from asset disposals, government grant, contributions it can make from its revenue budget and what we can afford to borrow.

The Capital Programme for 2022/23 was approved by the Council in February 2022, the overall programme was £15.866m. The final outturn spend was £7.743m with the slippage being driven by regeneration schemes, disabled facilities grant and area committee spend.

Capital Expenditure and Income 2022/23
Our Capital Account is used to record expenditure on the acquisition, improvement and enhancement of our assets including, for example, buildings, playing fields and parks. It is also used to account for income received by us for capital projects.

In 2022/23, we spent £7.743m on a range of capital projects. This is summarised in the table below which indicates the expenditure on those projects compared to the Approved Programme taking into account projects which were committed but for which no expenditure was incurred in the year.

Capital Outturn 2022/23	Revised Budget 2022/23	Outturn 2022/23	Var 2022/23
	£000	£000	£000
Private Sector Housing	2,810	1,880	(930)
Environmental, Roads, Street Lighting & Road safety	2,333	1,975	(358)
Waste collection	119	95	(24)
Other General Capital Schemes	214	145	(69)
Resource Procurement Schemes	9,696	3,080	(6,616)
Corporate Property Maintenance	421	218	(203)
Parks and Recreations Services	268	350	82
TOTAL	**15,860**	**7,743**	**(8,117)**

The variance shown above will be assessed to determine carried forward amounts to support capital expenditure in 2023/24. The table below shows the sources of capital income used to meet the cost of capital expenditure in the year:

Capital Financing 2022/23	Actual £000
Adjustment to carried balance of Long Term Debt Balance	157
Capital Grants and Contributions (including S106 contributions)	5,659
Revenue Contributions	1,411
Capital Receipts	73
Prudential Borrowing	443
TOTAL	**7,743**

Service Financial Performance

The Council’s net cost of services was overspent by £1.7m compared to the approved budget for the year 2022/23. The table below provides details of financial performance of individual services.

Service Area – Revenue Outturn	Base Budget Inc slippage from 2021/22 2022/23 £000	Virements / Use of reserves 2022/23 £000	Slippage to 2023/24 £000	Approved Budget 2022/23 £000	Actual Expenditure 2022/23 £000	Over/ (Under) Spend £000
Directorate	72	(766)	(40)	(733)	(782)	(49)
Financial Services	4,369	228	(217)	4,379	7,819	3,440
Democratic & Legal Services	967	464	(171)	1,261	1,331	71
Planning, Building Control and Regulatory Services	804	1,093	(228)	1,669	2,034	365
Environmental Services	5,004	177	(8)	5,174	6,032	859
Housing, Health and Engineering	2,393	100	(489)	2,003	1,727	(276)
Human Resources *(Liberata Service)*	134	2	-	135	134	(1)
Information Technology *(Liberata Service)*	-	-	-	-	(0)	(0)
Property Service *(Liberata Service)*	198	1,084	-	1,283	1,226	(57)
Revenue and Benefits *(Liberata Service)*	1,783	(456)	-	1,327	1,683	356
Net Cost of Services	**15,724**	**1,926**	**(1,152)**	**16,498**	**21,206**	**4,708**

The General Fund Working Balance

In view of the out-turn position outlined above on our General Fund Revenue Account for the year, it has not been necessary to draw on the General Fund Working Balance. At 31st March 2023 the Council retained a General Fund Working Balance of £1.0m. This is unchanged from the position reported for the previous year. The department figures shown above include internal recharges which are removed from the figures stated in the CIES (Page 41).

Treasury Management (Borrowings and Investments)

At 31st March 2023, the Council’s long term borrowing was £19.359m, reduction of £1.0m during the year. The overall cost of debt at 31st March 2023 was 2.92%.

The balance of investments at 31st March 2023 was £29.8m (compared to £26.5m at the beginning of the financial year). The investment return achieved for the year was 2.18%.

Pension Fund

The pension liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years, taking into account assumptions about inflation and mortality rates, salary levels, factors which can vary over time. The pension liabilities will not become due immediately or all at once as they relate to estimated pensions payable to current scheme members on their normal retirement date. The position reported simply represents a snapshot as at the Balance Sheet date based on prevailing market and other economic conditions and assumptions. As such it may fluctuate markedly from one year to the next.

Revenue Reserves

As at 31st March 2023 the pre-audit balance of revenue reserves is £10.929m (including External Funding Receipts and Developers’ Contributions). Of this amount, £1.0m represents the Council’s General Fund Working Balance with £9.929m held in specific earmarked reserves. Included within specific reserves is the Budget Strategy Reserve (£0.726m at 31st March 2023) which is used to support future General Fund expenditure.

Non-Financial Performance of the Council in 2022/23

The Council has a robust performance management process to ensure that our plans and strategies have the desired effect and are delivering effective outcomes. Once the Strategic Plan has been agreed by the Council it is managed through a corporate performance management system and monitored by the Policy and Resources Committee.

The methods by which we measure our progress in delivering our priorities and achieving our desired outcomes include monitoring our locally driven performance indicator set and our Life in Pendle Survey (which is our Resident Satisfaction survey). The performance indicator set is reviewed on an annual basis to ensure it remains relevant and meaningful and the Life in Pendle Survey is undertaken every two years.

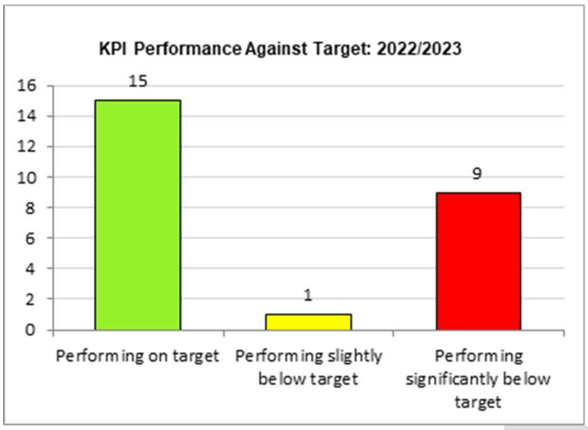
Our Strategic Plan identifies our priorities and objectives and details on how we plan to deliver them. It is supported by the Service Plans. These are used by Service Managers of each service group (including Liberata) as part of the day-to-day management of our services and set out what the service aims to deliver over the coming year and the performance targets it strives to meet. In turn these are also linked to the individual performance management reviews (PMRs) for all staff.

The table below provides a summary highlighting our progress over the last financial year against our core strategic objectives;

Strong Services	Strong Economy
• New Cemetery site at Halifax Road, Brierfield identified and acquired. • The Council secured a £6.5m levelling up and £25m town deal fund, for Colne and Nelson respectively. Work continues to execute these projects. • A Strategic Leisure Review was undertaken. • Support received from Lancashire Wildlife Trust for the creation of a Local Nature Reserve at Gibb Hill.	• Delivery of the extension to the Lomeshaye industrial estate is progressing with work completed on the construction of the access road, with provision of new services being 90% complete • PEARL2 is continuing with the delivery of new housing. With 32 new properties now being sold at Langroyd Place – the former Oak Mill site. • The Pendle Youth Employment Service (YES) Hub project delivered and operational. • The redevelopment of Northlight continues with 40 properties in phase 1 being completed, with 5 remaining to be sold
Strong Communities	**Strong Organisation**
• Pendle Food Network established to bring together all food banks and community food organisations to facilitate more collaborative working. • The Council delivered a household battery recycling collection scheme and promotional campaign for foil recycling. • Safeguarding learning (basic awareness) was rolled out to all staff, with frontline staff attending Safeguarding Level 2 training.	• An organisational restructure was undertaken and completed. • The JADU customer relationship management system continues to be developed across services to streamline processes. • The telephony upgrade project to replace the current Mitel telephony system with a Microsoft Teams telephony solution commenced. • Utilising the Government's Cyber Resilience Funding awarded to the Council, the Cyber Treatment Plan was successfully delivered which has enhanced and strengthened the Council's Cyber and Information Security arrangements and systems.

Key Performance indicators

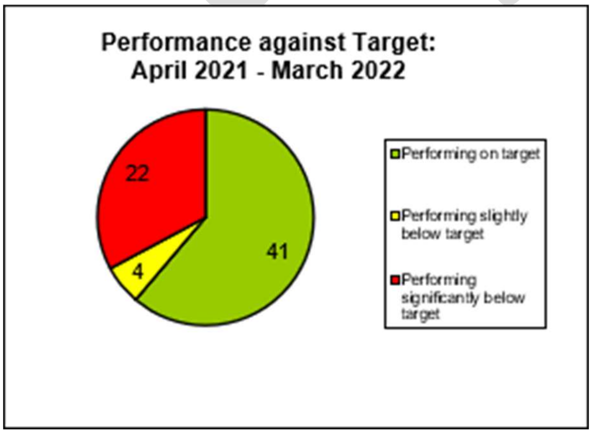
The Council has adopted a basket of 25 corporate key performance indicators (KPIs) which have been devised to provide Councillors with a gauge of performance representing a range of services delivered by and on behalf of the Council. This allows the Council to optimise the delivery of our strategic objectives. A report setting out the performance for 2022/23 was reported to the Executive in July 2023 and can be viewed at (www.pendle.gov.uk). A summary follows below:

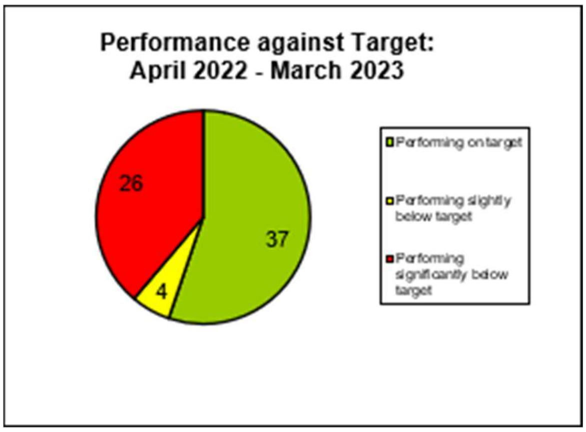


Given the continuing impacts of the pandemic, performance on the whole is considered to be fairly good across the Key Performance Indictors despite a large number of targets not having been met. However, it is important to note that it is difficult to fully compare / analyse performance as some targets for Liberata KPIs were not formally agreed for the year. For the purposes of the performance reports, we used the targets originally proposed by the Council for those KPIs where agreement could not be reached to enable some insight into performance for this period.

In total, the Council had 85 corporate performance indicators (PIs) including some of the KPIs outlined above which are classed as 'key' and reported to Members. Of the 85 corporate PIs reported on, performance could only be measured against 67. Performance could not be assessed against 17 PIs because they are either:
Data Only PIs - this means that targets have not been set due to the nature of the PI (e.g. monitoring trends).
Liberata Services PIs and no targets have been formally agreed – as per comments above.
Reported annually with a time lag in data reporting due to their complex data collection processes.

The summary below shows how these 67 PIs have performed during the period April 2022 – March 2023. As shown,





All the PIs that have underperformed in 2022/23 against the set targets have been presented to the Performance Clinic Panel (the members of which are the Council's Chief Executive, Director of Resources and Director of Place) regarding the performance achieved and subsequently reported to the Council's Policy & Resources Committee. For more information on our performance management arrangements please contact the Finance Team at the address shown at the end of this report.

Overview of Strategic Risks facing the Council

We endeavour to ensure that risk is managed across all of our activities. Our Risk Management Framework, supported by our performance management system, allows us to manage business risks in a measured way. It also provides a more robust approach to business planning and better informed decision making fostering a culture where uncertainty does not slow progress or stifle innovation. This ensures that our commitment and resources produce positive outcomes for the people who live and work in Pendle.

Our strategic risk register is a key component in ensuring that significant projects and programmes are delivered and address issues such as meeting community expectations, compliance with legal obligations, resource gaps and workforce development. Our Service Impact Assessments within the Service Planning process will identify gaps linked to equality, cohesion, health and community safety, alongside costs and legal obligations. We also use our approach to risk management to identify and drive opportunities for service development.

The Strategic Risk Register is reported periodically to the Accounts and Audit Committee and the top key strategic risks faced by the Council were identified as follows:-

Strategic Objectives	Risk (2022/2023)
ALL KEY OBJECTIVES	The Medium term financial plan is not sustainable
STRONG SERVICES	Major Disaster affecting delivery of Council services
	Increased Health Inequalities – Failure to deliver an improvement to the general health of Pendle's residents; Arrangements for Public Health in Lancashire fail to deliver health improvements in Pendle
	National crisis affecting delivery of Council services
	Financial position of Leisure Trust resulting in inability to provide existing level of service
	Climate Change, in particular the need to reduce our use of Single Use Plastics.
STRONG ECONOMY	Failure to optimise Pendle's economic growth / development within the region
	Failure to deliver a balanced housing market with reference to need and demand
	Failure to make an impact on young people were it is necessary to improve poor educational attainment
	Failure to bring development forward in line with the adopted Core Strategy leading to missed opportunities for growth in employment and housing
	Poor road, rail and digital connectivity prevents growth
STRONG COMMUNITIES	Universal credit impacts on the Council's contract with Liberata
STRONG ORGANISATION	Risk of serious data breach and failure to comply with General Data Protection Regulation (GDPR)
	Impact on Council's capacity/ viability of organisational change linked to on-going reductions in funding for local government

Each risk is assigned to nominated officers and the overall framework is monitored regularly by the Corporate Governance Steering Group. The Council's updated Risk Management Strategy and Policy Statement was formally approved by Council in December 2021. A further review is planned for 2023/24.

Further to this, the Council is undertaking a comprehensive review of the Strategic Risk Register and key officers have participated in a Risk Management Training Workshop. The updated Strategic Risk Register will be more focussed on the current climate and issues facing the Council whilst also being much easier to digest, providing an immediate understanding of the risks facing the Council and the timescales and plans for mitigating actions.

The Financial Outlook to 2025/26

Since 2010 the Council has experienced a significant reduction in funding from Central Government as the Government prioritised reducing the national deficit and implemented a range of austerity measures. Since then the Council has continuously reviewed services to look at ways of reducing costs whilst maintaining service provision. The current pressures on the Council are accurately reflected in the shortfall in funding over the medium term strategy.

There remains a huge degree of uncertainty around the future funding of local government and the extent to which Central Government wish to fund local services.

The Council continues to work hard to provide much needed local services within the resources available to it.

Access to Further Information
If you would like to receive further information about the Statement of Accounts please contact the Finance Team at Number 1 Market Street, Nelson, BB9 7LJ.

Karen Spencer

Karen Spencer
Director of Resources (s151 Officer)

STATEMENT OF ACCOUNTING POLICIES

Statement of Accounting Policies

N.B. These policies form part of the notes to the accounts.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the Local Government Act 2003 primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Council's accounts are prepared on a 'going concern' basis i.e. that its functions and services will continue in operational existence for the foreseeable future. An assessment is undertaken each year of the Council as a going concern for the purposes of producing the Statement of Accounts. The outcome of the most recent assessment was reported to the Accounts and Audit Committee in March 2023 and can be viewed at www.pendle.gov.uk.

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

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet subject to a de-minimus level of £500. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the date of acquisition and 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.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. 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 estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting 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.

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

6. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible 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 Minimum Revenue Provision (MRP) contribution, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) 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 (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employees take the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the

Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Council pension 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price.
    - unquoted securities – professional estimate.
    - unitised securities – current bid price.
    - property – market value.

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

- Service cost comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to

the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Net interest on the defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any charges in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Lancashire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

8. Events After the Reporting Period

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

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

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

9. Financial Instruments

Financial Liabilities

Financial liabilities 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 and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets and Liabilities Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

If the authority were to make a loan at less than market rate (soft loan), a loss would be recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model (Material Items)

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial assets are classified as Financial Assets at amortised cost – assets that have fixed or determinable payments but are not quoted in an active market;

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, 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 grant and contributions for which conditions have not been satisfied are carried in the Balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

11. Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

The Council’s Heritage Assets primarily comprise Civic Regalia and public realm assets which are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council’s history and local area. 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, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

The Council's collection of heritage assets is accounted for as follows:

- Civic Regalia

The collection of civic regalia comprises the following:

  - Various chains, pendants, badges of Office
  - Silver Mace / Silver Crib
  - Engraved ceremonial spades / trowels
  - Documents relating to the granting of the Town Charter / Coat of Arms (Nelson)
  - Coat of Arms (Pendle)
  - Various miscellaneous items including clocks, models, silver cups/bowls
  - Civic robes, hats and gloves

These items are carried on the Balance Sheet at a market valuation for insurance purposes. The collection of civic regalia is deemed to have an indeterminate life and a high residual value; hence the Council does not consider it appropriate to charge depreciation. The collection is relatively static and no further acquisitions or donations are expected.

- The Shuttle, Nelson Town Centre

The Shuttle monument formed the centrepiece of public realm improvements carried out by the Council in Nelson Town Centre during 2010/11 and 2011/12. The Shuttle is a 12m high steel sculpture of a weaving shuttle designed to celebrate the town's importance in the industrial revolution and the growth of the cotton industry. It is made from weathered steel to give it the same rusted colour as a traditional wooden shuttle. It is surrounded by granite blocks engraved with local phrases and a mill song. The Shuttle stands at the junction of Market Street and Scotland Road, and has a seated area around it and was officially unveiled in mid-August 2011. The Shuttle is reported on the Balance Sheet at cost (£36k).

- War Memorials and Other Heritage Assets

The Council is responsible for the preservation and maintenance of a number of war memorials in the following locations:

  - Wellhouse Road, Barnoldswick
  - Kelbrook Road, Barnoldswick
  - Off Colne Road, Barrowford
  - Colne Road, Brierfield
  - Albert Road, Colne
  - Market Square, Nelson
  - Colne Road, Earby

The memorials include stone cenotaphs, stone sculptures and memorial gardens. The memorials are not recognised on the Balance Sheet as reliable cost or valuation information is not readily available. Another example of a Heritage Asset is the bust of Wallace Hartley which stands in Colne. Wallace Hartley was the bandmaster on the Titanic which sank in 1912. In 1915 a statue of Wallace was erected in Colne funded by voluntary contributions to commemorate the heroism of a native of the town. As reliable cost or valuation information is not readily available the statue is not recorded on the Balance Sheet.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 16 in this summary of significant accounting policies.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised 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.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Interests in Companies and other Entities

The Council has interests in other companies that have the nature of joint venture arrangements but considers these not sufficiently material to require the preparation of group accounts. This assessment is reviewed annually.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings element are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Leases of Council-owned land are, subject to materiality, not accounted for as a finance lease unless the term of the lease exceeds 150 years in which case, it is treated as an operating lease. Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15. Overheads and Support Services

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

16. 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..

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 future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: 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;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The costs 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum land and buildings are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

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.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. 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 using the reducing balance method adopting the following annual percentages:

• Buildings (Sports Centres)	5%
• Buildings (Other)	2% or 10%
• Vehicles, Plant and Equipment	25%
• Community Assets	0% or 2%

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately. In considering whether or not there is a component the policy followed is:

- The land element will continue to be considered as a separate asset with its own valuation which, except in very unusual circumstances, will not be subject to depreciation.
- For any Property, Plant and Equipment with a value above £750,000 consideration will be given as to whether or not there is any significant part which requires a separate component. For the purposes of this exercise it is considered that an element that has a cost which is more than 20% of the total cost of the asset is significant.

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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as 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; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

17. Provisions, Contingent Liabilities and Contingent Assets

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, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises 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. Contingent liabilities also arise in circumstances 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.

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.

18. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

For further details of the Council Usable and Non-usable reserves, see Notes 21 and 22 to the Core Financial Statements.

19. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

20. VAT

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

21. Fair Value Measurement

The Council also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset 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 uses Liberata Property Services to provide a valuation of its surplus property assets in line with the highest and best use definition within the accounting standard. The highest and best use of the asset being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its surplus property assets are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 – unobservable inputs for the asset.

The Council's surplus assets are judged to be Level 2.

22. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts. In its capacity as billing authority the Council acts as an agent. During 2022/23 the Council collected and distributed NNDR on behalf of itself, the Government, Lancashire County Council and Lancashire Combined Fire Authority. Council Tax was collected and distributed on behalf of the Borough Council, the major preceptors, as per NNDR, as well as the Police and Crime Commissioner for Lancashire and local town and parish Councils.
Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year. Business rates accrued income for the year as well as business ratepayers, debtors, creditors and impairment allowance for doubtful debts and appeals are shared between the Council, Government and the major preceptors.

Collection Fund Debtors are reviewed collectively at the Balance Sheet date by debt type and provision is made for impairment based on the historical evidence of default in each category. The Council's share of the Collection Fund Debtors shown in the Balance Sheet is net of this impairment.

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued Council tax and business rates income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March. The Council's Balance Sheet includes the net creditor/debtor position with the Government and major preceptors for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council that officer is the Chief Executive (as the Council's designated s151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Resources responsibilities (as s151 Officer for the Council)

As the Director of Resources, I am responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts I have:-

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

I have also:-

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and its expenditure and income for the year ended 31st March 2023.

Karen Spencer

Karen Spencer
Director of Resources (s151 Officer)

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Reserves**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2021	**13,400**	**-**	**472**	**1,876**	**15,748**	**(16,784)**	**(1,036)**
Movement in reserves during 2021/22							
Total Comprehensive Income and Expenditure	**(16)**	**-**	**-**	**-**	**(16)**	**21,129**	**21,114**
Adjustments between accounting basis & funding basis under regulations **(Note 6)**	(2,327)	-	418	2,233	**324**	(324)	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(2,343)**	**-**	**418**	**2,233**	**309**	**20,805**	**21,114**
Balance at 31 March 2022	**11,057**	**-**	**890**	**4,109**	**16,057**	**4,021**	**20,078**
Movement in reserves during 2022/23							
Total Comprehensive Income and Expenditure	**(2,135)**	**-**	**-**	**-**	**(2,135)**	**27,459**	**25,324**
Adjustments between accounting basis & funding basis under regulations (**Note 6**)	2,007	-	1,011	1,525	**4,544**	(4,544)	**-**
Net Increase / Decrease in Year	**(128)**	**-**	**1,011**	**1,525**	**2,409**	**22,915**	**25,324**
Balance at 31 March 2023	**10,929**	**-**	**1,902**	**5,635**	**18,466**	**26,936**	**45,402**

General Fund analysed over:	
Amounts Earmarked (Note 7)	**9,929**
Amounts uncommitted (Bfwd/Cfwd)	**1,000**
Total General Fund Balance at 31/03/2023	**10,929**

Comprehensive Income and Expenditure Statement

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2021/22				2022/23	
Gross Expenditure	**Income**	**Net (Income)/Expenditure**		**Gross Expenditure**	**Income**	**Net (Income)/Expenditure**
£000's	**£000's**	**£000's**		**£000's**	**£000's**	**£000's**
2,632	1,955	677	Directorate	215	301	(85)
25,900	19,222	6,678	Financial Services	31,969	19,926	12,043
1,358	339	1,020	Democratic & Legal Services	1,424	125	1,299
3,291	2,861	430	Planning, Economic Dev & Regulatory Services	6,150	4,689	1,461
7,382	2,196	5,186	Environmental Services	7,903	2,295	5,608
4,424	1,947	2,478	Housing, Health & Engineering Services	5,928	5,048	879
44,988	**28,520**	**16,468**	**Cost Of Services**	**53,589**	**32,383**	**21,206**
2,816	-	2,816	Other Operating Expenditure **(Note 8)**	2,189	-	2,189
1,637	114	1,523	Financing and Investment Income and Expenditure **(Note 9)**	1,393	926	467
(837)	19,955	(20,792)	Taxation and Non-Specific Grant Income and Expenditure **(Note 10)**	1,086	22,813	(21,727)
		16	**(Surplus) or Deficit on Provision of Services**			**2,135**
		(581)	(Surplus) or deficit on revaluation of Property Plant and Equipment assets			(112)
		(20,548)	Remeasurement of net Defined Benefit Liability **(Note 35)**			(27,346)
		(21,129)	**Other Comprehensive Income and Expenditure**			**(27,459)**
		(21,114)	**Total Comprehensive Income and Expenditure**			**(25,324)**

Balance Sheet as at 31st March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 is those that the authority 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 in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022 £000's		Notes	31 March 2023 £000's
50,888	Property, Plant & Equipment	12	45,470
768	Heritage Assets	12	768
818	Intangible Assets	13	756
3,562	Long Term Debtors	14	3,629
56,036	**Long Term Assets**		**50,623**
20,506	Short Term Investments	14	16,665
183	Assets Held For Sale	18	205
37	Inventories		51
3,781	Short Term Debtors	16	1,924
11,804	Cash and Cash Equivalents	17	13,633
36,310	**Current Assets**		**32,479**
(1,096)	Short Term Borrowing	14	(1,096)
(21,108)	Short Term Creditors	19	(13,364)
(22,204)	**Current Liabilities**		**(14,460)**
(16)	Long Term Creditors	14	(6)
(2,288)	Provisions	20	(1,060)
(20,359)	Long Term Borrowing	14	(19,359)
(27,305)	Pension Liability	35	(2,728)
(96)	Other Long Term Liabilities		(87)
(50,064)	**Long Term Liabilities**		**(23,240)**
20,078	**Net Assets**		**45,402**
16,058	**Usable Reserves**	21	18,467
4,020	**Unusable Reserves**	22	26,935
20,078	**Total Reserves**		**45,402**

Karen Spencer

Karen Spencer
Director of Resources (s151 Officer)

Cash Flow Statement

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

2021/22 £000's		Note	2022/23 £000's
16	Net (surplus) or deficit on the provision of services		2,135
(11,750)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(4,315)
6,166	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		10,692
(5,568)	**Net Cash Flows from Operating Activities**	23	**8,512**
5,934	Investing Activities	24	(11,917)
(1,519)	Financing Activities	25	1,576
(1,153)	**Net (Increase) / Decrease in Cash and Cash Equivalents**		**(1,829)**
(10,651)	Cash and cash equivalents at the beginning of the reporting period		(11,804)
(11,804)	**Cash and Cash Equivalents at the end of the reporting period**	17	**(13,633)**

Index of Explanatory Notes to the Core Financial Statements

Notes to the Core Financial Statements

1. **Accounting Standards that have been issued but have not yet been 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 standard which has been issued but is yet to be adopted by the 2022/23 Code.

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

Accounting changes that are introduced by the 2023/24 Code and relevant to this Council are:
▪ Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
▪ Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
▪ Updating Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

These changes are not expected to have a material impact on the Council's single entity statements.

IFRS 16 Leases

IFRS 16 Leases: This standard will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

CIPFA/LASAAC have deferred implementation of IFRS16 for local government until 1 April 2024. It is considered too early to give an accurate estimate but this is likely to have a material impact on the Council's balance sheet.

2. **Critical judgements in applying accounting policies**

In applying the Accounting Policies set out in the Statement of Accounting Policies on pages 20 to 36, 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:

- As outlined in the Narrative Report there remains a high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to indicate that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. This will be re-assessed when details of the Government's Comprehensive Spending Review and Fair Funding Review are published.

- Under the terms of an agreement dated 29th September 2000 the Council entered into a long term agreement with Pendle Leisure Ltd (a registered industrial and provident society) for the provision of Community Arts and Leisure Services within the administrative area of Pendle. This agreement runs to 2028. In February 2005 the Council entered into a public/private partnership with Liberata, covering a 15 year period, for the provision of a range of services previously provided in-house. In May 2017 the arrangement with Liberata was extended to 2030. Neither Liberata nor Pendle Leisure Trust is considered to fall within the local authority group.

The partnership with Liberata is considered a contract for services under which no entity is established. As an exempt charity the governance of the Leisure Trust is such that the Council cannot and does not exercise sufficient influence over its activities to amount to control.

- At the reporting date the Council had established four joint venture arrangements with a private sector partner trading as Pendle Enterprise and Regeneration Limited (PEARL, PEARL 2, PEARL (Brierfield Mill) Limited) and a Housing Association (PEARL Together). Whilst each is considered a jointly controlled entity, they are not regarded as so financially material to the Council to require the preparation of Group Accounts. More detail on the joint venture arrangements is provided at Note 36.

- The Council's land and buildings 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 required Plant, Property and Equipment valuations are revalued within a five year cycle. Assets subject to review had a valuation date of 1 April 2022. Throughout the year valuers assess any changes in market conditions or the economic environment that may impact the fair value of the PPE. Any confirmed material changes after this date have been accounted for.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The most significant items in the Authority's Balance Sheet at 31st March 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment (PPE)

As at the 31st March 2023, the Council's Balance Sheet includes PPE assets of £50.1m. All assets measured at fair value are revalued as part of a rolling 5 year programme with valuations provided by Liberata Property Services under a wider public private partnership with the Council. Valuations are based on estimates and assumed market conditions at the point in time, these conditions can fluctuate. The terms of engagement between the parties for property valuations comply with the requirements of the Royal Institution of Chartered Surveyors (RICS).

Debt Impairment

At 31st March 2023 the Council had a balance of debtors of £7.443m. A review of significant balances suggested that an impairment of doubtful debts of £5.994m was appropriate (equivalent to 81% of the debt outstanding). This compares to 61% as at 31 March 2022 and includes management's assessment of the early impact of the COVID-19 pandemic on income receivable. Proportional estimates are used in the management's assessment of likely long term debt recovery, these can differ to actual debt recovery fulfilled.

Pensions

The estimation of the net pensions due depends on a number of complex judgements. The Fund Actuary makes judgements in relation to factors such as the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The effect of the assessment at 31st March 2023 was a surplus in payment made, showing the net estimate as an asset.

The effects on the net pension liability of changes in individual assumptions can be measured. However, changes are complex because the different assumptions interact. Under current accounting rules, a change in the pension liability/asset does not impact upon the net cost of the General Fund.

Business Rates

Since the introduction of the Business Rates Retention Scheme on 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses following the 2017 Revaluation in their proportionate share.

Therefore, a provision has been recognised for the best estimate of the amount that businesses may have been overcharged up to 31st March 2023. The estimate has been calculated using the latest Valuation Office Agency ratings list of appeals as at 31st March 2023. The Council's share of the provision held at this date is £0.710m being 40% and a decrease of £1.228m compared to the previous year (£1.938m). In 2020/21 reverted back to 40% as the 56% share was based on a one year only 75% Pilot Pooling Agreement. Appeals can be made on the basis of local and national issues that may impact on the Rateable Values of hereditaments.

4. Material items of income and expense

There are no material items of income and expenditure in 2022/23 other than those disclosed separately in the Statement of Accounts. The Council has adopted IFRS 15 *Revenue from contracts with customers* in accordance with the Code; however this has no material impact on the financial statements.

5. Events after the balance sheet date

The draft Statement of Accounts was authorised for issue by the Director of Resources (as Chief Finance Officer) on November 2023. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves				
2022/23	General Fund Balance £000's	Earmarked Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	**Movement in Unusable Reserves** £000's
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,512	-	-	-	(1,512)
Revaluation losses on Property Plant and Equipment	5,956	-	-	-	(5,956)
Amortisation of intangible assets	204	-	-	-	(204)
Capital grants and contributions applied	(2,504)	-	-	-	2,504
Movement in the Donated Assets Account		-	-	-	-
Revenue expenditure funded from capital under statute	5,115	-	-	-	(5,115)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	524	-	-	-	(524)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(553)	-	-	-	553
Voluntary provision for the financing of capital investment	(800)	-		-	800
Capital expenditure charged against the General Fund	(57)	-	-	-	57
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,739)	-	-	4,739	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(3,155)	3,155
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(899)	-	899	-	-
Capital receipts unapplied credited to the Comprehensive Income and Expenditure Statement	(23)	-	23	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(59)	59
Transfer in respect of Long Term Debtor proceeds	-	-	52	-	(52)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(39)	-	39	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(11)	-	-	-	11
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	2,970	-	-	-	(2,970)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,851)	-	-	-	1,851
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council non-domestic rating income calculated tax and for the year in accordance with statutory requirements	(2,771)	-	-	-	2,771
Adjustment primarily involving the Accumulated Absences Account:					
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	(28)	-	-	-	28
Total Adjustments	**2,007**	**-**	**1,011**	**1,525**	**(4,544)**

2021/22	General Fund Balance £000's	Earmarked Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	**Movement in Unusable Reserves** £000's
	Usable Reserves				
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	1,443	-	-	-	(1,443)
Revaluation losses on Property Plant and Equipment	1,210	-	-	-	(1,210)
Impairment of Long Term Debtor	-	-	-	-	-
Amortisation of intangible assets	123	-	-	-	(123)
Capital grants and contributions applied	(2,408)	-	-	-	2,408
Movement in the Donated Assets Account	-	-	-	-	-
Revenue expenditure funded from capital under statute	1,885	-	-	-	(1,885)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,065	-	-	-	(1,065)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	(491)	-	-	-	491
Voluntary provision for the financing of capital investment	79	-	(79)	-	-
Capital expenditure charged against the General Fund	(200)	-	-	-	200
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,141)	-	-	3,141	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(891)	891
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(695)	-	695	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(218)	(16)	235
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	-	-		-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	-		-	-
Transfer in respect of Long Term Debtor proceeds	-	-	20	-	(20)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-		-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(14)	-	-	-	14
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 35)	3,003	-	-	-	(3,003)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,871)	-	-	-	1,871
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council non-domestic rating income calculated tax and for the year in accordance with statutory requirements	(2,256)	-	-	-	2,256
Adjustment primarily involving the Accumulated Absences Account:					
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	(59)	-	-	-	59
Total Adjustments	**(2,327)**	**-**	**418**	**2,233**	**(324)**

7. MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in other earmarked funds and reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	2021/22			2022/23		
	Transfers In	Transfers Out	Balance at 31 March 2022	Transfers In	Transfers Out	Balance at 31 March 2023
	£000's	£000's	£000's	£000's	£000's	£000's
Business Rates Volatility Reserve	1,561	-	**2,862**	-	(310)	**2,552**
Revenue Expenditure	-	(497)	**1,425**	615	(189)	**1,851**
Energy Reserve	1,250	-	**1,250**	-	-	**1,250**
Revenue Grants Received	-	-	**-**	982	-	**982**
Budget Strategy	1,359	(2,232)	**1,514**	89	(877)	**726**
One-off Projects Reserve	500	-	**500**	-	-	**500**
Pearl Development Reserve	-	-	**300**	-	-	**300**
External Funding Receipts	77	(81)	**166**	111	(22)	**254**
ICT Strategy	56	(200)	**227**	-	-	**227**
Growth Sites Development	-	(20)	**196**	-	-	**196**
Towns Fund Reserve	-	-	**162**	-	-	**162**
Future High Streets Reserve	-	-	**138**	-	-	**138**
Staff Development/Apprentices	-	(65)	**123**	-	-	**123**
Business Growth Incentive	-	(3)	**123**	-	-	**123**
Performance	-	(37)	**98**	-	-	**98**
Local Development Framework	-	(34)	**115**	-	(43)	**72**
Developers' Contributions	-	(7)	**71**	-	-	**71**
COVID19 Response Reserve	-	(313)	**70**	-	-	**70**
Renewals Reserve	-	-	**68**	-	-	**68**
Insurance/Risk Management	-	-	**66**	-	-	**66**
VAT Partial Exemption	-	-	**50**	-	-	**50**
Community Projects Reserve	-	-	**22**	-	-	**22**
Transformation Reserve	250	-	**250**	-	(234)	**16**
Portas Pilot	-	-	**7**	-	-	**7**
New Homes Bonus Reserve	-	(250)	**252**	-	(250)	**2**
High Street Innovation Fund	-	-	**2**	-	-	**2**
Community Investment Reserve	-	-	**2**	-	-	**2**
S31 Receipts Received in Advance	-	(3,446)	**0**	-	-	**0**
Change Management	-	(211)	**-**	-	-	**-**
	5,053	**(7,396)**	**10,057**	**1,797**	**(1,925)**	**9,929**

Further information on the reserves shown above is provided in Appendix 1 on page 102.

In addition to those Earmarked Reserves outlined above, the Council also has other Usable Reserves as reported in the Balance Sheet (page 42).

The Council's Usable Reserves at 31 March 2023 are presented below:

	£'000
Earmarked Reserves	9,929
Uncommitted Funds	1,000
Capital Receipts Reserve*	1,902
Capital Grants Unapplied**	5,635
Total Usable Reserves	**18,467**

*Brought forward and carry forward balances for these reserves are shown in the Movement in Reserves Statement (page 40) with in-year movements disclosed in Note 6 (page 48).

**Capital Grant Unapplied

	2021/22 General Capital Receipts	2021/22 S106 Receipts	2021/22 £000's	2022/23 General Capital Receipts	2022/23 S106 Receipts	2022/23 £000's
Brought forward	1,419	457	1,876	3,668	441	4,109
Received in year	5,548	-	5,548	7,215	9	7,224
Used in year	(3,300)	(16)	(3,316)	(5,639)	(59)	(5,698)
Total	**3,668**	**441**	**4,109**	**5,244**	**391**	**5,635**

8. OTHER OPERATING EXPENDITURE

2021/22 £000's		2022/23 £000's
2,334	Parish Council Precepts	2,440
(1)	Levies (County Council share of retained Business Rates Levy)	79
452	(Gains)/Losses on the disposal of Non-Current Assets	(364)
31	Pensions - Fund Administration Costs	34
2,816	**Total**	**2,189**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22 £000's		2022/23 £000's
657	Interest payable and similar charges	630
980	Pensions interest cost and expected return on pensions assets	763
(110)	Interest Income	(845)
(3)	Other income	(81)
1,523	**Total**	**467**

10. TAXATION AND NON SPECIFIC GRANT INCOMES

2021/22 £000's		2022/23 £000's
(9,289)	Council Tax Income (Net)	(9,602)
(2,562)	Non Domestic Rates (Net)	(3,791)
-	- Grant for Reimbursement of Sales, Fees and Charges	
(1,170)	- Revenue Support Grant	(1,206)
(168)	- New Homes Bonus Grant	(462)
	- Levy/Surplus Allocation	(34)
(100)	- Council Tax Annexe Grant	-
(9)	- New Burdens	(317)
(2,952)	- Small Business Rate Relief Grant	(3,301)
(633)	- Tax Income Guarantee	-
(173)	- Lower Tier Services	(467)
(236)	- Local Council Tax Support	(4)
(3,500)	- Capital Grants and Contributions	(2,541)
(20,792)	**Total**	**(21,727)**

11. OPERATING LEASES

Council as a Lessee; In 2022/23 expenditure included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the below leases was £883,524 (£906,974 in 2021/22).

2021/22 £000's		2022/23 £000's
846	Not later than 1 year	842
2,520	Later than 1 year, not later than 5 years	1,683
181	Later than 5 years	181
3,547		**2,706**

Council as a Lessor; In 2022/23 income included in the Net Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the below leases was £668,336 (£355,126 in 2021/22).

2021/22 £000's		2022/23 £000's
(186)	Not later than 1 year	(527)
(406)	Later than 1 year, not later than 5 years	(1,414)
(58)	Later than 5 years	(484)
(651)		**(2,425)**

12. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for 2022/23 are as follows:-

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1st April 2022	43,585	6,218	768	141	4,643	2,590	57,945
Additions	425	185	-	13	1,812	-	2,435
Revaluations increases/(decreases)							
- to Revaluation Reserve	362	-	-	(73)	(166)	(11)	112
- to Provision of Services	(1,333)	-	-	-	(94)	-	(1,427)
Derecognition							
- disposals	(6)	(31)	-	-	(266)	(207)	(510)
- other	(265)	-	-	-	(512)	(3)	(780)
Reclassification of Assets	687	-	-	73	737	(1,497)	0
- (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
At 31st March 2023	**43,455**	**6,372**	**768**	**154**	**6,154**	**872**	**57,776**
Accumulated Depreciation and Impairment							
At 1st April 2022	1,530	4,759	-	-	-	-	6,289
Depreciation charge		-	-	-	-	-	-
Depreciation	-	-	-	-	-		-
- to Revaluation Reserve	-	-	-	-	-		-
- to Provision of Services	1,144	365	-	-	-	3	1,512
Impairments	-	-	-	-	-		-
- to Revaluation Reserve	-	-	-	-	-		-
- to Provision of Services	-	-	-	-	3,911		3,911
Derecognition	-	-	-	-	-		-
- disposals	-	(12)	-	-	-		(12)
- other	(160)	-	-	-	-	(3)	(163)
Reclassification of Assets	(67)	-	-	-	67		-
- (to)/from Held for Sale	-	-	-	-	-		-
Other movements	-	-	-	-	-		-
At 31st March 2023	2,447	5,112	-	-	3,978	-	11,537
Net Book Value 31st March 2023	**41,008**	**1,260**	**768**	**154**	**2,176**	**872**	**46,239**
Net Book Value 31st March 2022	**42,055**	**1,459**	**768**	**141**	**4,643**	**2,590**	**51,656**

Comparative movements in property, plant and equipment for 2021/22 were as follows:-

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Heritage Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation							
At 1st April 2021	44,530	5,850	768	135	2,498	3,980	57,762
Additions	764	367	-	5	2,146	424	3,706
Revaluations increases/(decreases)							
- to Revaluation Reserve	1,106	-	-	-		(814)	292
- to Provision of Services	(742)	-	-	0		(423)	(1,165)
Derecognition							
- disposals	(561)	-	-	-	-	(615)	(1,176)
- other	(1,470)	-	-	-	-	-	(1,470)
Reclassification of Assets	(40)	-	-	-	-	40	-
- (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
At 31st March 2022	**43,587**	**6,218**	**768**	**141**	**4,643**	**2,592**	**57,949**
Accumulated Depreciation and Impairment							
At 1st April 2021	2,034	4,395	-	-	-	2	6,431
Depreciation charge	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
- to Revaluation Reserve	-	-	-	-	-	-	-
- to Provision of Services	1,078	364	-	-	-	-	1,442
Impairments	-	-	-	-	-	-	-
- to Revaluation Reserve	-	-	-	-	-	-	-
- to Provision of Services	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-
- disposals	(109)	-	-	-	-	(2)	(111)
- other	(1,470)	-	-	-	-	-	(1,470)
Reclassification of Assets	(2)	-	-	-	-	2	
- (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
At 31st March 2022	1,532	4,759	-	-	-	2	6,293
Net Book Value 31st March 2022	**42,055**	**1,459**	**768**	**141**	**4,643**	**2,590**	**51,656**
Net Book Value 31st March 2021	**42,494**	**1,457**	**768**	**134**	**2,498**	**3,979**	**51,330**

Heritage Assets

Detailed information on the Council's Heritage Assets is provided in the Accounting Policies note 11 on page 27. There have been no disposals or acquisitions of heritage assets since 2011/12 when the Shuttle in Nelson town centre was recognised as a heritage asset and included in the Council's balance sheet.

Depreciation

Depreciation, using the reducing balance method, has been charged according to the estimated life of the asset involved, as assessed by the Property Services Manager. This officer also undertook a general review of values, by category of asset.

Depreciation is calculated using the reducing balance method adopting the following annual percentages:

- Buildings (Sports Centres) 5%
- Buildings (Other) 2% or 10%
- Vehicles, Plant and Equipment 25%
- Community Assets 0% or 2%

Capital Commitments

At 31st March 2023, the Council had contractual commitments to the value of £428,875 for the acquisition, construction or enhancement of Property, Plant and Equipment.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations have been carried out by qualified staff under Mr P Kirby, the Property Services Manager for Liberata (who provide this professional service to the Council as part of a public private partnership arrangement). 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. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land and Buildings £000's	Vehicles, Plant, Furniture & Equipement £000's	Heritage Assets £000's	Community Assets £000's	Assets under Construction £000's	Surplus Assets £000's	Total £000's
Carried at historical cost	11,713	765	768	142	57	-	13,445
Valued as at:							
31st March 2023	4,726	-	-	-	2,119	766	7,611
31st March 2022	14,677	4	-	6	-	45	14,732
31st March 2021	55	220	-	-	-	-	275
31st March 2020	827	71	-	-	-	1	899
31st March 2019	9,010	200	-	6	-	61	9,277
Total Cost or Valuation	**41,008**	**1,260**	**768**	**154**	**2,176**	**873**	**46,239**

13. INTANGIBLE ASSETS

The Authority accounts for its software 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. The intangible assets are software and associated licences.

The carrying amount of intangible assets is amortised on a reducing balance basis at 25%. The amortisation of £100k charged to revenue in 2021/22 was charged to Corporate Management and then absorbed as an overhead across all the service headings in the Net Expenditure on Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2021/22 Total £000's		2022/23 Total £000's
	Balance at 1st April	
1,659	Gross carrying amount	2,047
(1,106)	Accumulated amortisation	(1,229)
553	**Net carrying amount at 1st April**	**818**
388	Additions	142
(123)	Amortisation for the period	(204)
817	**Balance at 31st March**	**756**
	Comprising:	
2,047	- Gross carrying amounts	2,190
(1,229)	- Accumulated amortisation	(1,434)
818		**756**

There are no items of capitalised software that are individually material to the financial statements.

14. 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.

The term ‘financial instrument’ covers both financial assets and financial liabilities. These range from straight forward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council’s borrowing and investment transactions are classified as financial instruments.

The Code requires disclosures in relation to financial instruments with two objectives relating to helping users evaluate:

- the significance of financial instruments for the Council’s financial position and performance;
- the nature and extent of risks arising from financial instruments to which the Council was exposed and how the Council manages those risks.

Categories of Financial Instruments

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

2021/22			2022/23	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000's	£000's		£000's	£000's
		Financial Assets Measured at:		
		Amortised Cost		
32,310	32,310	Investments*	30,298	30,298
32,310	**32,310**	**Total Investments**	**30,298**	**30,298**
3,562	3,562	Long-Term Debtors	3,629	3,629
1,318	1,318	Short-Term Debtors	1,099	1,099
4,881	**4,881**		**4,728**	**4,728**
37,190	**37,190**		**35,025**	**35,025**
		Financial Liabilities Measured at:		
		Amortised Cost		
20,359	20,359	Long-Term Borrowing	19,359	19,359
1,096	1,096	Short-Term Borrowing	1,096	1,096
21,456	**21,456**		**20,456**	**20,456**
16	16	Long-Term Creditors	6	6
2,256	2,256	Short-Term Creditors	1,210	1,210
2,272	**2,272**	**Total Creditors**	**1,216**	**1,216**
23,728	**23,728**		**21,671**	**21,671**

* Included in this balance are the short term investments, cash and cash equivalents shown on the face of the Balance Sheet.

Income, Expense, Gains and Losses

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

2021/22						2022/23				
Financial Liabilities : measured at amortised cost	**Financial Assets : Loans and Receivables**	**Financial Assets : Loans and Receivables**	**Assets and Liabilities at Fair Value Through I&E**	**Total**		**Financial Liabilities : measured at amortised cost**	**Financial Assets : Loans and Receivables**	**Financial Assets : Loans and Receivables**	**Assets and Liabilities at Fair Value Through I&E**	**Total**
£000's	**£000's**	**£000's**	**£000's**	**£000's**		**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
657				**657**	Interest expenses	630				**630**
657	**-**	**-**	**-**	**657**	**Total expense in Surplus or Deficit on the Provision of Services**	**630**	**-**	**-**	**-**	**630**
		(135)		**(135)**	Interest income	(845)				**(845)**
-	**-**	**(135)**	**-**	**(135)**	**Total income in Surplus or Deficit on the Provision of Services**	**(845)**	**-**	**-**	**-**	**(845)**
657	**-**	**(135)**	**-**	**522**	**Net (gain)/loss for the year**	**(215)**	**-**	**-**	**-**	**(215)**

Fair Values of Assets and Liabilities

Financial assets classified as loans and receivables and financial liabilities are carried in the Balance Sheet at amortised cost. The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

The disclosures relating to Financial Instruments are meant to highlight differences that may exist between the value assigned to an item on the Balance Sheet and the value as ascertained by a ‘fair value’ calculation e.g. if the Council’s portfolio of loans included a number of fixed rate loans where the interest rate paid is higher than the rates available for similar loans at the Balance Sheet date then this commitment to pay interest above market rates increases the amount we would have to pay if the lender agreed to early repayment of the loans. Accordingly the fair value would be higher than shown on the face of the balance sheet.

The Balance Sheet is required to have a minimum of four balances relating to financial instruments: long term investments, current assets (short term investments and debtors), current liabilities (short term borrowing and creditors) and long term borrowing. An analysis of each item within these categories has been carried out with the following conclusions:-

Amortised Costs £35.44 m

The following assets are shown on the Balance Sheet at amortised cost. Unless otherwise stated, all balances shown are an adequate approximation of fair value in view of the amounts involved.

- Investments £30.8m
- Long Term Debtors £3.63m
- Current Debtors £1.01m

Investments £30.8m

These amounts are cash deposits held within financial institutions or on loan to Lancashire County Council. These relate to surplus cash balances held over the year end and loaned out temporarily as part of treasury management operations to financial institutions and local authorities. To mitigate against the risk of loss, the Council places investment limits (approved annually) on each financial organisation depending on its credit rating and asset base.

The Council has not suffered any counterparty defaults during the year. The deposits invested at the year-end have been assessed for impairment by looking at each institution's credit rating and general standing. It has not been considered necessary to write off or impair any of the investments held at the balance sheet date.

- Temporary Loans £28.5m
- Bank £1.0m
- LCC Call £1.3m

Long Term Debtors £3.63m

The Council has a small number of debtors being repaid over various periods longer than one year. These are shown in the Balance Sheet at principal outstanding.

- Housing Advances £0.04m
- PEARL £3.05m
- Other £0.54m

Housing advances are for previous Council Housing tenants where they are buying their house under the Governments RTB scheme for unconventional build construction.

PEARL (Pendle Enterprise and Regeneration) consists of three joint venture Limited Companies with shares held jointly between Barnfield Investment Properties Limited and Pendle Borough Council. The Council also has a fourth joint venture (PEARL Together) with Barnfield Investment Properties and Harewood Housing Society. The loans made to PEARL cover regeneration capital schemes. The loans are offered on deferred repayment terms.

Current Debtors £1.01m

The sum of £1.01m (for contributions and reimbursements and sales, fees charges and other income) has been included as amortised cost financial assets. Council tax and business rate arrears are statutory debts and do not arise from contracts and so are not classed as financial assets, and prepayments are not included as financial assets as they are not contracts giving rise to financial assets and liabilities.

Financial Liabilities £21.67m

- Borrowing £20.5m
- Creditors £1.21m

Financial liabilities are shown on the Balance Sheet at amortised cost. Fair values are disclosed below for each type of financial liability where the carrying value on the Balance Sheet is not an adequate approximation.

- **Borrowings £20.5m**

All borrowings are shown at amortised cost which for these loans is the same as principal outstanding. Of the total borrowings £19.4m has been borrowed from the PWLB, with £0.1m being borrowed from other bodies.

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowings from the money markets and PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

As the Council has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The main risk is that the Council will need to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The main treasury management strategy to deal with this is to manage the Council's debt maturity profile so that it is as smooth as possible taking account of historic debt and available interest rates.

There is a range of possible fair values for these borrowings at the Balance Sheet date. A fair value of £15.9m is based on the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with PWLB, against what would be paid if the loans were at prevailing market rates.

- **Creditors £1.21m**

The total of £1.21m is for trade and other payables, tax and social security creditors has been included in financial liabilities. All other categories of creditor arising from statutory debts (Council tax and business rates), are governed by more specific reporting standards, or are not contracts giving rise to financial assets and liabilities.

Fair Values

Investments and borrowings; the Council has obtained a 'fair value' calculation carried out by our external Treasury Management consultants in respect of these items on the balance sheet which is shown in the table below:

2021/22			2022/23	
Carrying Amount £000's	Fair Value £000's		Carrying Amount £000's	Fair Value £000's
21,359	22,528	PWLB borrowing*	20,359	15,861
21,359	**22,528**	**Total financial liabilities**	**20,359**	**15,861**
26,500	26,500	Loans and receivables*	29,800	29,800
26,500	**26,500**	**Total loans and receivables**	**29,800**	**29,800**

*The carrying amount for short-term Financial Instruments (i.e. less than 365 days) is considered an acceptable approximation of fair value at the Balance Sheet date by the Code. Short-term Public Works Loan Board (PWLB) borrowing with a carrying amount of £1m is included in the above table. All loans and receivables are short-term.

In terms of the long-term PWLB debt, the fair value is different than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. As the purpose of the fair value disclosure is primarily to provide a comparison with the carrying amount in the Balance Sheet and as this contains accrued interest then the fair value figure also includes accrued interest.

When calculating the fair value of long-term PWLB debt our Treasury Management consultants have used the borrowing rate for new PWLB loans as the discount factor for all borrowing whereas the PWLB use the premature repayment rates for their values. The Code Guidance Notes for Practitioners confirms that it is acceptable for either or both valuations to be used. Applying premature repayment rates result in a fair value figure for PWLB borrowing of £18.001m rather than the value of £15.861m shown in the table above.

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy for 2022/23 which incorporates the prudential indicators was approved by Council in March 2022. The strategy document is available on the Council website at www.pendle.gov.uk.

The key issues within the strategy were:

- Inclusion of Commercial Investment activity;
- The Authorised Limit for 2022/23 was set at £30.5m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £28.5m. This is the level beyond which external debt is not normally expected to exceed.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt.

The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings. The Annual Investment Strategy also imposes a maximum sum to be invested with any approved financial institution and other approved sectors (e.g. local authorities). The credit criteria in respect of financial assets held by the authority are as detailed below.

Deposits are only made with main UK clearing banks and three UK building societies (taking in to account credit ratings issued by Fitch and supplied weekly by our Treasury Management consultants). Limits are assigned for each counterparty in relation to the maximum duration and amount of investment. The maximum duration limits that have applied during 2022/23 range from 100 days to 364 days. The maximum sums invested range from £2.5m to £10.0m (£10.0m for the Council's Bankers) and £6.0m for Lancashire County Council.

Any short-term operational breaches of these limits are reported to the Council's Accounts and Audit Committee during the year. The Council does not expect any losses from non-performance by any of its counterparties. The Council has not breached its counterparty limits during 2022/23.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2023 that this was likely to crystallise.

Amounts arising from Expected Credit Losses

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

A summary of the credit quality of the Council's individual investments at 31st March 2023 is shown below, along with the potential maximum exposure to credit risk, based on duration to maturity, experience of default and uncollectability.

Cash Deposits	Principal (£)	Lowest Long Term Rating	Historic Risk of Default	Expected Credit Loss (£)
CCLA PSDF	3,000,000	AAAm		
Lancashire CC	1,300,000	AA-	0.000%	0
Santander UK PL	2,000,000	A	0.000%	7
DMO	6,000,000	AA-	0.000%	0
DMO	3,000,000	AA-	0.001%	0
Nationwide BS	2,500,000	A	0.002%	62
Lloyds Bank PLC	2,000,000	A+	0.004%	87
Natiionwide BS	2,500,000	A	0.006%	161
Coventry BS	2,500,000	A-	0.007%	170
Leeds BS	2,500,000	A-	0.011%	281
Coventry BS	2,500,000	A-	0.015%	377
Total	**29,800,000**			**1145**

*The Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:-

	Amount £000s	Historical experience of default %	Adjustment for market conditions %	Estimated maximum exposure to default £000s	Estimated maximum exposure to default £000s
Cash deposits :	31-Mar-23	31-Mar-23	31-Mar-23	31-Mar-23	31-Mar-22
Banks & Building Societies	16,665	0.00%	0.00%	Nil	Nil
Other Local Authorities / Govt	13,319	0.00%	0.00%	Nil	Nil
Sundry /Trade Debtors	1,433	3.00%	48.00%	731	369
Total	**31,416**			**731**	**369**

The trade debtor amount can be analysed by age as follows:-

2021/22 £000's		2022/23 £000's
30	Less than one month	879
239	Less than three months	115
42	Three to six months	50
42	Six months to one year	41
371	More than one year	348
724		**1,433**

Trade debtors are not subject to internal credit rating and have been collectively assessed in the following groupings for the purposes of calculating expected credit losses:-

Maximum Exposure: £731k

Expected credit losses are calculated based on historical data for defaults adjusted for current and forecast economic conditions. Debt write-off is considered when normal recovery procedures have been unable to secure payment. Prior to write-off, all possible action will have been taken to secure the debt, however the extent to which it is pursued is dependent on the amount of the debt and the financial circumstances of the debtor.

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow requirements, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Central Treasury Team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period approved within the Treasury Management Strategy:

2021/22 £000's		2022/23 £000's
1,000	Less than one Year	1,000
1,000	Between one and two years	1,000
2,500	Between two and five years	1,500
1,500	Between five and ten years	1,500
15,359	More than ten years	15,359
21,359		**20,359**

Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances). As an example, a 1% increase in the discount rate would reduce the fair value of the Council's borrowing liabilities shown on page 61 from £20.359m to £14.040m;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- Investments at fixed rates – the fair value of the assets will fall for long-term investments i.e. for those in excess of 365 days (no impact on revenue balances). The Council does not hold any long-term investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. To limit the potential impact of changes in interest rates on variable rate borrowing a limit of 25% of total borrowing is set at the maximum that may be borrowed at variable rate. During 2022/23 the Council had no borrowings with variable interest rates.

Price risk
The Council does not invest in equity shares or marketable bonds.

Foreign exchange risk
The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

16. SHORT-TERM DEBTORS

2021/22 Total £000's		2022/23 Total £000's
916	Central Government Departments	899
1,455	Other Local Authorities	701
13	NHS Bodies	4
3,091	Business Rate Payers/Council Tax Payers	2,339
-	Prepayment of Pension Fund Contributions	
4,046	Other Entities and Individuals	3,975
9,521	**Total Debtor Balance**	**7,918**
(5,740)	Provision for Bad and Doubtful Debts	(5,994)
3,781	**Net Debtor Balance**	**1,924**

17. CASH AND CASH EQUIVALENTS

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

31 March 2021/22 Total £000's		31 March 2022/23 Total £000's
-	Cash held by the Council	-
5,804	Bank current accounts	314
6,000	Bank/Other Deposits - instant access	4,300
	Short term deposit	9,019
11,804		**13,633**

18. ASSETS HELD FOR SALE

2021/22 £000's		2022/23 £000's
228	**Balance at 1st April**	**183**
-	In year capital expenditure	50
(45)	Revaluation gains (losses)	(0)
-	Assets sold	(28)
183	**Balance at 31st March**	**205**

19. CREDITORS

2021/22 Total £000's		2022/23 Total £000's
6,319	Central Government bodies	4,790
217	Other Local Authorities	354
22	NHS bodies	-
5,901	Business Rate Payers/Council Tax Payers	6,739
8,647	Other entities and individuals	1,481
21,108		**13,364**
	Receipts in Advance included in the above creditors:	
-	Central Government bodies	-
-	Other Local Authorities	41
1,538	Business Rate Payers/Council Tax Payers	309
5,714	Other entities and individuals	134
7,252		**484**

20. PROVISIONS

The provisions relate to service areas where there is a known liability but uncertainty about the exact amount or the dates on which they will arise.

Details of the main provisions are shown below:-

2021/22 £000's		Advanced £000's	2022/23 Utilised £000's	£000's
75	Burnley and Pendle JTC	0	-	**76**
1	Interest on PSW Deposits		(1) -	**0**
264	Municipal Mutual Insurance	-	-	**264**
11	Other	3	(4)	**11**
1,938	Business Rates Appeals*	(1,077)	(151)	**710**
2,289		**(1,073)**	**(156)**	**1,060**

*The provision for Business Rates Appeals represents the Council's estimated share of sums repayable to businesses on successful appeal against their rateable value, as determined by the Valuation Office Agency (VOA).

21. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

22. UNUSABLE RESERVES

Unusable Reserves include:

- unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve)
- adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pensions Reserve).

2021/22 £000's		2022/23 £000's
24,105	Revaluation Reserve	23,195
11,027	Capital Adjustment Account	5,814
(28,956)	Pensions Reserve	(2,728)
(119)	Financial Instruments Adjustment Account	(108)
(1,897)	Collection Fund Adjustment Account	875
(140)	Accumulated Absences Account	(113)
4,020		**26,935**

Revaluation Reserve

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 assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22 £000's		2022/23 £000's	2022/23 £000's
24,881	**Balance at 1st April**		**24,105**
2,858	Upward Revaluation of assets	526	
(2,277)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(414)	
581	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		112
(577)	Difference between fair value depreciation and historical cost depreciation	(562)	
(780)	Accumulated gains on assets sold or scrapped	(460)	
(1,357)	Amount written off to the Capital adjustment Account	-	(1,022)
24,105	**Balance at 31st March**		**23,195**

Capital Adjustment Account

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 Authority 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.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £000's		2022/23 £000's
11,190	**Balance at 1st April**	**11,027**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,442)	Charges for depreciation and impairment of non current assets	(1,513)
(1,210)	Revaluation losses on Property, Plant and Equipment	(5,957)
(123)	Amortisation of intangible assets	(204)
(1,885)	Revenue expenditure funded from capital under statute	(5,115)
(1,065)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(523)
(5,725)		(13,312)
(99)	Adjusting amounts written out re Long Term Debtor	(51)
1,357	Adjusting amounts written out of the Revaluation Reserve	1,022
(4,467)	Net written out amount of the cost of non-current assets consumed in the year	(12,341)
	Capital financing applied in the year:	
235	Use of the Capital Receipts Reserve to finance new capital expenditure	
	Use of the Major Repairs Reserve to finance new capital expenditure	
2,408	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,562
891	Application of grants to capital financing from the Capital Grants Unapplied Account	3,155
491	Statutory provision for the financing of capital investment charged against General Fund balances	544
79	Amounts voluntarily set aside for repayment of debt	809
200	Capital expenditure charged against General Fund balances	57
4,304		7,127
11,027	**Balance at 31 March**	**5,813**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22 £000's		2022/23 £000's
(48,372)	**Balance at 1st April**	**(28,956)**
20,548	Remeasurements of the net defined benefit liability	37,005
	Removal of Pension Surplus - Change due to impact of Asset Ceiling	(6,930)
	Present Value of unfunded benefit obligations	(2,728)
(3,004)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,970)
1,871	Employer's pensions contributions and direct payments to pensioners payable in the year	1,851
(28,956)		**(2,728)**

Collection Fund Adjustment Account

2021/22 £000's		2022/23 £000's
(4,153)	**Balance at 1st April**	**(1,897)**
2,256	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	2,772
(1,897)		**875**

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:-

a) Adjust net surplus or deficit on the provision of services for non-cash movements

2021/22 £000's		2022/23 £000's
1,442	Depreciation charged to Comprehensive Income & Expenditure Statement	1,513
123	Amortisation of Intangible Assets	204
	Deferred revenue/ deferred payment agreements (IFRS 15)	
1,210	Impairment and Downward Revaluations	5,957
5,588	Increase / (Decrease) in Creditors	(6,967)
(205)	(Increase) / Decrease in Debtors	1,557
45	(Increase) / Decrease in Inventories	(15)
2,532	Pensions Liability	2,771
-	Contributions to / (from) Provisions	-
-	Revaluation Losses	-
1,065	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	523
(50)	Other non-cash movements	(1,228)
11,750		**4,315**

b) Adjust for items included in the net surplus on the provision of services that are investing or financing activities

2021/22 £000's		2022/23 £000's
5,552	Any other items for which the cash effects are investing or financing cash flows	7,243
-	Adjustment re sale of short-term investments	2,500
614	Proceeds from the sale of property, plant and equipment, (including Deposits and Easements) investment property and intangible assets	949
6,166		**10,692**

c) Interest received and interest paid

2021/22 £000's		2022/23 £000's
(19)	Interest received	(556)
657	Interest paid	630
638		**74**

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2021/22 £000's		2022/23 £000's
3,936	Purchase of property, plant and equipment, investment property and intangible assets	2,848
142,500	Purchase of short-term investments	126,000
31	Other payments for investing activities	(6)
(614)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(851)
-	Other Asset Related Proceeds (Mainly easements & sale deposits)	(98)
(133,500)	Proceeds from short-term investments	(132,500)
(6,419)	Other receipts from investing activities (mainly capital grants)	(7,310)
5,934	**Net cash flows from investing activities**	**(11,917)**

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2021/22 £000's		2022/23 £000's
-	Cash receipts of short- and long-term borrowing	
1,008	Repayments of short- and long-term borrowing	1,009
(2,528)	Other payments for financing activities	567
(1,520)	**Net cash flows from financing activities**	**1,576**

26. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents Council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Service Areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund £000's	Adjustment between the Funding and Accounting Basis £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's		Net Expenditure Chargeable to the General Fund £000's	Adjustment between the Funding and Accounting Basis £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's
536	141	677	Directorate	(261)	176	(85)
4,652	2,027	6,678	Financial Services	6,053	5,990	12,043
778	242	1,020	Democratic & Legal Services	1,052	247	1,299
55	375	430	Planning, Building Control & Licensing	84	1,377	1,461
3,903	1,283	5,186	Environmental Services	4,138	1,470	5,608
1,836	642	2,478	Housing, Health & Economic Development	323	556	879
11,758	**4,710**	**16,468**	**Cost Of Services**	**11,388**	**9,818**	**21,206**
(9,416)	(7,037)	(16,453)	Other Income and Expenditure	(11,260)	(7,811)	(19,071)
2,342	**(2,327)**	**15**	**(Surplus) or Deficit**	**128**	**2,007**	**2,135**
		13,401	**Opening General Fund Balance**			**11,059**
		(2,342)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year			(128)
		11,059	**Closing General Fund Balance at 31st March**			**10,931**

27. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2021/22						2022/23				
As reported for resource management £000's	Adjustment to arrive at the net amount chargeable to General Fund £000's	Net Expenditure chargeable to General Fund £000's	Adjustments between Funding and Accounting Basis (Note 6) £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's		As reported for resource management £000's	Adjustment to arrive at the net amount chargeable to General Fund £000's	Net Expenditure chargeable to General Fund £000's	Adjustments between Funding and Accounting Basis (Note 6) £000's	Net Expenditure in the Comprehensive Income and Expenditure Statement £000's
1,193	(657)	536	141	677	Directorate	435	(697)	(261)	176	(85)
5,732	(1,080)	4,652	2,027	6,678	Financial Services	7,234	(1,181)	6,053	5,990	12,043
633	144	778	242	1,020	Democratic & Legal Services	1,020	32	1,052	247	1,299
(493)	548	55	375	430	Planning, Building Control & Licensing	(489)	573	84	1,377	1,461
3,433	470	3,903	1,283	5,186	Environmental Services	3,713	425	4,138	1,470	5,608
1,258	578	1,836	642	2,478	Housing, Health & Economic Development	(525)	848	323	556	879
11,756	**3**	**11,758**	**4,710**	**16,468**	**Net Cost Of Services**	**11,388**	**-**	**11,388**	**9,818**	**21,206**
(9,416)	-	(9,416)	(7,037)	(16,453)	Other Income and Expenditure	(11,260)	-	(11,260)	(7,811)	(19,071)
2,340	**3**	**2,342**	**(2,327)**	**15**	**(Surplus) or Deficit**	**128**	**-**	**128**	**2,007**	**2,135**
				13,401	**Opening General Fund Balance**					**11,059**
				(2,342)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year					(128)
				11,059	**Closing General Fund Balance at 31st March**					**10,931**

27. (contd) NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS ABOVE

Adjustments between the Funding and Accounting Basis are shown below for both 2022/23 and 2021/22.

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 (MRP) 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 for those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income line is credited with capital grants receivable in the 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 additions of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services**
    - This represents the removal of the employer pension contributions made by the authority 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.

Other Adjustments

Other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statements 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**
    - This represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates 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.

Adjustments between Funding and Accounting Basis		2022/23		
Adjustments from General Fund to arrive at the amounts shown on the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £000's	Net Change for the Pensions Adjustments £000's	Other Adjustments £000's	Total Adjustments £000's
Directorate	-	187	(11)	176
Financial Services	6,102	(109)	(2)	5,990
Democratic & Legal Services	6	242	0	247
Planning, Building Control & Licensing	1,032	347	(2)	1,377
Environmental Services	499	977	(6)	1,470
Housing, Health & Economic Development	34	529	(7)	556
Net Cost Of Services	**7,673**	**2,172**	**(28)**	**9,818**
Other Income and Expenditure from the Funding Analysis	(3,965)	(1,054)	(2,791)	(7,811)
Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement	**3,707**	**1,118**	**(2,819)**	**2,007**

Adjustments between funding and accounting basis for 2021/22 were as follows:

Adjustments between Funding and Accounting Basis		2021/22		
Adjustments from General Fund to arrive at the amounts shown on the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £000's	Net Change for the Pensions Adjustments £000's	Other Adjustments £000's	Total Adjustments £000's
Directorate	-	149	(8)	141
Financial Services	2,151	(121)	(3)	2,027
Democratic & Legal Services	8	235	(1)	242
Planning, Building Control & Licensing	47	336	(9)	375
Environmental Services	422	876	(14)	1,283
Housing, Health & Economic Development	148	517	(23)	642
Net Cost Of Services	**2,776**	**1,993**	**(59)**	**4,710**
Other Income and Expenditure from the Funding Analysis	(3,899)	(860)	(2,278)	(7,037)
Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement	**(1,123)**	**1,133**	**(2,337)**	**(2,327)**

28. EXPENDITURE AND INCOME ANALYSED BY NATURE

This table shows expenditure and income by category (nature) and how this relates to the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2021/22 £000's	Gross Expenditure	2022/23 £000's
8,801	Employee Benefits Expense	9,353
32,900	Other Service Expenses	36,074
543	Support Service Recharges	523
2,776	Depreciation Amortisation and Impairment	7,673
657	Interest Payments	630
(837)	Expenditure Associated with Council Tax/NNDR	1,086
2,333	Precepts and Levies	2,519
1,432	Gain or Loss on Disposal of Non Current Assets/Pension Interest	399
48,605	**Gross Expenditure**	**58,256**
	Gross Income	
6,691	Fees and Charges and Other Service Income	6,145
11,015	Income from Council Tax/NNDR	14,479
29,823	Government Grants and Contributions	33,614
945	Support Service Recharge	958
114	Interest and Investment Income	926
48,588	**Gross Income**	**56,122**
17	**Net Expenditure (Deficit on Provision of Services)**	**2,135**

29. OFFICERS’ REMUNERATION

The remuneration paid to the Authority’s senior employees is as follows:

Post Title			Salary, Fees and Allowances £	Bonuses £	Expenses Allowances * £	Compensation Loss of Office £	Benefits in Kind ** £	Pension Contribution £	Total £
Chief Executive									
		2022/23	111,251		487			20,136	**131,874**
		2021/22	96,019	-	198	-	-	17,278	**113,495**
Corporate Director									
		2022/23	0	-		-	-		**-**
		2021/22	100,859	-	99	-	-	669	**101,626**
Housing Health & Engineering Services Manager									
		2022/23	55,717	-	73	-		10,085	**65,875**
		2021/22	65,516	-	73	-	-	11,858	**77,447**
Planning, Economic Development & Regulatory Services Manager									
		2022/23	69,685	-	80	-	11,396	12,613	**93,774**
		2021/22	66,355	-	81	-	6,366	12,010	**84,812**
Chief Financial Officer									
		2022/23	81,519	-	-	-	-	14,755	**96,274**
	Fixed staff	**2021/22**	43,204	-	-	-	-	3,734	**46,938**
	Agency staff	**2021/22**	104,628	-	-	-	-	-	**104,628**
Legal Services Manager									
		2022/23	53,305	-	-	-	-	9,648	**62,953**
		2021/22	49,138	-	-	-	-	8,894	**58,032**
Environmental Services Manager									
		2022/23	69,685	-	-	-	-	12,613	**82,298**
		2021/22	66,355	-	3	-	-	12,010	**78,369**

* Expense Allowances are the payment of subscriptions

** Benefits in Kind are a contribution towards a leased car based on a 10% of the post holder’s salary

The Chief Executive is the Council’s Returning Officer for elections for which a payment of £1,982 per annum is made. This is included in the post-holder’s salary shown above.

The lease car scheme is closed to new entrants.

The Council’s Pay Policy is approved annually. The Pay Policy Statement for 2022/23 was approved by the Council in November 2022 and can be found on the Council’s website at www.pendle.gov.uk.

The Corporate Director role was vacated in August 2022 and was not replaced. A new Director of PLACE role was created, and the Officer commenced employment in March 2023.

The Housing Health & Engineering Services Manager retired from the Council in January 2023.

The Council's employees receiving more than £50,000 remuneration for the year, excluding employer's pension contributions, were paid the following amounts:

Remuneration band			Number of employees	
			2021/22	2022/23
£50,000	-	£54,999		1
£55,000	-	£59,999		1
£65,000	-	£69,999	2	1
£75,000	-	£79,999	1	
£80,000	-	£84,999		2
£95,000	-	£99,999	1	
£100,000	-	£104,999	1	
£110,000	-	£114,999		1
£145,000	-	£149,999	1	

The numbers of exit packages with the total cost per band and type of redundancy is set out in the table below. There were no exit packages made to the Housing Health & Engineering Services Manager or the Corporate Director in 2022-23.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b+c)		(e) Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	-		2		2		18,911	
£20,000 - £40,000	-		1		1		25,945	
Totals	**-**	**-**	**3**	**-**	**3**	**-**	**44,856**	**-**

30. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

2021/22 £		2022/23 £
118,301	Allowances	110,466
-	Expenses	149
118,301	Total	**110,615**

Payments are made to Members a month in arrears and the above figures represent the actual payments made in the financial year.

31. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

2021/22 Total £000's		2022/23 Total £000's
	Fees Payable:	
63	- with regard to external audit services carried out by the appointed auditor for the year, payable to Grant Thornton.	71
43	- with regard to external audit services carried out by the appointed auditor for prior years, payable tc	30
14	- to external auditors for certification of grant claims and returns, payable to KPMG.	23
119	**Total**	**123**

32. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

2021/22 Total £000's		2022/23 Total £000's
	Credited to Taxation and Non Specific Grant Income	
1,170	Revenue Support Grant	1,206
168	New Homes Bonus Grant	462
-	Levy/Surplus Allocation	34
9	New Burdens - LA	317
100	Council Tax Annexe Grant	-
633	Covid 19 Additional Funding	-
173	Lower Tier Services	467
236	Local Council Tax Support	4
2,952	Small Business Rate Relief Grant	3,301
3,500	Capital Grants and Contributions	2,541
8,941		**8,334**
	Credited to Services	
16,458	Housing Benefits and Council Tax	16,652
-	Support for energy bills - CT rebate 22/23	224
2,049	Capital grants funding Revenue Expenditure Under Statute	4,692
-	Household Support Fund	1,014
-	UKSPF	411
-	Asylum Dispersal Scheme Grant	404
76	Nelson Town Deal	396
306	Holiday Activities Fund	376
-	Ukrainian Crisis Response	345
-	Energy Bills Support Scheme Alternative Funding	259
383	Misc Grants from MHCLG (mainly Housing/Homelessness)	201
-	Colne Levelling Up Fund	157
-	Affordable Warmth Grant	137
-	Accommodation for Ex-Offenders Scheme	61
-	Energy Price Guarantee (Alternative Fuel Payment) Scheme	55
-	S31 Additional New Burdens Welfare Reform	28
-	Parks Levelling Up Fund	19
75	Local Land Charges New Burdens	12
-	Cyber Security Grant	10
-	DEFRA	1
74	ERDF grant - reopen high street safely	-
87	Parliamentary Elections Funding	-
76	Covid-19 Hardship Fund	-
6,625	Covid - 19 Business Grant	-
340	Household support fund	-
10	Bio-Diversity Net Gain Grant	-
16	Redmond Review implementation	-
4	Apprentice funding	-
-	Individual Electoral Registration Grant	(50)
1,334	Covid - 19 Local Authority Support Grant	(123)
27,913		**25,280**
36,854	**Total**	**33,614**

The Council received no capital grants in year that have yet to be recognised as income due to the conditions attached which if not met will require the monies to be returned to the grantor. The Council had no such grants at the end of 2022/23 (£nil 2021/22).

33. 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. The financial statements must contain the disclosure necessary to draw attention to 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.

Central Government

Central government has effective control 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). Grants received from government departments are set out in the subjective analysis in Note 27 on the Expenditure and Funding Analysis.

Other Public Bodies

Precepts in relation to Lancashire Police Authority, Lancashire Combined Fire Authority and Lancashire County Council – refer to the Collection Fund on page 96. Precepts payable to local Town and Parish Councils – refer to Note 8 on page 51. For details of payments to the Lancashire County Council Pension Fund refer to Note 35 below.

Chief Officers and Elected Members

Chief Officers of the Council may also hold positions in other organisations. The Chief Executive is a Trustee/Director of Romero Catholic Academy Trust. There was no payment for goods and services in 2022-23 to this organisation.

Members of the Council have direct control over the Council's financial and operating policies for which they are paid allowances and expenses. Members' allowances and expenses paid in 2022/23 totalling £110,615 (£118,301 in 2021/22) are shown in Note 30. The total of members' allowances paid in 2022/23 is shown in Note 30.

During the year some Members and Officers acted in a number of other capacities for related parties. This involved being either employed by other local authorities or serving on the Management Boards of Companies and Voluntary Organisations. Principal examples include: Lancashire County Council, Together Housing Association Ltd (formerly Housing Pendle), Pendle Leisure Ltd and the three joint venture arrangements that the Council has established in partnership with Barnfield Investment Properties (PEARL, PEARL 2 and
PEARL Brierfield Mill). The Council has a fourth joint venture with Barnfield Investment Properties and Harewood Housing Society Limited (PEARL Together).

With regard to Pendle Leisure Limited, the Council pays an annual grant towards the costs incurred by the Trust in managing and developing a wide variety of leisure related facilities and activities for the people of Pendle. As well as providing multi-purpose centres for swimming, fitness, sports, exercise and entertainment, the Trust also has staff dedicated to providing specialist projects relating to Healthy Lifestyles, Sports Development and Arts Development.

In 2022/23 the Council paid a grant of £1.329m to the Trust (£1.629m in 2021/22). At the Balance Sheet date the Council owed Pendle Leisure Trust £Nil and was owed £Nil.
. During the year 3 Councillors served on the Trust's Board of Trustees.

Housing Pendle was established in 2006 to receive the transfer of the Council's housing stock. A number of arrangements between the Council and Housing Pendle stem from the transfer. Housing Pendle forms part of Together Housing. Together Housing is a large housing association which manages more than 36,000 homes across Lancashire and Yorkshire. At the Balance Sheet date the Council owed Together Housing £Nil and Together Housing owed the Council £2k. Payments totalling £23k were made in 2022/23.

The Corporate Director acts as the Company Secretary for PEARL entities and four Councillors serve on the Board as Directors. Total payments of £324k were made to PEARL entities during the year (£252k in 2021/22). Additional information on PEARL entities is disclosed in Note 36.

Organisations where Members served, and payments were made in 2022-23 for goods and services; and/or grants paid have been tabulated below:

Organisation	Member	Role/Related Party	£'000s
Forest of Bowland (AONB)	R Carroll	Nominated representative	7
Armed Forces Support Group	K Salter	Armed Forces Champion	10
Bancroft Engine Museum	C Church & T Whipp	Trustees	4
Burnley & Pendle CAB	M Aslam	Nominated representative	40
Colne BID Limited	S Cockburn-Price A Sutcliffe K McGladdery	Director Director Family member works for CBL	162
Colne Youth Action Group	S & D Cockburn-Price	Chairperson / Treasurer	35
Growth Lancashire Ltd	N Ahmed, D Whipp S Cockburn-Price	Directors	24
In-Situ-In-Place	M Hanif	Director	71
Local Government Association	N Ahmed	Nominated representative	1
Marketing Lancashire	M Goulthorp	Director	8
West Craven Together	D Whipp	Non-Exec Director	24

A number of Councillors also serve on Town and Parish Councils and during previous years the Council completed a range of asset transfers to local Councils including ad hoc parcels of land in parts of the Borough. Consideration of transactions related to these bodies are included in 'Other Public Bodies' above.

The Council's Standing Orders require Members who believe they have an interest in a matter to be discussed at a Council, Policy and Resources Committee or other Committee meeting to declare that interest and withdraw from the meeting while the particular matter is being discussed.

It is considered, after examining the Register of members Interests and making enquiries with Councillors and Senior Officers, that there are no further material transactions that need to be disclosed.

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, 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. The CFR is analysed in the second part of this note.

2021/22 £000's		2022/23 £000's
19,277	**Opening Capital Financing Requirement**	**20,693**
-	Adjustment to carried balance of Long Term Debt Balance	(157)
	Capital Investment	
3,417	Property Plant and Equipment	2,485
	Investment Properties	
388	Intangible Assets	143
31	Expenditure on Loans	15
1,885	Revenue Expenditure funded from Capital under Statute	5,115
	Sources of Finance	
(234)	Capital Receipts	(73)
(3,300)	Government Grants and Other Contributions	(5,659)
	Sums set aside from Revenue:	
(200)	Direct Revenue Contributions	(57)
(492)	Minimum Revenue Provision	(554)
(79)	Amounts voluntarily set aside for debt repayment	(800)
20,693	**Closing Capital Financing Requirement**	**21,151**
	Explanation of Movements in Year	
1,416	In year use of borrowing for capital expenditure (unsupported by government financial assistance).	458
1,416	**Increase/(decrease) in Capital Financing Requirement**	**458**

35. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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 that needs to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered locally by Lancashire County Council. This is a funded scheme and pays defined benefits based on how long employees are active members and their salary when they leave (a "final salary" scheme) for service up to 31st March 2014 and on revalued average salary (a "career average" scheme) for service from 1st April 2014 onwards. A funded scheme means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investments assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Lancashire County Council Pension Fund Committee. The Committee is assisted by an investment panel which advises it on investment strategy and risk management provisions.

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 scheme 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 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.

Transactions Relating to Post-employment Benefits

The Council recognises 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 post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves 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.

2021/22 £000's	Lancashire County Pension Fund - Pendle Borough Council	2022/23 £000's
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
1,993	Current service costs	2,172
-	Past service costs	
-	Settlements and Curtailments	
1,993	**Total Service Cost**	**2,172**
	Other Operating Expenditure	
31	Fund Administration Expenses	34
	Financing and investment Income and Expenditure	
980	Net interest expense	763
3,004	**Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**2,970**
	Remeasurements of the Net Defined Benefit Liability comprising:	
(6,301)	Return on plan assets (excluding amounts included in net interest)	(382)
(6,086)	Experience (gain)/loss	9,603
(6,345)	Actuarial gains and losses arising from changes in demographic/experience assumptions	-
(1,817)	Actuarial (gains) or losses arising from changes in financial assumptions	(46,226)
-	Removal of Pension Surplus - Change due to impact of Asset Ceiling *	6,930
-	Present Value of unfunded benefit obligations**	2,728
(20,549)	**Total remeasurements recognised in Other Comprehensive Income**	**(27,347)**
(17,545)	**Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**(24,377)**
	Movement in Reserves Statement	
3,004	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	2,970
	Actual amount charged against the General Fund Balance for pensions in the year:	
1,871	Employer contributions payable to the scheme	1,851

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 scheme is as follows:

2021/22 £000's	Lancashire County Pension Fund - Pendle Borough Council	2022/23 £000's
105,827	Fair Value of employer assets	105,411
(130,082)	Present value of funded benefit liabilities	(95,752)
(3,049)	Present value of unfunded benefit liabilities	(2,728)
(27,305)	**Closing balance at 31st March (Per Pension Actuary Report)**	**6,930**
-	Change due to impact of Asset Ceiling *	(6,930)
-	Present Value of unfunded benefit obligations**	(2,728)
-	**Closing Balance on Balance Sheet**	**(2,728)**

*An asset ceiling is the limit above which further increases in net pension cease to be recognised for accounting purposes. The pension surplus of £6.930m has been adjusted by the asset ceiling as the surplus is not fully realisable by the Council in the form of either refunds or reductions in employee contributions.

**A further adjustment has been made to recognise the Council's liabilities for Pension obligations which at present are not covered by contributions made to the pension fund.

Reconciliation of the Movements in the Fair value of Scheme Assets

2021/22 £000's	Lancashire County Pension Fund - Pendle Borough Council	2022/23 £000's
98,135	**Opening fair value of scheme assets**	104,175
2,053	Interest income	2,910
6,301	Remeasurement gain / (loss):	382
(31)	Other	(34)
1,871	Contributions from employer	1,851
328	Contributions from employees into the scheme	363
(4,482)	Benefits paid	(4,237)
104,175	**Closing fair value of scheme assets**	**105,411**

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

2021/22 £000's	Lancashire County Pension Fund - Pendle Borough Council	2022/23 £000's
146,507	**Opening balance at 1st April**	**133,131**
1,993	Current service cost	2,172
3,033	Interest cost	3,673
329	Contributions from scheme participants	363
	Remeasurement (gains) and losses:	
(6,086)	- Experience (gain)/loss	9,603
(6,345)	- Actuarial gains/losses arising from changes in demographic assumptions	-
(1,817)	- Actuarial (gains)/losses arising from changes in financial assumptions	(46,226)
-	Past service cost	
-	Curtailments	
(4,482)	Benefits paid	(4,237)
133,131	**Closing balance at 31st March**	**98,480**

In 2022/23, the Council made a contribution to the past service deficit in the sum of £619K. The past service deficit contribution is an annual lump sum payment intended to clear the Council's underlying deficit on the Fund over a defined period. This is in addition to the primary contribution rate the Council pays based on a fixed percentage applied to our payroll (currently 18.1%). The next valuation uses data from 31st March 2022 and becomes effective with effect from 1st April 2023.

As part of the 2022 valuation of the Fund, the Fund Administrator and Fund Actuary allowed some fund employers the option of pre-paying specified sums in exchange for a discount on the amounts to be paid. As part of the Council's budget plans for 2020/21 the Council agreed to pre-pay the past service deficit in full for three years as follows:-

	£'000		£'000
2020/21 Past Service Deficit	574	Future Service Payment	905
2021/22 Past Service Deficit	596	Future Service Payment	941
2022/23 Past Service Deficit	619	Future Service Payment	978
Total payment made in 2020/21	**1,789**	**Total payment made in 2020/21**	**2,824**

The past service deficit, and Future Service payments relating to 2022/23 have been charged against the General Fund Balance in 2022/23 and form part of the Employer Contribution sum shown in the tables above of £1,851k.

Pensions Ruling – The McCloud Case

The case concerned the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and fire fighters schemes as part of public services pension reforms. Judgements have upheld claimants' cases that the method of implementation of the Career Average Revalued Earnings (CARE) schemes discriminated against younger members.

The pension scheme assets comprised the following:

2021/22 £000's	Lancashire County Pension Fund - Pendle Borough Council	2022/23 £000's
	Asset Category:	
2,622	**Cash and Cash equivalents**	838
	Equities*	
124	- Financials	123
124		123
	Bonds*	
428	UK corporate	-
385	Overseas corporate	217
813		217
	Property	
92	Retail	212
1,572	Commercial	1,376
1,664		1,588
	Other	
8,585	Private Equity - UK and Overseas	8,834
50,945	Pooled Equity Funds - UK and Overseas	51,320
11,867	Infrastructure	16,397
13,942	Credit Funds	15,296
4,530	Pooled Fixed Income	1,519
9,084	Indirect Property Funds	9,279
98,953		102,645
104,175	**Closing balance at 31st March**	**105,411**

* denotes asset categories that have quoted prices in active markets.

Basis for estimating assets and liabilities

Within the pension scheme the Council is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension scheme benefits liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the Lancashire County Pension Fund scheme as at 31st March 2022. The next valuation will use data from 31st March 2022 and become effective with effect from 1st April 2025.

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 last valuation showed a shortfall of assets against liabilities of £9.429m as at 31st March 2022. The fund's employers are paying additional contributions over a period of approximately 16 years in order to meet the shortfall.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme - Pendle Borough Council	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners (years)		
Men	21.4	21.5
Women	23.7	23.8
Longevity at 65 for future pensioners (years)		
Men	22.6	22.8
Women	25.5	25.6
Rate of CPI inflation	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%
Rate for discounting scheme liabilities	2.8%	4.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis are consistent with those used in 2020/21, updated for any emerging issues arising from the immediacy of the COVID-19 pandemic.

Local Government Pension Scheme - Pendle Borough Council	2021/22 Impact on the Defined Benefit Obligation £'000		2022/23 Impact on the Defined Benefit Obligation £'000	
Sensitivity Analysis - Assumptions				
change in discount rate	*+0.5%*	(9,751)	*+0.5%*	(6,599)
change in inflation rate	*+0.25%*	5,250	*+0.25%*	3,533
change in pay growth	*+0.25%*	512	*+0.25%*	379
1 year increase in life expectancy		4,222		2,124

Impact on the Council's Cash Flows

The objectives of the scheme are to keep the employers' contribution rate as constant as possible. As part of the 2022 valuation, the Pension Fund agreed with participating employers to put in place a recovery plan assuming an average recovery period of approximately 16 years.

The scheme will need to take account of the national changes to the Local Government Pension Scheme (LGPS) under the Public Pensions Services Act 2013. Under the Act, the LGPS in England and Wales may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying employer contributions of £1.446m to the scheme in 2023/24.

The Council's weighted average duration of the defined benefit obligation for scheme members is 15 years.

36. JOINT VENTURE ARRANGEMENTS

In partnership with Barnfield Investment Properties Limited (BIP), the Council has established three joint venture companies (JVC), and a fourth JVC was established with BIP and Harewood Housing Society Limited (part of the Together Housing Group). Whilst they are considered to be jointly controlled entities, they are not regarded as so financially material to the Council to require the preparation of Group Accounts for 2022/23. This position is subject to an annual review in response to any changes in the scale of activity of the Council and PEARL entities.
In June 2022 the council established a fifth Joint Venture company, Penbrook Developments Limited, no loan advances were made in the year 2022/23.

Pendle Enterprise and Regeneration Ltd (Company No. 06375571)

Pendle Enterprise and Regeneration Ltd (PEARL) was incorporated in September 2007. PEARL's principal activities comprise the following:-

- Management of the Enterprise Units in the ACE Centre, Nelson.
- Management of the Shopping Precinct (Hartley Square), Colne.

PEARL has an authorised share capital of £1,000 of which BIP has 700 £1 shares and the Council has 300 £1 shares. The issued share capital is £10.00 and has been called up, and paid, in proportion to the authorised share capital. Both BIP and the Council are entitled to appoint up to five Directors each to form the Board of Directors.

In accordance with the Shareholders Agreement for the Company, both BIP and the Council agreed to make loan advances to the Company. For every £1 of loan capital advanced by the Council to the Company, BIP matches that with a loan capital of £2.33 (an investment ratio of 30:70).

The total approved loan advances agreed by the Council as at 31st March 2023 was £570k. There were no further advances made to PEARL during the year. The value of these loan notes (with accrued interest) has been reflected as a Long Term Debtor in the Council's accounts since 2008/09. The total value of the loan notes as at 31st March 2023 is £831k including accrued interest of £261k.

Pendle Enterprise and Regeneration (2) Ltd (Company No 06684862)

Pendle Enterprise and Regeneration (2) Ltd (PEARL 2) was incorporated in September 2008 but did not start actively trading until November 2009. The principal activity of the Company is the regeneration of the Borough of Pendle.

PEARL 2 has an authorised share capital of £100 of which BIP has 70 £1 shares and the Council has 30 £1 shares. The issued share capital is £100 and has been fully called up, and paid, in proportion to the authorised share capital. As with PEARL, both BIP and the Council are entitled to appoint up to five Directors each to form the Board of Directors.

PEARL 2 has undertaken a number of development projects. These include, for example:-

- the acquisition and refurbishment of Shackleton Hall, Colne;
- the refurbishment of properties in the Whitefield Area of Nelson;
- the redevelopment of the sites of the former Lob Lane Mill, Brierfield now known as Quaker Heights and Bunkers Hill site;
- the redevelopment of three Pavilions – Bullholme in Barrowford, Holt House in Colne and Edge End in Brierfield;
- the refurbishment of Booth Street Offices, Nelson;
- development of new market and affordable housing on Clitheroe Road, Brierfield

Further housing developments are underway at Oak Mill (now known as Langroyd), Carry Lane (now known as Greenfields View) in Colne. The Company is also developing the former Colne Health Centre on Church St, Colne for a mixed residential and retail use.

In support of these developments, and in accordance with the Shareholders Agreement for the Company, both BIP and the Council agreed to make loan advances to the Company. For every £1 of loan capital advanced by the Council to the Company, BIP matches that with loan capital of £2.33 (an investment ratio of 30:70).

The total approved loan advances agreed by the Council as at 31st March 2023 was £1.192m. There were no further loan advances made to PEARL 2 during the year.

As with PEARL 1, loan notes to the value of loans advanced have been issued to the Council by the Company. The value of these loan notes (with accrued interest) has been reflected as a Long Term Debtor in the Council's accounts for the year. The total value of the loan notes as at 31st March 2023 is £1.521m (including accrued interest of £329k).

Pendle Enterprise and Regeneration (Brierfield Mill) Ltd (Company No 07951533)

Pendle Enterprise and Regeneration (Brierfield Mill) Ltd was incorporated in February 2012. The principal activity of the Company is the redevelopment of the site of Brierfield Mill, Brierfield, Lancashire.

PEARL (Brierfield Mill) Ltd is a wholly owned subsidiary of PEARL 2. It has an authorised share capital of £1,000 of which BIP has 700 £1 shares, the Council has 299 £1 shares and PEARL 2 has £1. The issued share capital is £1,000 and has been fully called up, and paid, in proportion to the authorised share capital. As with PEARL and PEARL 2, both BIP and the Council are entitled to appoint up to five Directors each to form the Board of Directors.

The Council has allocated funding as a contribution to the overall redevelopment of the Brierfield Mill site, of which £481k has been advanced by way of loans to the company at 31st March 2023. There were no further loan advances made to the company during the year.

As with PEARL and PEARL2, any loan advance made by the Council is matched by BIP in line with the investment ratio (2.33:1). Loan notes to the value of loans advanced have been issued to the Council by the Company. The value of these loan notes (with accrued interest) have been reflected as a Long Term Debtor in the Council's accounts for the year. The total value of the loan notes as at 31st March 2023 is £566k (including accrued interest of £86k).

In addition to the loans recognised as a long-term debtor, during the year the Council made a grant payment to PEARL (BM) of £250k. The Council has accounted for the grant as capital expenditure in 2021/22.

PEARL Together Ltd (Company No 11229691)

PEARL Together was incorporated in February 2018. The principal activity of the Company is the construction of domestic buildings.

PEARL Together has an authorised share capital of £100 of which Harewood Housing Society Limited has 50 £1 ordinary shares, BIP has 35 £1 shares and the Council has 15 £1 shares. The issued share capital is £100 and has been fully called up, and paid, in proportion to the authorised share capital. As with PEARL, both BIP and the Council are entitled to appoint up to five Directors each to form the Board of Directors.

In support of its activities the Council advanced loan payments totaling £122k in the year. As with all PEARL entities loan notes to the value of loans advanced have been issued to the Council by the Company. The value of these loan notes (with accrued interest) has been reflected as a Long

Term Debtor in the Council's accounts for the year. The total value of the loan notes as at 31st March 2023 is £130k (inclusive of accrued interest).

Penbrook Developments Limited (Company No 14157107)

Penbrook Developments Limited was incorporated in June 2022. The principal activity of the company is the redevelopment of Pendel Rise Shopping Centre.

Since Penbrook Developments has not been trading for one full year at the 31st March 2023 there are no company accounts to present at this time. It is to be noted that no loan advancements were made during the financial year 2022/23.

Other Joint Venture related matters

Company Secretarial services were provided by the Council in 2022/23 to all four PEARL entities and the Council's Chief Executive is the Company Secretary for each.

Copies of the accounts for all the above Joint Venture companies can be obtained upon request in writing from the Company Secretary, Pendle Enterprise and Regeneration Ltd, c/o Nelson Town Hall, Nelson, Lancashire, BB9 7LG.

37. CONTINGENT ASSETS

Regenerate Pennine Lancashire

During 2007/08, the Council introduced a Purchase Assistance Loan Scheme (PALs) in conjunction with Regenerate Pennine Lancashire (RPL) (now known as Growth Lancashire), one of the government's nine housing market renewal pathfinders. The purpose of the PALS Scheme is to provide loans to residents in proposed clearance areas to assist in the purchase of another property elsewhere within the District. Any loans provided are secured by way of a charge on the new property.

As at 31st March 2023, the Council had 5 loan advances outstanding of £131k, there were no loan repayments received in the year. All loan advances are fully funded by grant. However, the loans are repayable to the Council upon certain events, the timing of which cannot be determined as it is dependent on a number of factors. In view of this, the Council has not recorded the amounts due as long term debtors. As repayment is dependent on one or more uncertain future events not wholly within the Council's control, it is recorded here as a contingent asset. The classification of the loans will be subject to annual review and in the event that repayment is considered to be virtually certain, the accounting treatment will be changed accordingly.

38. CONTINGENT LIABILITIES

Details of the material contingent liabilities that are applicable to the Council are as follows:-

Large Scale Voluntary Transfer

As part of the transfer of the Council's housing stock to Together Housing (formerly Housing Pendle) on 30th October 2006, the Council gave a number of warranties and covenants to both Housing Pendle and their funders. These cover a range of potential liabilities which would require the Council to indemnify either the Housing Association or the funders in the event of these liabilities being realised. The likelihood of any of the liabilities arising diminishes as the time from transfer increases. Neither Together Housing nor its funders have indicated in any way that they intend making a claim against the Council under any of the warranties or covenants provided.

Accountable Body Status

The Council acts as the Accountable Body for various Government and European Programmes which does involve an element of risk. There is a responsibility on the Accountable Body to manage the grant money received and should any project default or fail to repay an incorrectly paid grant the Council would have to repay the grant itself. This potential risk is being managed and is considered small particularly when measured against the considerable economic benefit generated by these programmes since their inception.

39. TRUST FUNDS

The Council has the following funds:

		2020/21		
	2021/22 £000's	Advanced £000's	Utilised £000's	Balance at 2022/23 £000's
Mayor's War Benevolent Fund	43	-	-	43
Winewall Inghamites	40	-	-	40
Carl Pritchard	14	-	-	14
	97	**-**	**-**	**97**

As at the 31st March 2023 these funds are included within the Council's Balance Sheet representing monies effectively on loan to the Council and which form part of our short-term borrowing as disclosed on the Balance Sheet. This is matched by an equivalent amount within our cash balance.

COLLECTION FUND

Collection Fund Revenue Account for the year ended 31st March 2023

2021/22 £000's		Council Tax £000's	2022/23 NNDR £000's	Total £000's
	Income			
53,982	Council Tax	56,380		56,380
76	Other Income	-		-
-	Council Tax Transitional Relief	2		2
15,258	Business Rates		15,071	15,071
69,316	**Total Income**	56,382	15,071	71,453
	Expenditure			
	Precepts			
36,483	Lancashire County Council	36,253	1,484	37,737
14,078	Pendle Borough Council	6,739	6,630	13,369
5,411	Lancashire Police Commissioner	5,661	-	5,661
1,914	Lancashire Combined Fire Authority	1,850	163	2,013
2,334	Town & Parish Councils	2,440	-	2,440
9,352	Central Government	-	8,168	8,168
(8,765)	Transfer of Collection Fund Surplus / (Deficit)	1,366	(5,095)	(3,729)
60,807		54,309	11,350	65,659
	Business Rates			
132	Collection Allowance		132	132
132		-	132	132
	Bad and Doubtful Debts			
1,310	Bad Debts Provision	980	190	1,170
(107)	Appeals Provision		(3,070)	(3,070)
180	Write-Offs	14	(1)	13
1,383		994	(2,881)	(1,887)
62,322	**Total Expenditure**	55,303	8,601	63,904
6,994	Surplus / (Deficit) For The Year	1,079	6,470	7,549
(10,426)	Surplus / (Deficit) Brought Forward	2,325	(5,757)	(3,432)
(3,432)	Surplus / (Deficit) Carried Forward	3,404	713	4,117

Notes to the Collection Fund

1. The Collection Fund 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.

2. In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in their locality. The scheme allows the Council to retain a proportion of the total business rates income received. Pendle's share for 2022/23 is 40% with the remainder paid to precepting bodies. For Pendle the precepting bodies are Central Government 50% share, Lancashire County Council 9% and the Lancashire Combined Fire Authority 1% share.

3. The total non-domestic rateable value was £52.56m as at 31st March 2023 (£52.5m as at 31st March 2022). The national non-domestic rate standard multiplier for 2022/23 was 51.2p, with a small business multiplier of 49.9p

4. The income from Business Rates shown on the face of the Collection Fund Statement is less than that derived by multiplying the NNDR rateable value by the NNDR multiplier primarily as a result of various reliefs which reduce the income yield (e.g. small business rate relief, transitional relief, charitable relief, empty property relief).

5. To show how the Council tax base is calculated the following table details the number of chargeable dwellings in each valuation band.

2021/22 Adjusted No of Properties	2021/22 Band D Equivalent	Council Tax Band	2022/23 Adjusted No of Properties	2022/23 Band D Equivalent
98	54	-A	95	52
21,834	14,556	A	22,050	14,414
4,209	3,274	B	4,275	3,279
4,133	3,674	C	4,153	3,662
3,067	3,067	D	3,127	3,114
1,693	2,069	E	1,706	2,057
924	1,335	F	937	1,339
491	818	G	495	818
33	67	H	35	68
	28,914			**28,803**

6. A number of adjustments are applied to the total property figure shown above to derive the actual tax base used for Council tax setting purposes. The tax base for 2022/23 was calculated as follows expressed as a number of Band D equivalent dwellings:

Number of Band D equivalent properties (per above)	29,320
Less: Class C Discount from 1st April 2022	(0)
Adjusted gross tax base	29,320
Less: reduction for impact of Council Tax Support discount	(3,511)
	25,809
Less: reduction for estimated non-collection	(1,032)
Net Tax Base for 2022/23	24,777

7. The precepts and demands for Council Tax and Business Rates made on the Collection Fund together with analysis of the fund balance are shown in the tables below:

Council Tax

2021/22 £000's		Precept/ Demand £000's	Share of Surplus £000's	2022/23 Total £000's
7,002	Pendle Borough Council	6,739	590	7,329
36,392	Lancashire County Council	36,253	2,331	38,584
5,659	Lancashire Police Commissioner	5,661	364	6,025
1,806	Lancashire Combined Fire Authority	1,850	119	1,969
50,859		**50,503**	**3,404**	**53,907**

Business Rates

2021/22 £000's		Precept/ Demand £000's	Share of Deficit £000's	2022/23 Total £000's
6,473	Central Government	8,168	356	8,524
5,180	Pendle Borough Council	6,630	285	6,915
1,165	Lancashire County Council	1,484	64	1,548
129	Lancashire Combined Fire Authority	163	7	170
12,947		**16,445**	**712**	**17,157**

8. The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2022 it was estimated that the following amounts were due to / (from) the preceptors in 2022/23

2021/22 £000's		Council Tax £000's	Business Rates £000's	2022/23 Total £000's
(4,624)	Central Government	-	224	224
(3,429)	Pendle Borough Council	240	179	419
(646)	Lancashire County Council	934	40	974
(81)	Lancashire Combined Fire Authority	46	5	51
15	Lancashire Police & Crime Commissioner	145	-	145
(8,765)		**1,365**	**448**	**1,813**

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

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

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

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

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. As a result, applications for a 50% Lancashire Pool were submitted for 2020/21 and then for 2021/22and 2022/23, consisting of 10 district Council's and the county Council. Applications in both years were successful. The pool has operated on the same basis as in 2016/17, 2017/18 and 2018/19 during 2020/21, 2021/22 and 2022/23.

The business rates income allocations in 2021/22 and 2022/23 are shown in the table below:

	Lancashire Business Rates Pool - Income Allocations for 2021/22 and 2022/23
District Authorities	40%
Lancashire County Council	9%
Lancashire Combined Fire Authority	1%
	50%
Central Government	50%
Total	**100%**

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

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

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

Lancashire Business Rates Pool Members 2022/23	Authority Type	Tariffs and Top-Ups in Respect of 2022/23 £	Retained Levy on Growth 2022/23 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2022/23 £
Burnley Borough Council	Tariff	6,043,499	-1,230,976	123,098	-1,107,878
Chorley Borough Council	Tariff	6,503,220	-1,101,286	110,129	-991,157
Fylde Borough Council	Tariff	8,101,273	-612,380	61,238	-551,142
Hyndburn Borough Council	Tariff	3,969,106	-1,538,593	153,859	-1,384,734
Pendle Borough Council	Tariff	3,388,618	-772,596	77,260	-695,336
Ribble Valley Borough Council	Tariff	4,311,424	-917,609	91,761	-825,848
Rossendale Borough Council	Tariff	2,713,519	-724,988	72,499	-652,489
South Ribble Borough Council	Tariff	10,327,203	-1,750,582	175,058	-1,575,524
West Lancashire Borough Council	Tariff	8,698,358	-754,599	75,460	-679,139
Wyre Borough Council	Tariff	6,837,509	-735,928	73,593	-662,335
Lancashire County Council	Top-Up	-158,098,681		-1,013,955	-1,013,955
Central Government	-	97,204,952		0	0
Total		**0**	**-10,139,537**	**0**	**-10,139,537**

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

AUDIT CERTIFICATE AND OPINION

Audit Opinion

Opinion on financial statements

We have audited the financial statements of Pendle Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of

Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of potential management bias in determining accounting estimates for the valuation of land and buildings and the pension liability/asset, and management override of controls. We determined that the principal risks were in relation to processing of inappropriate journals. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals which impacted income and expenditure or posted during the accounts production,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings and defined benefit pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings and defined benefit pensions. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except that:

On 26 July 2022 we identified a significant weaknesses in how the Authority plans and manages its resources to ensure it continue to deliver services for the year ended 31 March 2021. This was in relation to a shortfall in fundings in the Medium Term Financial Plan over the period to 2024/25. We recommended acute attention is given to address the shortfall identified in future years. The Authority should now build up the level of reserves it has in place and draft a detailed plan to identify and implement savings required, to ensure the Authority has adequate funds to be able to support any shortfalls. As part of our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022 and 31 March 2023, we have reviewed the Authority's progress implementing this recommendation. The Authority has identified gaps between its future spending and income but not identifying the necessary savings to bridge these gaps and will have extinguished its useable reserves by 2027 if it uses reserves instead of identifying savings. Therefore, the significant weakness in arrangements remains in place.

On 18 July 2024 we identified three significant weakness in the Authority's governance arrangements for the year ended 31 March 2022 and 31 March 2023. This was in relation to:

- the Authority's current arrangements for determining planning applications which are inconsistent. Area Committees granting planning permission against the Authority's policies. This has, resulted in appeals and has generated avoidable costs and delays on development. We recommended that the Authority commission a focussed independent legal report on the consistency, costs and efficiency of its planning process and the potential future impacts of continuing with the current arrangements.
- new governance and decision-making processes are not fully implemented and understood by members. We recommended that the Authority should commission a suitably qualified facilitator to work with members to identify any barriers to completing the change from a Committee system to the Leader and Executive model successfully. Based on that advice, the Authority should commission the delivery of a mandatory development programme for all members, covering roles and responsibilities, accountability and effective leadership behaviour, within the Executive and Leader model.
- significant weaknesses in the governance arrangements underpinning the Authority's relationships with its joint venture companies. We recommended that the Authority should commission independent legal advice on its relationships with and governance of its joint venture companies, PEARL, PEARL 2, PEARL Brierfield Mill and PEARL Together, to ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government and companies. The Authority should then implement any recommended changes to governance arrangements in relation to the companies.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Pendle Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Georgia Jones

Georgia Jones, Key Audit Partner

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

Liverpool

23 October 2024

EARMARKED RESERVES 2022/23

- Business Rates Volatility Reserve – to mitigate the uncertainty surrounding the level of business rate income and the fluctuations that can arise one year to the next, primarily due to the impact of business rate appeals;
- Revenue Expenditure Reserve – contains miscellaneous service related balances and also covers slippage of revenue budgets from one year to another;
- Energy Reserve – to provide a source of funding to help the Council with the rising cost of Utilities.
- Revenue Grants Received – Reserve funds received in prior years with specific revenue grant terms.
- Budget Strategy Reserve – provides general support to the Council's annual spending priorities
- One-off Projects reserve – to give the Council flexibility to make changes to ways of working.
- PEARL Development Reserve – to facilitate the Council's funding support for proposals undertaken as part of the Council's joint venture arrangements with Barnfield Investment Properties;
- External Funding Receipts Reserve – contains the balance of unapplied revenue grant monies paid to the Council for a mix of projects where the Council has met the grant conditions (if any) and the income has been recognised in the Comprehensive Income and Expenditure Statement.
- ICT Strategy Reserve – to fund costs associated with upgrading IT equipment and software;
- Growth Sites Development Reserve – to help facilitate the identification and development of sites owned by the Council to support future growth in jobs and housing in the Borough.
- Towns Fund Reserve – established to set aside sums in support of the Government's plan to 'level up' regions.
- Future High Streets Reserve – to fund the Council's plans to make high streets and town centres fit for the future.
- Staff Development / Modern Apprentices Reserve – funding for staff training, development and the recruitment of young persons as Modern Apprentices;
- Business Growth Incentive – to provide a source of funding to invest in business growth within the Borough as part of the Council's 'gearing for growth' initiative;
- Performance Reserve – to provide funding to meet the cost of incentive payments to Liberata arising from the performance management framework agreed as part of the contract with the Council;
- Local Development Framework Reserve – to cover any resource implications of the framework;
- Developers' Contributions Reserve – contains payments made by Developers under S106 Planning Obligations which are used to fund the Council's revenue costs primarily in maintaining new or redeveloped areas of public open space;
- COVID Response Reserve – funds from COVID grant monies for Council's response costs.
- Renewals Reserve – is a source of funding for the Council's Asset Management Strategy;
- Insurance/Risk Management Reserve – to cover potential uninsured losses and support investment in measures to reduce risk;
- VAT Partial Exemption Reserve - exists to provide a balance of resources to meet the costs in any single year arising from the Council exceeding its partial exemption limit;
- Community Projects Reserve – to enable local groups (including town and parish Councils), via one-off support, to deliver or sustain local projects and services;
- Transformation Reserve – Set up to provide funding for required changes in the provision of Council services.
- Portas Pilot Reserve – to support initiatives aimed at re-generating Nelson Town Centre using funding received under the Government's Portas Pilot Initiative which aims to improve high streets and town centres;
- New Homes Bonus Resilience Reserve – established to smooth out any potential reductions to this funding source as a result of potential changes to allocation methodologies.
- High Street Innovation Fund Reserve – to use Government grant funding to support local town centres and reduce the number of empty shops;
- Community Investment Reserve – to fund asset improvement projects within the borough. Each Councillor was awarded a one-off allocation of £2,040 with no expiring date.

Summary of Council Service Areas in 2022/23

Directorate

- Corporate management of the Council
- Policy Development
- Community Based Projects
- COVID-19 Response
- Communications

Financial Services (includes services provided under a public/private partnership arrangement by Liberata)

- Organisational Subscriptions
- Donations to external bodies
- Audit fees, bank charges and bad debt provisions
- Pensions
- Earby & Salterforth Drainage Board
- Insurances
- Facilities operated by Pendle Leisure Limited
- Telephony

Services provided by Liberata (included within Financial Services)

- Human Resources
- Information Technology
- Property Services (including misc. land and property, administrative buildings, Markets and Industrial Estates)
- Council Tax – administration, billing and recovery
- Council Tax Support administration
- Housing Benefit administration
- Business Rates – administration, billing and recovery
- Customer Contact Centre
- Mortgages

Democratic & Legal Services

- Mayoralty & Member Services
- Registration of Electors
- Council Elections
- Local Land Charges
- Town Twinning & Civic Expenses
- Printing Unit

Planning, Economic Development & Regulatory Services

- Building Control
- Development Management
- Planning Policy
- General Environmental Enhancement
- Licensing (excluding Taxis)
- Taxi Licensing
- Tourism
- Economic Development and Promotion

Environmental Services

- Street Cleansing
- Domestic Waste Collection
- Trade Waste
- Recycling Initiatives
- Emergency Planning/Health and Safety
- Depot
- Parks
- Playing Fields
- Parks Games

- Open Spaces
- Playgrounds
- Picnic Sites
- Cemeteries
- Landscape Maintenance
- Countryside Access
- Enforcement Team
- Environmental Action Group

Housing, Health & Engineering

- Homelessness
- Private Sector Housing
- Women's Refuge
- Tourism
- Food Hygiene
- Air Pollution
- Noise Control
- Occupational Health
- Public Health
- Pest Control
- Town Centres
- Reclamation
- Private Street Works
- District Highways
- Car Parking
- Bus Route Subsidies
- Passenger Shelters
- Bus Stations
- Land Drainage
- Cycleways

GLOSSARY OF TERMS

Glossary of Terms

TERMS USED	DEFINITION OF TERMS
Accruals	The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Accumulated Absences	Absences earned but not taken by the end of the financial year i.e. holiday pay entitlement.
Amortisation	The writing down in value of tangible fixed assets, which is charged to service revenue accounts to reflect the cost of such assets, used in the provision of those services. This is the equivalent of depreciation for fixed assets.
Assets	Something of worth which is measurable in monetary terms
Balance Sheet	A statement of the recorded assets, liabilities and reserves at the end of an accounting period.
Budgets	A statement of the Council's forecast spend - i.e. net revenue expenditure for the year.
Business Rates	See Non-Domestic Rates.
Capital Charges	This represents charges made to services' revenue accounts to reflect the cost of fixed assets used in the provision of services.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Capital Receipts	Proceeds or money received from the sale of land or other capital assets. Under the Local Government Act 1989, a proportion must be set aside to provide for the repayment of debt and the balance is available to finance new capital expenditure.
Cash and Cash Equivalents	Money held either as cash-in-hand, a deposit with a financial institution repayable without penalty on notice of no more than 24 hours or investments that mature within 3 months from the date of acquisition.
CIPFA	Chartered Institute of Public Finance and Accountancy
Community Assets	These are assets which the Council intends to hold forever, which have an indeterminable useful life and in addition may have restrictions on their disposals. Examples include parks, historic buildings, cemeteries, etc.
Contingent Liability	A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.
Creditors	Amounts owned by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.
Debtors	Sums of money due to the Council but which are unpaid at the date of the balance sheet.
DEFRA	Department for Environment, Food and Rural Affairs

Depreciation	The measure of the wearing out, consumption, or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.
Effective Interest Rate	The rate of return that provides a level yield on a financial asset through to maturity date (or the next re-pricing date). To look at it another way, it is the rate that exactly discounts the cash flows associated with the financial instrument through to maturity (or the next re-pricing date) to the net carrying amount at initial recognition, i.e. a constant rate on the carrying amount.
Expected Credit Loss	The calculated amount of an expected loss on a financial asset e.g. a borrower defaults on their obligations at some point in the future.
Fair Funding Review	A review by Central Government on baseline funding allocations to Local Authorities through an assessment of their relative needs and resources.
Fair Value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Financial Assets	Cash, bonds, deposits, loan and debtors, and shares in another organisation, are all examples of financial assets.
Financial instrument	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Liabilities	Include borrowings, other financing and bank overdrafts, derivative instruments and accounts and notes payable.
General Fund Services	This comprises all services provided by the Council. The net cost of general fund services is met by Council Tax, Government grants and business rates.
Historical Cost	This represents the original cost of acquisition, construction or purchase of a fixed asset.
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
Impairment	A reduction in the value of a fixed asset below its value brought forward in the balance sheet. Examples of factors which may cause such a reduction in value include, general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.
Infrastructure Assets	These are inalienable assets (i.e. assets where ownership cannot be transferred) from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges, etc.
Liabilities	Money the Council will have to pay to people or organisations.
Minimum Revenue Provision	This is the minimum amount which must be charged to the Council's revenue account each year to provide for the repayment of loans used to finance capital expenditure. The

minimum amount is a percentage of the total capital financing requirement of the Council.

MHCLG	Ministry of Housing, Communities and Local Government
Net Current Replacement Cost	This represents the cost of replacing or recreating a particular asset in its existing condition and in its existing use. That is the cost of replacing an asset, adjusted to reflect the current condition of the existing asset.
Net Realisable Value	The open market value of an asset in its existing use less any expenses incurred in realising the asset.
Non-Current Assets (formerly Fixed Assets)	Include investments, accounts and notes receivable, short-term investments, including derivative instruments, and cash and cash equivalents.
Non-Domestic Rates (NNDR)	These are business rates collected locally by the Council and shared between the Council, Government, County Council and the Fire Authority.
Operating Lease	A lease other than a finance lease.
Operational Assets	These are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a responsibility.
Precepts	The proportion of total Council Tax which is due to local parishes and various authorities in Lancashire (e.g. the Police & Crime Commissioner; the Fire Authority and the County Council) and which is collected on their behalf by the Council.
Public Works Loan Board	A government agency which provides long-term loans to local authorities at interest rates lower than prevailing market rates. The Council is able to borrow a proportion of its capital financing requirements from this source.
Recharges	The transfer of costs within the Council from one account to another to reflect work undertaken on behalf of another service.
Reserves	These are amounts set aside from balances to meet specific items of future expenditure. There are revenue and capital reserves.
Revenue Contributions	A method of financing capital expenditure through the revenue account.
Revenue Expenditure	This represents day to day running costs incurred in the provision of Council services. Such costs principally include employees' costs, supplies & services costs, etc.
Revenue Support Grant (RSG)	A grant paid to the Council by the Government to finance the Council's general expenditure 'needs' and not specific services, after taking into account the level of Council Tax and NNDR income.
SeRCOP	Service Reporting Code of Practice. This Code of Practice provides guidance to Local Authorities on how to classify costs for comparative purposes between Authorities. The Code of Practice is the accounting guidance developed by CIPFA in support of the Government's Best Value Legislation.
SOLACE	Society of Local Authority Chief Executives.

Unusable Reserves	Reserves that the Council is not able to use to provide services as they reflect unrealised gains and losses and associated accounting adjustments.
Usable Reserves	Reserves that the Council may use to provide services subject to maintaining a prudent level and any statutory limitations.
Working Balances	This represents the accumulated surplus (excess of income over expenditure) on the Council's revenue accounts i.e. General Fund.