

# Borough of Pendle

## STATEMENT OF ACCOUNTS

for the year ended  
31<sup>st</sup> March 2020





<b>Contents</b>	<b>Page</b>
Introduction	4
Narrative Report by the Chief Finance Officer	6
Statement of Accounting Policies	25
Statement of Responsibilities for the Statement of Accounts	42
Annual Governance Statement	44
Core Financial Statements	60
Movement in Reserves Statement	61
Comprehensive income and Expenditure Statement	62
Balance Sheet	63
Cash Flow Statement	64
Index of Explanatory Notes to the Core Financial Statements	65
Notes to the Core Financial Statements	66
Collection Fund	112
Notes to the Collection Fund	113
Audit Certificate and Opinion	117
Appendices:	
1 – Earmarked Reserves	119
2 – Summary of Council Service Areas	121
Glossary of Terms	123

Statement of Accounts  
Approved by the  
Accounts and Audit Committee  
10<sup>th</sup> November 2020

Councillor Tommy Cooney  
Chairman

## Introduction

**This Statement of Accounts for the year ended 31<sup>st</sup> March 2020 has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2019/20, 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 2019. There have been no major changes in the Council's statutory functions during the year.

The draft Statement of Accounts has been published later than in previous years owing to the coronavirus pandemic. Normally, the draft accounts are published at the end of May with the audited accounts published by the end of July. However, as a result of the COVID-19 pandemic the Government issued regulations in relation to local authority accounts for the financial year ending 31st March 2020 which have the effect of:

- extending the publication date for audited accounts from 31st July to 30th November 2020, and
- removing the requirement for the public inspection period to include the first 10 working days in June. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020. This means that draft accounts must be published by no later than the 31st August.

The above changes have been made for the 2019/20 year of account only.

### 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 other '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. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement 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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

### **Supplementary Statement**

**The Collection Fund** is an agent's statement which we are required by law to maintain separately from all our other funds and accounts. It shows transactions that have arisen because we are a billing authority responsible for the collection and distribution of Council Tax and Business Rates on behalf of Central Government and precepting authorities. In addition to Pendle, the precepting 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 2019/20 under this scheme the Council retains 56% of total business rate income. The remainder is apportioned to the Government (25%), the County Council (17.5%) and the Fire Authority (1.5%) in accordance with regulations governing the scheme.

Our accounting policies are outlined in this document on page 26 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 Chief Finance Officer (CFO) is the statutory officer responsible for the proper administration of the Council's financial affairs. The CFO 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 CFO's statement of assurance appears on page 43 of this document.

## Narrative Report for 2019/20 by the Chief Finance Officer

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore 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 2019/20.
- 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 style and format of the accounts complies with local authority accounting standards and is similar to that of previous years. The Council continues to review the content of the accounts and remove unnecessary detail in an effort to 'de-clutter' the accounts as recommended by CIPFA and our External Auditors.

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 31<sup>st</sup> March 2020 and adopts the following structure:-

- An introduction to Pendle
- Key facts about Pendle
- Information about the Council
- The 2019/20 revenue budget and medium term position
- The capital programme for 2019/20 and over the medium term
- Financial performance of the Council in 2019/20
- Non-financial performance of the Council in 2019/20
- Overview of strategic risks facing the Council
- The financial outlook to 2023/24
- The impact of the COVID-19 pandemic on the Council
- 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



### Population

The Borough covers an area of 169.4 km<sup>2</sup> and has a population of 91,739 giving it an overall population density of 542 persons per km<sup>2</sup>.

Two-thirds of Pendle's population is concentrated in four contiguous 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 urban area that has a combined population of almost 150,000. To the north, the market town of Barnoldswick and Earby are the largest settlements in West Craven.

Whilst the age structure of the population is broadly similar to both regional and national averages, it has a relatively young profile, with birth rates in the borough having increased steadily over a number of years.

The most recent Sub-National Population Projections (SNPP) published by the Office for National Statistics estimates that the population of Pendle will increase to 94,957 by 2043. Over this same period the population aged 65 and over in Pendle is expected to rise from 18.7% of the total population to 23.6%, whilst the proportion under the age of 16 is expected to remain relatively static at around 21% of the total population.

The ethnic mix of the population is similar to other districts in Pennine Lancashire. Based on the 2011 Census the majority ethnic group was White (79.9%); lower than the comparable figure for England (85.4%). There is a significant Black, Asian and Minority Ethnic (BAME) population (20.1%). Most of the local BAME community are of Pakistani origin and live in Nelson and Brierfield.

### Housing

Pendle is a district that has similar problems to other East Lancashire authorities. The large amount of old terraced property subdues average house prices and contributes to high rates of unfit housing. Pendle has around 40,500 dwellings, 88% are owner occupied or private rented. Along with other East Lancashire authorities, Pendle has a very high proportion of its housing stock in the lowest category 'A' council tax band. At 61.3% this is the highest figure in Lancashire. The authority also has a high percentage of vacant dwellings.

The median house price to earnings ratio in the authority is one of the lowest among the 14 Lancashire authorities.

A total of 17.3% of households were in fuel poverty in 2017 which was the second highest rate in Lancashire, and the fifth highest rate in England. The main factors that determine this are the energy efficiency status of the property, the cost of energy, and household income.

### Deprivation

The 2019 Indices of Multiple Deprivation reveals that Pendle was the 36th most deprived area out of 317 districts and unitary authorities in England. Previously, Pendle was ranked 42nd.

The Ministry of Housing, Communities and Local Government also rank authorities based on the proportion of lower super output areas (LSOAs) in the top 10% most deprived across the country. On this basis, Pendle ranked 14th out of 317 authorities with 31.6% of the lower super output areas in the 10% most deprived in the country.



## **Income and Employment**

In Pendle as in most places, the manufacturing sector has shed jobs over the years whilst the service sector has grown as a source of employee jobs. However there still continues to be a bias towards a larger proportion of employees in the manufacturing sector, and in particular the aerospace manufacturing sub-sector.

In contrast to the national and county trends employee numbers in Pendle were almost static in the decade to 2008 as the local economy faced tough economic challenges. Between 2009 and 2017, employment in the authority rose by nearly 10%. Pendle has a very high proportion of private-sector jobs in comparison to the county and national averages. The 2011 census results reveal the strong commuter flows, over 4,600 in each direction, between Pendle and Burnley.

The average (median) weekly earnings for full-time employees resident in Pendle are consistently below the level of the North West and the UK. They also demonstrate a significant difference between male and female full-time employees. When considered by place of work, average (median) weekly earnings in Pendle (£425.50) are slightly below the comparable figures for Lancashire (£428.80) whilst being significantly below the UK average (£479.10).

Pendle has a key role to play in the economic success of the North West and in particular the Pennine Lancashire sub-region. Pendle has genuine strengths on which to build. Advanced engineering businesses, many serving the locally important aerospace industry, operate at the cutting edge of new technology, and are a source of high value employment. The quality of the natural environment and elements of our built heritage are key drivers behind the recent growth of tourism.

The production and retail sectors are locally important. The area's economic foundations were built on textiles and associated engineering industries. The increasing globalisation of world trade after the Second World War witnessed the decline of many traditional manufacturing industries. In the immediate post-war period the focus was on attracting new businesses to the area to replace those jobs being lost from the textile industry as it faltered and then restructured. Later the emphasis was on reducing the area's dependence on a declining manufacturing sector. More recently the focus has returned to exploiting the area's competitive advantages in advanced engineering and aerospace.

Pendle retains a strong presence in manufacturing; however the nature of many businesses has changed. The importing and distribution of low value goods has gradually replaced manufacturing capacity with manual jobs on the shop floor replaced by warehousing and office-based employment. However, manufacturing accounts for 10.5% being significantly higher than the national average of just 4.5%. Construction accounts for 12% of business types in Pendle, slightly below the national average with Professional, Scientific and Technical services making up circa 11% which is significantly lower than the national average (circa 18%). Promisingly, business survival rates after 5 years are higher in Pendle (48%) than other areas in Lancashire (44%). The survival rates for Pendle are also significantly higher than the UK average (41%).

Pendle has been proactively working with businesses through its award winning Gearing up for Growth scheme. In 2019/20, 11 businesses have received support to start, expand and grow. Over £50,000 has been invested in the borough which will result in nearly £500,000 of private sector investments in Pendle. During this 12 month period the scheme has created 8 new businesses creating over 30 new jobs whilst safeguarding 12 full time jobs. Pendle continues to support its businesses by hosting Pendle Business Week, which is a weeks' worth of free business workshops, seminars and drop-in sessions with business experts.

The Councils Regeneration team is also working on a new site on the M65 growth corridor bringing forwards 10 hectares of strategic employment land adjacent to the existing Lomeshaye Industrial Estate. This scheme will provide a number of high quality industrial units. The Council is also working on identifying additional sites which can be developed for employment. Work is also underway at Northlight Brierfield Mill which is a £32million renovation project of a listed mill creating leisure facilities, usable office space and housing. Both projects will create employment opportunities for Pendle residents.

## **Tourism & Recreation**

Almost 62% of the borough (16,660 hectares) is officially designated as open countryside, with the three peaks of Pendle (557m), 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.

There were 2.83million visitors to Pendle in 2018. Visitor spend increased from £120million to £130million per year with 28% of this from staying visitors. The Tourism and hospitality industry supports 1,657 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.

## Information about the Council

As a local authority the Council is an elected, multi-functional organisation. Its policies are determined and directed by the political leadership of the Council and implemented by the Management Team and Officers of the Council. The following section describes the political and management structures of the Council.

### ***Political Structure in the 2019/20 Municipal Year***

The political make-up of the Council during the year was:

Conservative Party	21 Councillors
Labour Party	16 Councillors
Liberal Democrat Party	10 Councillors
Independent	1 Councillor
	1 Vacancy

Pendle has 20 wards and the Council is composed of 49 councillors with one-third elected three years in four. The model of governance which operated during 2019/20 was a streamlined Committee System. The Council appoints the Leader. The Policy and Resources Committee comprises 13 Councillors including the Leader.

The arrangements for scrutiny under the committee system which was re-introduced in 2018/19 operate via a Task and Finish Committee as required and via the Council's Call-in procedures.

### ***Management Structure***

The Council's officer structure is headed by the Chief Executive assisted by the Corporate Director. Each has responsibility for a Service Grouping. The Service Groupings, their managers and their areas of responsibility are:

#### *Strategic Services - Chief Executive*

##### *Areas of responsibility:*

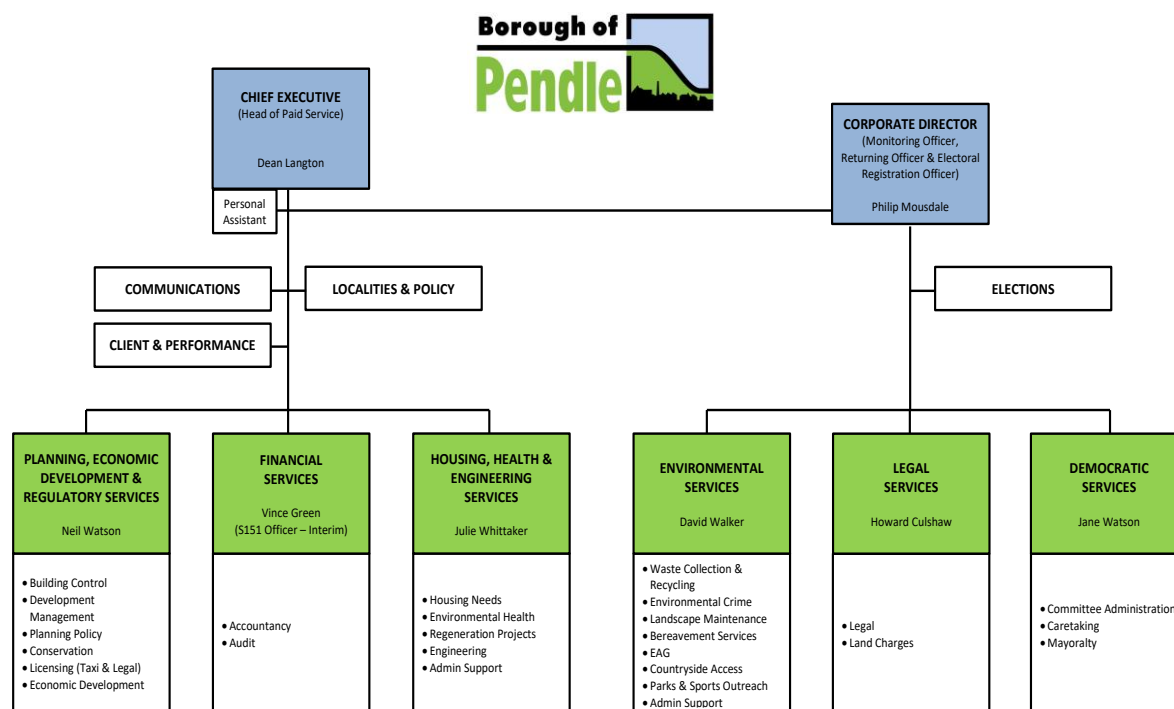
- Financial Services
- Planning, Economic Development and Regulatory Services
- Housing, Health and Engineering Services
- Localities and Policy

#### *Corporate Services - Corporate Director*

##### *Areas of responsibility:*

- Environmental Services
- Democratic Services
- Legal Services
- Communications
- Elections

The current senior management structure of the Council is shown below:



The Council's staffing establishment at the end of March 2020 comprised 193.0 full time equivalent staff compared with 208.0 as at 31st March 2019.

### 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."*

Its purpose is to show what we, the Council, will do about the strategic priorities for Pendle. It lists the big things that we'll be doing as a Council that are important to us. It has also been influenced by COVID-19 and our response to and recovery from the pandemic, and links to the Pendle Council Plan for Recovery.

Our Financial Strategy is informed by the priorities in it. Individual service plans and targeted delivery plans / policies and strategies, such as the Jobs and Growth Strategy for Pendle and our Digital Strategy, identify in more detail how we intend to achieve our priority outcomes.

The Council's five strategic objectives are as follows:-

#### 1. **STRONG SERVICES: Working with partners, the community and volunteers to 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.*

**2. 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 and economic and housing growth in Pendle in a way that secures its long-term economic, environmental and social wellbeing.*

**3. 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 clean, 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.*

**4. 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.*

**5. STRONG RESPONSE AND RECOVERY: Delivering our COVID-19 response and recovery whilst working towards rebuilding, restoring and rehabilitating our communities**

*We will work with our partners and the community, in line with national developments and decisions, to continue to effectively respond to the COVID-19 pandemic and enable the transition to recovery via delivery of our Plan for Recovery. We will do this in a co-ordinated way whilst being supporting and sympathetic to the needs of the community and affected individuals, taking into account the resources available.*

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:

<b>P E N D L E</b>	<b>Pride</b>	 <b>Take pride in all you do</b>  Believe in Pendle and be an ambassador for the Council  Don't forget our customers
	<b>Enterprising</b>	 <b>Be open to doing things differently</b>  Ensure public money is spent in the smartest way  Don't ignore new ways of working
	<b>No blame</b>	 <b>Don't be afraid to fail; together everyone achieves more</b>  Act in an open, honest and friendly manner  Don't ignore the impact your behaviour has on others
	<b>Determined</b>	 <b>Face challenges in a positive way</b>  Make the effort to find information out yourself  Don't limit your opportunities to learn and grow
	<b>Listen</b>	 <b>Take time to listen and support others</b>  Value alternative views  Don't forget to thank others for their contribution
	<b>Equality</b>	 <b>Value differences and celebrate diversity</b>  Ask for help and support when needed  Don't make assumptions about people

## The 2019/20 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.

Options to reduce net expenditure were developed by the Management Team during the year and reported to the Executive following initial consideration by the Budget Working Group. The process concluded in February 2019 when the full Council agreed a net budget for the year of £11.664m. The budget assumed the use of £1.24m from reserves and included various proposals (i.e. service efficiencies, savings and income generation) estimated to reduce the overall budget by £0.748m. Details on the revenue out-turn for 2019/20 are provided in the Financial Performance section below.

### Council Tax

When setting the budget for 2019/20 the Council agreed to increase council tax by £7.70 (2.99%). The Council set a Band D council tax for the year of £265.34. The total Band D council tax for the year was £1,964.59, an increase of 4.92% on the previous year made up as follows:-

	2018/19 £	2019/20 £
Pendle Borough Council	257.64	265.34
Police & Crime Commissioner	177.45	201.45
Lancashire County Council	1,212.17	1,250.89
Lancashire County Council – Adult Social Care	82.75	95.70
Lancashire Fire Authority	67.46	69.48
Local Town and Parish Councils (average)	74.98	81.73
<b>Total Council Tax at Band D</b>	<b>1,872.45</b>	<b>1,964.59</b>

### Council Tax Base

As part of the budget process for 2019/20 the Council set a council tax base (expressed as the number of Band D equivalent properties) of 24,061.3. This represented an increase of 1.69% on the previous year – 2018/19 (23,661.5).

### Medium Term Financial Plan 2020/21 to 2023/24

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

The Plan takes account of the significant reductions in core funding from Government. Since 2010/11 the Council's budgeted core revenue funding from Government has reduced by 63% as illustrated by the table below:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £'000
Retained Business Rates (excluding Section 31 grant)	9,038	6,765	7,839	3,305	3,369	3,670	3,595	3,552	3,804	4,505
Revenue Support Grant (adjusted)	2,087	2,091	151	4,011	2,780	2,571	1,680	877	374	0
Transition Grant	2,053	-	-	-	-	-	-	-	-	-
Efficiency Support Grant	-	2,831	2,216	1,026	1,026	41	-	-	-	-
New Homes Bonus	-	101	190	363	714	952	1,089	995	488	391
<b>Total</b>	<b>13,178</b>	<b>11,788</b>	<b>10,396</b>	<b>8,705</b>	<b>7,889</b>	<b>7,234</b>	<b>6,364</b>	<b>5,424</b>	<b>4,666</b>	<b>4,896</b>
<b>Change</b>	<b>-</b>	<b>-10%</b>	<b>-21%</b>	<b>-34%</b>	<b>-40%</b>	<b>-45%</b>	<b>-52%</b>	<b>-59%</b>	<b>-65%</b>	<b>-63%</b>

An update of the Council's medium term financial plan was considered by the Policy and Resources Committee in June 2020 covering the plan period to 2023/24. A summary of the position as reported to the Committee is shown in the table below. Agendas, reports and minutes for all Council meetings can be viewed on our website ([www.pendle.gov.uk](http://www.pendle.gov.uk)).

	Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
<b>Net Revenue Expenditure (A)</b>	<b>13,530</b>	<b>14,652</b>	<b>15,206</b>	<b>16,203</b>
<b>Funded By:-</b>				
Business Rates Retained	(4,130)	(4,214)	(4,298)	(4,384)
Revenue Support Grant	(1,164)	(1,187)	(1,211)	(1,235)
<i>Add: Collection Fund (Surplus) / Deficit</i>	<i>(1,410)</i>	<i>(550)</i>	<i>(450)</i>	<i>(450)</i>
<i>Plus Council Tax Income</i>	<i>(6,565)</i>	<i>(6,746)</i>	<i>(6,931)</i>	<i>(7,122)</i>
<b>Total Funding (B)</b>	<b>(13,269)</b>	<b>(12,697)</b>	<b>(12,890)</b>	<b>(13,191)</b>
<b>Local Funding Gap (A – B)</b>	<b>261</b>	<b>1,955</b>	<b>2,316</b>	<b>3,012</b>
Contribution (from) / to Reserves	(261)	(944)	(150)	100
Prior year savings implemented	-	-	(1,011)	(2,166)
<b>In Year Savings Required</b>	<b>-</b>	<b>1,011</b>	<b>1,155</b>	<b>946</b>

At £3.1m, 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 for 2019/20 and Over The Medium Term

Capital spending has reduced in recent years as the level of capital resources has diminished. The Council is reliant on receipts from asset disposals, government grant (primarily for Disabled Facilities Grants), contributions it can make from its revenue budget and what we can afford to borrow.

The initial Capital Programme for 2019/20 was approved by the Council in February 2019. At that time the overall programme was £7.91m which consisted of 'new' expenditure of £2.71m and slippage valued at £5.20m represented by schemes previously approved and carried forward.

In considering the capital programme for 2019/20 onwards, our Capital Strategy 2019/20 to 2021/22 set out the key capital investment priorities over the medium term. Subject to future funding, these are:

- **Private Sector Housing Renewal** – this remains a priority for the Council given the condition of the housing stock within some areas of Pendle and the ongoing focus on reducing the number of empty homes in the Borough. However, the extent to which the Council has the financial capacity to deliver the renewal of private sector housing will largely depend on the receipt of external funding from the Government or related Agencies such as Homes England;
- **Promoting, Enabling and Providing Regeneration** – the wider regeneration of Pendle remains a key capital investment priority for the Council. In previous years this has largely been driven by external funding. More recently, the Council has used its joint venture arrangements with Barnfield Investment Properties – PEARL and PEARL2 and more recently PEARL (Brierfield Mill) – as key vehicles for regeneration activity. Along with the recently formed PEARL Together, this will continue to be the case where it remains viable to do so;
- **Enabling economic growth** – to support the growth of business and employment opportunities within the borough. A key priority is to bring forward the extension of Lomeshaye Industrial Estate as a strategic employment site in partnership with the Lancashire Enterprise Partnership and the County Council;
- **Corporate and Service Asset Renewal** – where resources permit we will continue investing in our own assets, primarily those employed in the delivery of services direct to the residents, e.g. parks and recreational facilities but also those that are used for administrative purposes. A key part of this is to provide adequate resources to ensure assets are safe to use and occupy;

- **Invest to save / transformation projects** – the Council has used its prudential borrowing powers to undertake projects which generate revenue savings and opportunities to do this will continue to be sought. In addition there is now some scope to use capital receipts flexibly to fund expenditure on transformational type projects where they also deliver revenue savings

Given the limited level of capital resources that we have, we are unable to afford all of the capital improvements we would like. This will require us to prioritise projects which we do through an established methodology resulting in a prudent, sustainable and affordable capital programme supporting the delivery of our strategic objectives.

The 2019/20 programme was updated throughout the year in response to the previous year's out-turn, updates on the timing of expenditure and funding or saving opportunities with the final programme value being £16.775m. Significant changes from the programme approved in February 2019 included additional slippage from 2018/19 (£3m) and the adoption of a property investment strategy (£5m). Details on the capital out-turn for the year are provided in the Financial Performance section below.

## Financial Performance of the Council in 2019/20

The Council's revenue outturn for 2019/20 is shown in the table below. The approved budget provided a budget requirement of £11.664m with a council tax requirement of £6.4m.

Revenue Budget Outturn 2019/20	Approved Budget 2019/20 £000	Actual 2019/20 £000	Variance 2019/20 £000
Net Cost of Services	14,817	14,364	(453)
Corporate Income and Expenditure	(2,518)	(2,585)	(67)
Contribution to / (from) Reserves	309	309	-
<b>Net Expenditure</b>	<b>12,608</b>	<b>12,088</b>	<b>(520)</b>
<b>Contribution from Budget Strategy Reserve</b>	<b>(944)</b>	<b>(424)</b>	<b>520</b>
<b>Approved Net Expenditure – Budget Requirement</b>	<b>11,664</b>	<b>11,664</b>	<b>0</b>
Funded by:-			
Council Tax (precept on the Collection Fund)	(6,384)	(6,384)	0
Share of Collection Fund Surplus – Council Tax	(375)	(375)	0
Business Rates Income (net)	(4,505)	(4,505)	0
Share of Collection Fund Surplus – Business Rates	(400)	(400)	0
<b>Total Funding</b>	<b>(11,664)</b>	<b>(11,664)</b>	<b>0</b>

As the table above indicates, our budgeted net expenditure for the year was £12.608m. It was planned to meet this expenditure primarily from Council Tax income of £6.384m and net income from Business Rates of £4.505m. After deducting the Council's share of the council tax and business rates surpluses on the Collection Fund, the balance of expenditure over income of £944k was to be met by a contribution from the Budget Strategy Reserve.

The original planned use of £944k from the Budget Strategy Reserve was reduced to £424k, a reduction of £520k. This comprises a net underspend of £453k on the Net Cost of Services and an underspend of £67k on Corporate Income and Expenditure.

### Service Financial Performance

As the table above shows, the cost of services was underspent by £453k compared to the approved budget for the year. All variations will be analysed and any future implications brought into the budget planning process.



The table below provides details of financial performance of individual services. A listing of services within each Service Area is provided in Appendix 2 on page 120.

Service Area – Revenue Out-turn	Approved Budget 2019/20 £000	Actual Expenditure 2019/20 £000	Budget to Actual Variance 2019/20 £000
Directorate	23	23	0
Financial Services (including services provided by Liberata)	6,133	6,070	(63)
Democratic & Legal Services	1,178	1,167	(11)
Planning, Economic Development & Regulatory Services	1,080	828	(252)
Environmental Services	4,851	4,839	(12)
Housing, Health and Engineering	1,552	1,437	(115)
<b>Net Cost of Services</b>	<b>14,817</b>	<b>14,364</b>	<b>(453)</b>

### ***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 31<sup>st</sup> March 2020 the Council retained a General Fund Working Balance of £1.0m. This is unchanged from the position reported for the previous year.

### ***Capital Expenditure and Income 2019/20***

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 2019/20, we spent £3.047m 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 for which no expenditure was incurred in the year.

Capital Spending 2019/20	Approved Programme 2019/20 £000	Actual Expenditure 2019/20 £000	Approved to Actual Variance 2019/20 £000
Housing	4,012	1,401	(2,611)
Waste Collection	70	47	(23)
Environmental, Roads, Street Lighting & Road Safety	625	370	(255)
Information & Communications Technology	638	173	(465)
Asset Renewal	637	270	(367)
Resource Procurement / Externally funded schemes	4,552	172	(4,380)
Area Committees	659	218	(441)
Parks and Recreation	399	258	(141)
Property Investment Strategy	5,000	0	(5,000)
Other General Capital schemes	183	138	(45)
<b>TOTAL</b>	<b>16,775</b>	<b>3,047</b>	<b>(13,728)</b>

The variance shown above will be carried forward to support capital expenditure in 2020/21.

The table below shows the sources of capital income used to meet the cost of capital expenditure in the year:



<b>Capital Financing 2019/20</b>	<b>Actual 2019/20 £000</b>
Capital Grants and Contributions	1,638
Revenue Contributions	148
Capital Receipts	1,261
Prudential Borrowing	-
<b>TOTAL</b>	<b>3,047</b>

### ***Treasury Management (Borrowings and Investments)***

At 31<sup>st</sup> March 2020, the Council had a total capital financing requirement (Council debt) of £19.8m, a decrease on the previous year of £0.57m. This reflects that there was no prudential borrowing in the year combined the statutory repayment of debt for the year of £484k and £90k voluntarily set aside from capital receipts for the repayment of debt.

The Council had external borrowing from the Public Works Loans Board (PWLb) as at 31<sup>st</sup> March 2020 of £23.359m. During the year three new loans totalling £4.0m were taken from the PWLB and one loan of £1.0m was repaid.

In relation to the cash (bank) account, we had a balance in hand of £2.820m on 31<sup>st</sup> March 2020 (compared to cash in hand of £1.517m at 31<sup>st</sup> March 2019). At 31<sup>st</sup> March 2020, we had investments (excluding the bank balance in hand) of £20.0m (compared to £16.0m last year). This comprised short-term investments (those for less than 364 days) of £17.0m and cash equivalents of £3.0m.

### ***The Collection Fund***

Billing authorities in England, such as Pendle, are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates). The key features relevant to accounting for council tax and business rates in the Core Financial Statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax income on behalf of the major preceptors and itself; under the scheme of Business Rates Retention introduced from 2013/14, business rates are also collected on behalf of Central Government and the major preceptors;
- While the council tax and business rate income credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund has been taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates income is in substance an agency arrangement, cash collected by the billing authority from council tax and business rates debtors belongs proportionately to the billing authority and the major preceptors. There is therefore a debtor/creditor position between the billing authority and each major preceptor which is recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from taxpayers.

In relation to the financial performance of the Collection Fund in 2019/20, when setting the council tax for 2020/21, we expected that the Fund would be in a surplus position of £2.264m in relation to council tax collection as at 31<sup>st</sup> March 2020. The actual balance carried forward in respect of council tax was a surplus of £1.782m which will be carried forward in support of future years' budgets. Pendle Borough Council's share of this is £0.314m with the balance due to the major preceptors.

In relation to business rates in 2019/20, the Collection Fund was projected to be in a surplus position of £1.805m as at 31<sup>st</sup> March 2020. The actual position as at 31<sup>st</sup> March 2020 was a surplus of £2.486m which will be carried forward and distributed in subsequent years' budgets. Pendle Borough Council's share of this is £1.391m with the balance due to the Government and major preceptors.

### ***Pension Fund***

In accordance with proper accounting practice we are required to show the present surplus or deficit position on our share of the Pension Fund administered by Lancashire County Council. For Pendle Borough Council, the net position at 31<sup>st</sup> March 2020 showed a liability of £39.8m compared to a liability of £44.0m for the previous financial year. This represents a decrease in the liability of £4.2m. The main reason for this stems from changes in the financial assumptions applied by the Fund Actuary at the end of the accounting period compared with those assumed at the start.

In addition, in April 2017, the Council pre-paid an amount of £2.4m to the pension fund in respect of the past service deficit contributions it is obliged to make in 2018/19 and 2019/20. The Council did this so as to secure a discount from the pension fund which outweighed the equivalent investment income that could be generated from investing the money elsewhere. The prepayment for these two years was charged to the General Fund balance in 2017/18 but subsequently reversed out via the Movement in Reserves Statement. As a result only that part of the past service deficit due for 2019/20 (£1.203m) has been charged against the General Fund balance in the year.

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***

At 31<sup>st</sup> March 2020 the pre-audit balance of revenue reserves is £7.253m (including External Funding Receipts and Developers' Contributions). Of this amount, £1.0m represents the Council's General Fund Working Balance with £6.253m held in specific earmarked reserves. Included within specific reserves is the Budget Strategy Reserve (£2.564m at 31<sup>st</sup> March 2020) which is used to support future General Fund expenditure.

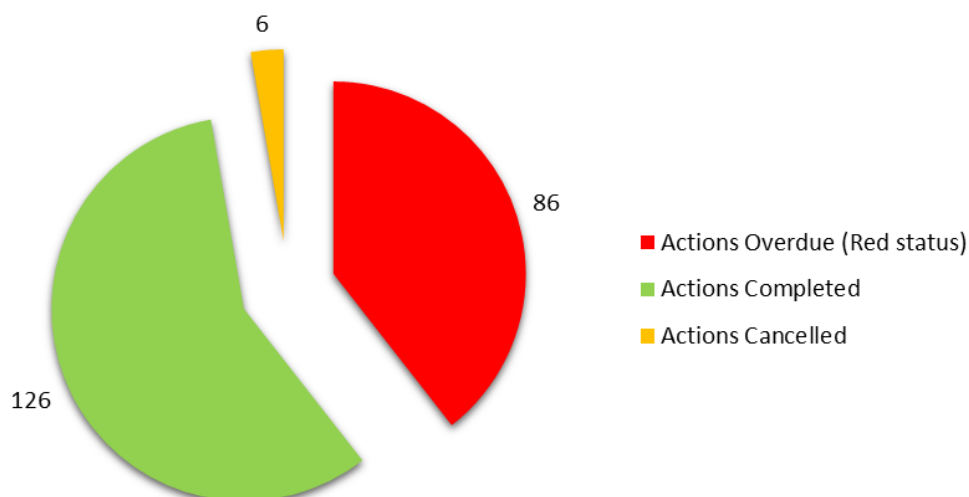
## **Non-Financial Performance of the Council in 2019/20**

We have 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 performance 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 Service Plans. These are used by Service Managers 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.

The delivery of our Strategic Plan is directly linked to the Service Plans for each Service Group and Liberata, which in turn are linked to individual Performance Management Reviews (PMRs) for all staff. During the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 (which was the second year of a two year plan) a total of 218 actions from Service Plans contributed to the delivery of our Strategic Plan and the chart below demonstrates how those actions are being delivered.



As can be seen from the diagram above, 126 (57.8%) of these actions were delivered by 31st March 2020. Of the 92 actions which were not delivered by 31st March 2020, 81 (37.2%) have been proposed for carry forward to the new service plans for 2020/21. The remaining 11 (5.0%) actions were agreed to be no longer achievable / relevant or, whilst the desired action outcome was achieved, the specific targets set were not met. Six of these actions were cancelled during the year. In the main, the delivery of these actions was affected by external factors which were out of our control or where there had been a change of focus / priorities.

The Council has adopted a basket of 29 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.

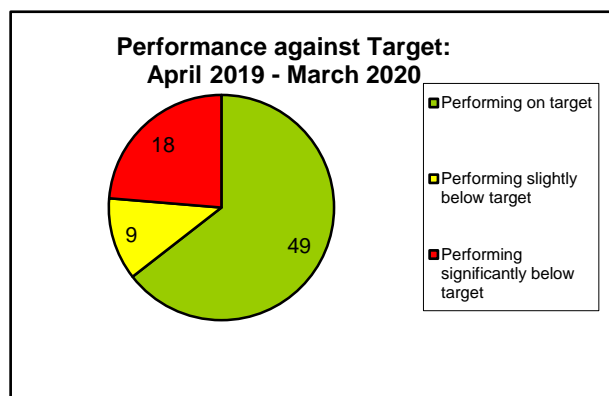
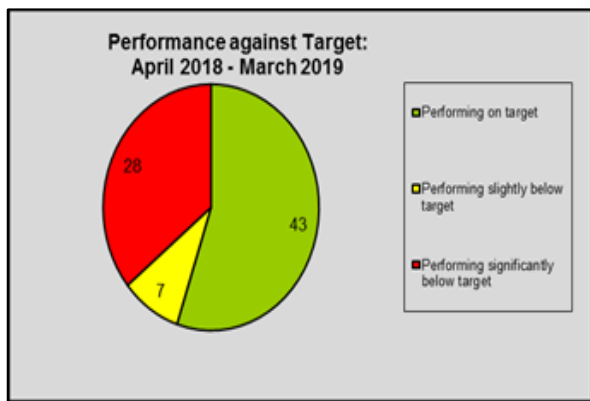
A full report setting out the performance for the year on each of these indicators was reported to the Policy and Resources Committee in June 2020 and can be viewed at [www.pendle.gov.uk](http://www.pendle.gov.uk). A summary follows below:-

In total, the Council had 92 corporate performance indicators (PIs) during the year of which 29 are classed as 'key' and reported externally. Based on a report to the Council's Management Team in June 2020, of the 92 Corporate PIs reported on, performance could only be measured against 76.

Performance could not be assessed against 14 PIs because they are 'Data Only' PIs. This means that targets have not been set either due to the nature of the PI (e.g. monitoring trends), or because they are feeder PIs and are provided for information / context. A further 2 PIs were categorised as 'data unknown' owing to specific issues affecting their reporting.

There are also 3 PIs reported annually (2 relating to carbon dioxide emissions reduction and one being the % of sickness absence due to work related injury and / or work related ill health) which we are still awaiting data for relating to 2019/20 due to the complex data collection processes involved.

The chart below shows how these 76 PIs have performed during the period April 2019 – March 2020. 49 (64.5%) of our PIs are performing on or above target whilst 35.5% are underperforming. Of the latter 18 (23.7%) are Red and 9 (11.8%) are Amber. The summary from the previous year has also been provided as a comparison.



## 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. Our key strategic risks currently include:

- Failure to optimise Pendle's economic growth / development within the region
- Failure to bring development forward in line with the Council's adopted Core Strategy leading to missed opportunities for growth in employment and housing
- The risk that the Council's Medium Term Financial Plan is not sustainable
- The financial position of the Leisure Trust leading to inability to provide existing level of service
- Major Disaster affecting delivery of Council services.
- Failure to deliver a balanced housing market with reference to need and demand.
- Failure to make an impact on young people where 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.

Our risk management policy and strategy was formally approved by Council in October 2017.

## The Financial Outlook to 2023/24

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. The Local Government Finance Settlement announced by the Government in February 2016 set out projected funding levels for all councils over a four year period from 2016/17 to 2019/20. For Pendle, this indicated a further reduction of 33% in core government funding from the level of support received in 2015/16.

The Council accepted the Government's offer of a four year funding settlement primarily for the certainty it provided in relation to revenue support grant funding up to March 2020.

The Government had planned to undertake a Spending Review (SR) in 2019 which would have set spending limits for each Government Department including the Ministry of Housing, Communities and Local Government (MHCLG) from which the Council receives the bulk of its financial support. It was anticipated that this review would, as with previous such reviews, be a multi-year spending review but in August 2019, the Chancellor of the Exchequer announced that, due to uncertainty with BREXIT, the review would be limited to 2020/21 only. It was this review which informed the Council's budget for 2020/21.

On 11th March 2020, as part of the Budget 2020 Statement, the Chancellor of the Exchequer announced that a Comprehensive Spending Review (CSR) would start in July 2020 and would be completed in time to inform Departmental funding allocations from April 2021. This was intended to be a multi-year setting of Departmental Spending Limits. However, on 24th March, due to the emerging COVID-19 pandemic, the plans for the review were suspended to allow the Government to focus on its response to the public health and economic emergency. The Government has yet to announce when the CSR will take place.

Whilst the CSR is fundamental to the overall level of funding for Local Government, also important are a range of planned reforms to Local Government finance. There are three main areas of reform, namely:

- *Fair Funding Review* – this review commenced in 2018 with the aim of setting new baseline funding allocations for each local authority based on their relative needs and available resources. The outcome of the review was to inform the funding settlement for Councils for 2020/21 but in September 2019, implementation was delayed until 2021/22 given the uncertainty with Brexit. In April 2020, the Government announced the implementation of the review 'would not now go ahead to allow councils to focus on meeting the immediate public health challenge posed by the pandemic'. Subject to the containment of the Pandemic, it is anticipated that the review will be implemented from 2022/23;
- *Business Rates Retention Review* – the Government had planned to increase the percentage of business rates that Councils keep, from 50% to 75%, from 2020/21. This has now been postponed and it is expected this will be implemented in 2022/23. Linked to business rates, in May 2020 the Government announced that, due to the impact of the Pandemic, the planned revaluation of Business Rates in 2021 will not now take place.
- *New Homes Bonus* – as part of the Funding Settlement for 2020/21, the Secretary of State for MHCLG announced a one-year allocation of New Homes Bonus funding for councils. The Government's rationale for a single year payment in 2020/21 was linked to the intention to consult on a new method of incentivising housing growth during the Spring of 2020. However, due to the current pandemic there has been no consultation on a new method of incentivising housing growth. It is not possible, therefore, to assess what the implications of this will be for the Council.

The uncertainty surrounding the design of the new system of business rates retention combined with the Government's Fair Funding Review of local government finance presents a changeable and challenging environment in which to operate and plan for the medium term. The Fair Funding Review will propose changes in the distribution methodology for the allocation of resources across local government. The implications of this could potentially be significant for the Council although we do not expect to learn the outcomes from the review until later in 2021/22. As a result the Council's current Medium Term Financial Plan is underpinned by assumptions linked to resources which may differ significantly.

Whilst the Council has responded successfully to the financial challenges thus far and aims to do so going forward there will be difficult decisions for the Council to take over the medium term as it seeks to align its spending within the level of available resources. The outlook for the near and medium term is also affected by the COVID-19 pandemic which is a national and local emergency at the time of writing this Narrative Report. More on this and the implications for the Council follows below.



## COVID-19 Pandemic - Implications for the Council

In March 2020 the Government implemented stringent lockdown measures in response to the evolving coronavirus crisis. The Council as a local authority has a range of duties under the Civil Contingences Act 2004.

Part 1 of the Act outlines local arrangements for civil protection and establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at the local level. The Act divides local responders into two categories, imposing a different set of duties on each. Those in Category 1 are organisations at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties. As a local authority, the Council is a Category 1 responder and amongst other duties is required to:

- assess the risk of emergencies occurring and use this to inform contingency planning;
- put in place emergency plans;
- put in place Business Continuity Management (BCM) arrangements;
- put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency;
- share information with other local responders to enhance co-ordination;
- co-operate with other local responders to enhance co-ordination and efficiency; and
- provide advice and assistance to businesses and voluntary organisations about business continuity management.

In response to the pandemic the Council invoked its Emergency Planning and Business Continuity arrangements. The early focus was very much on the response phase and working with key partners and other agencies particularly via the Lancashire Resilience Forum. Within the Council this work was led by the Chief Executive supported by the Council's Strategic Crisis Management Team. This team met regularly throughout the emergency and coordinated the Council's response activities.

The council implemented arrangements to ensure it could continue delivering critical services on behalf of the local community. These included Refuse Collection, Bereavement Services, Benefits and Payments (including hardship payments and the provision of business grants), Homelessness, Communications and Environmental Health.

Revised working arrangements were put in place for staff, many of whom had to work from home. Significant changes were required in the provision of IT equipment and support to ensure an operational capability could be maintained. Staff working on the front-line had to adapt to new ways of working in response to the COVID-19 restrictions and social distancing requirements. This affected services such as refuse collection, recycling and bereavement services.

The Council's governance arrangements were also impacted. Committee and Council meetings were cancelled and decision-making relied on the use of urgency arrangements whereby decisions could be taken by the Chief Executive in consultation with senior councillors (Political Group Leaders). A record has been maintained of such decisions with details published on our website.

The Ministry for Housing, Communities and Local Government laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority meetings held between 4<sup>th</sup> April 2020 and 6<sup>th</sup> May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The regulations also enable local authorities to hold and alter the frequency and occurrence of meetings without requirement for further notice and they disapply provisions requiring local authorities to hold annual meetings. The annual meeting of Council due to be held in May 2020 was cancelled. Whilst council meetings recommenced from June they have thus far taken the form of virtual meetings only on safety grounds and social distancing requirements.

The Council Elections scheduled for May 2020 were cancelled and as a result the Council retains 49 councillors presently when it was intended to reduce this number to 33 as part of the May elections.

Other consequences of the pandemic include the following, although the effects in some cases will mainly be felt during the 2020/21 financial year and also potentially over the medium-term depending on the scale and pace of the wider economic and social recovery:

- Financial impacts for the Council arising from:
  - additional costs
  - reduced income from sales, fees, charges, rents
  - reduced collection of council tax and business rates
  - increased housing benefit and council tax support payments
  - risk of increased levels of bad debts and associated provisions
- Revised ways of working; whilst this represented a major challenge in the early stages of the crisis the way the Council and its staff have responded presents an opportunity moving forward to re-assess ways of working, the use made of office accommodation; the use of technology particularly as a way of replacing some face to face meetings with the benefit of reduced travel time/costs and increased productivity;
- Recovery of debt – the Council has adopted a passive rather than an active approach to debt recovery, recognising the difficulties for both businesses and residents as a result of the crisis;
- Legal Processes – at present, the Courts are only dealing with the most urgent and serious cases. The Council has only been able to participate in telephony hearings in the County Court and is conducting no business at all with the Magistrates Court. This has an impact on enforcement proceedings, including the recovery of debt and other enforcement activity;
- Site Visits / Visits to properties – we stopped property visits for matters such as private rented disrepair complaints, domestic nuisance and immigration inspections because of restrictions on entering private households. We continue to do visits for Disabled Facilities Grants for some properties, where these are necessary for emergency inspections and Pest Control visits are made where they are external visits only. Site visits in planning are taking place but can take longer due to social distancing and the need for risk assessments;
- Face-to-face meetings/visits – these are discouraged due to social distancing requirements. Microsoft Teams is now widely used across the Council and provides an effective internal means of communication as well as facilitating meetings externally. Consideration is also being given to how the Council's walk-in Customer Contact Centre will operate in the future;
- Food Inspections – these recommenced from the 17th July having been suspended by the Food Standard Agency at the start of lockdown (given the closure of most food businesses). This activity coincides with our role in the Test, Track and Trace process at a local level and requires careful resource management working with our partners, Public Health England and Lancashire County Council;
- Planning Enforcement – This was largely suspended during the lockdown to provide some additional resource capacity to the Development Management Service.

#### *Overview of the financial impact on the Council of dealing with the COVID-19 pandemic*

In June 2020 the Policy and Resources Committee considered a report from the Chief Executive on the Council's Medium-Term Financial Plan. Included in this report was an updated assessment based on returns submitted to Government of the financial impact of the pandemic on the Council. The following table formed part of the report and set out a projected net cost to the Council of £2.3m comprised of the following:

	£'000
• Estimated additional costs	1,376
• Loss of income from sales, fees, charges, rents	1,167
• Reduced share of business rates income	394
• Reduced share of council tax income	321
<i>Gross additional costs</i>	<i>3,259</i>
• COVID-19 support funding from Government	<i>(981)</i>
<i>Net additional costs (estimate)</i>	<i>2,278</i>



The reduced income from business rates and council tax will not impact the Council's budget until 2021/22 owing to the accounting arrangements applicable to local government. However, the other elements shown above will impact during the 2020/21 financial year.

The most significant item of additional cost is linked to the Council's financial support of the Pendle Leisure Trust. The Trust provides a wide range of leisure and recreation facilities on behalf of the Council. As these have all been closed due to the lockdown the Trust has retained much of its operating costs whilst generating no income. As a result the deficit funding subsidy required from the Council will be higher than budgeted in 2020/21. Reduced income from sales, fees, charges and rents relates to a range of services including trade waste, planning, property rents, recovery of court costs and housing benefit overpayments.

The summary provided above represents an estimate as reported to Committee in June. The Council continues to refine this information as the year progresses and is required to submit periodic updates to the Government.

In response to the above, the Policy and Resources Committee in June noted a proposal to set aside the sum of £1.5m from existing revenue reserves in 2020/21 to form a COVID-19 Reserve to provide resource cover in the event that no further financial support is provided by the Government. The creation of this reserve would, as proposed, reduce the Council's Minimum Working Balance from £1m to £750,000. This balance is retained for dealing with emergencies and other unforeseen circumstances. If the COVID-19 Reserve requirement is confirmed at the level reported it will be necessary to return the minimum working balance to £1m and this has been factored in to the Council's medium term financial plan. The medium-term financial position continues to represent a major challenge and risk to the Council with savings of £3.1m required over the period to 2023/24 on current assumptions. The financial impacts of the pandemic add additional uncertainty and risks to this position. On current assumptions the gap between the Council's expected spending and available resources is as follows:

- 2020/21 Nil – balanced budget
- 2021/22 £1.00m
- 2022/23 £1.15m
- 2023/24 £0.95m

The medium-term financial plan outlines the pressures facing the Council and the challenge of aligning spend within resources against a backdrop of reduced reserves. On current plans it is expected that the Budget Strategy Reserve will be fully applied by 31<sup>st</sup> March 2022. Hence, it will be vitally important that the Council takes the necessary decisions to ensure a balance budget can be achieved each year. To help achieve this, the Council's financial strategy retains the following four key themes:

- Grow - growing our business rates and council tax base
- Charge - ensuring full cost recovery from charges for services where possible
- Save - identifying and implementing service reductions and efficiencies
- Stop - reducing or ceasing the delivery of lower priority services

Work on the above is on-going and details will be reported to Councillors during the year and published on the Council's website.

Gradually the Council's focus in responding to the pandemic is shifting from the response phase to the recovery phase and the Council's Business Recovery Plan was considered and agreed by the Policy and Resources Committee in June.

To support the recovery locally the Council will engage with business and community organisations. Voluntary and faith groups will play a crucial role in assisting the Council. There will be a rising expectation on the part of the public for interrupted services to be restored as promptly as possible. This will be alongside the need to maintain those which we were able to continue through the emergency. Social distancing will be a major factor in how all Council services are delivered and employees managed for the foreseeable future. This will require detailed consideration including the need for PPE and other safety measures in some instances. The Strategic Crisis Management Team will oversee and coordinate the recovery. It will continue to meet on a regular basis. It will take into account regulations, advice and guidance from the Government and the Lancashire Resilience Forum.

More detailed information on the above including the Council's updated medium-term financial plan and business recovery plan is available on the Council's website at [www.pendle.gov.uk](http://www.pendle.gov.uk).

### **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.

A handwritten signature in blue ink that reads "Vince Green".

**Vince Green**

**Chief Finance Officer (Interim)**

**August 2020**

## **STATEMENT OF ACCOUNTING POLICIES**

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20* 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 July 2020 (delayed from the March meeting which was cancelled due to the pandemic) and can be viewed at [www.pendle.gov.uk](http://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 the 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 insurance valuation is updated on a periodic basis in line with other non-current assets held by the Council. The most recent review was in 2016 and the next update will take place

in 2020. 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. 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, subject to a de-minimis threshold of £5,000.

**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 20 and 21 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 2019/20 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 Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### The Chief Financial Officer's responsibilities

As the Chief Finance Officer, 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 2019/20 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 31<sup>st</sup> March 2020.



**Dean Langton, CPFA**  
**Chief Executive Officer (S151)**  
**10<sup>th</sup> November 2020**

## **ANNUAL GOVERNANCE STATEMENT**

## 1. Scope of Responsibility

- 1.1 As a local authority, the Council is required by law to review its governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

- 1.2 The Council has adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework '*Delivering Good Governance*' (and any subsequent guidance issued). A copy of the Local Code can be obtained from:-

website: [www.pendle.gov.uk](http://www.pendle.gov.uk)

or by writing to: Chief Finance Officer  
Town Hall  
Market Street  
Nelson  
Lancashire  
BB9 7LG

- 1.3 This statement explains how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2019/20. The preparation of this statement also fulfils the requirement under Regulation 6(1b) of the Accounts and Audit Regulations 2015 to produce and publish an Annual Governance Statement.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and the achievement of value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; **it can, therefore, only provide reasonable and not absolute assurance of effectiveness.**
- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.4 **The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2020 and up to the date of approval of the Statement of Accounts for the 2019/20 financial year.**
- 2.5 During this period the Council has been dealing with the COVID-19 pandemic. This has resulted in changes to the Council's governance arrangements and the impact on these arrangements in relation to decision-making and the holding of council meetings. These are considered in this Annual Governance Statement.

### 3. The Council's Governance Framework

**Principle A** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*

- 3.1 The Council has a formal Constitution which is reviewed annually, amended as required and made publicly available on our website at [www.pendle.gov.uk](http://www.pendle.gov.uk). The Constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose.
- 3.2 The Constitution includes the following documents which provide guidance for officers and Councillors on the standards of behaviour expected to ensure integrity:
- Code of Conduct for Members (Councillors)
  - Code of Conduct for Employees
  - Guidance on the role of a Councillor
- 3.3 The Council's Monitoring Officer maintains the Codes of Conduct up to date and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are conducted in accordance with an agreed protocol and may involve the Independent Person appointed for this purpose with some matters considered by a Standards Hearing Committee. Councillors sign a formal declaration agreeing to abide by the Code of Conduct. For staff, the Employee Handbook sets out the requirements and standards expected and this forms part of the staff induction process.
- 3.4 The Council also has established a set of core values which are intended to underpin all that we do. These are published annually as part of our Strategic Plan and include the following ethical values:-

<b>PRIDE</b>	<b>Take pride in all you do</b> <b>Believe in Pendle and be an ambassador for the Council</b> Don't forget your customers
<b>ENTERPRISING</b>	<b>Be open to doing things differently</b> <b>Ensure public money is spent in the smartest way</b> Don't ignore new ways of working
<b>NO BLAME</b>	<b>Don't be afraid to fail. Together we achieve more</b> <b>Act in an open, honest and friendly manner</b> Don't ignore the impact your behaviour has on others
<b>DETERMINED</b>	<b>Face challenges in a positive way</b> <b>Make the effort to find information for yourself</b> Don't limit your opportunities to learn and grow
<b>LISTEN</b>	<b>Listen to and support others</b> <b>Value alternative views</b> Don't forget to thank others for their contribution
<b>EQUALITY</b>	<b>Value differences and celebrate diversity</b> <b>Ask for help and support when needed</b> Don't make assumptions about people

- 3.5 Staff and Councillors are also made aware of other policies relevant to this principle of the framework including the Council's Anti-Fraud and Corruption, Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's Accounts and Audit Committee being the Committee charged with oversight of the governance arrangements at the Council. At the heart of these policies is the requirement for all relevant parties to act with integrity.
- 3.6 All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council. The register of interests is available on our website at [www.pendle.gov.uk](http://www.pendle.gov.uk). Councillors must declare such interests at meetings which they attend. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality.

- 3.7 All Council decisions have to consider legal implications. These are set out in reports to Councillors which are published on the Council's website. The Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Policy and Resources Committee or other Committees each acting in accordance with parameters set out in the Constitution.
- 3.8 A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers within the Constitution. The Council's legal team will advise on the legal implications of proposed decisions and where necessary will engage external legal advisors. The Council's Monitoring Officer and Section 151 Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to councillors.

**PRINCIPLE B** - Ensuring openness and comprehensive stakeholder engagement.

- 3.9 One of the Council's 5 strategic objectives is "working with partners, the community and volunteers to sustain services of good value" – included within this objective is reference to the operation of decision-making structures that are open, transparent and accountable. It is an important principle for how the Council conducts itself.
- 3.10 All decisions of the Council are made in accordance with principles laid down in the Constitution and include the following:-
- A presumption in favour of openness;
  - With due explanation as to what options were considered and giving clear reasons for the decision.

All meetings of the Council, Policy and Resources Committee and other Committees are open to the public. Recordings of these meetings have been published on the Pendle Council YouTube Channel.

Agenda papers and reports together with the Minutes of all meetings are publicly available on the Council's website unless they are exempt from publication. Examples of the latter are rare at Pendle Council. All Council meetings have an opening section which includes public participation with an opportunity to raise questions at the meeting. Guidance on this is also available on our website.

- 3.11 The Council operates a total of 5 Area Committees covering all parts of the Borough with defined terms of reference and the ability generally to determine local matters. These meet monthly and provide a valuable tool in promoting engagement with the local community.
- 3.12 The Council's guidance on 'The role of a Councillor' contains the following which reinforces the importance of openness requiring Councillors to:

***...contribute constructively to open government and democratic renewal through actively encouraging the community to participate in the Council's decision making processes; and, to this end, seek to involve the community in decisions that affect them by ensuring they have full information and then by helping them make their views known...***

- 3.13 The Code of Conduct for Councillors also outlines the following requirements:-

*You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.*

*You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.*

*You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.*

- 3.14 The Council undertakes consultation on specific topics (examples in 2019/20 included consultation on the Strategic Review of Leisure, Polling Station Review and Barrowford Neighbourhood Plan). The Council also makes use of social media via Facebook and Twitter.
- 3.15 The Council is committed to publishing information freely and to develop further our culture of openness and transparency and publishes information in accordance with the Local Government Transparency Code. The Council's Freedom of Information Publication Scheme provides a general guide for the public in terms of what information should routinely be available to them by either accessing our website or upon request.
- 3.16 Partnership working is important and the Council has in place a wide range of arrangements ranging from small scale local groups (e.g. Parks Friends Groups, Pick up for Pendle) to larger and more formal partnerships (e.g. public/private partnership with Liberata and joint venture arrangements with Barnfield Investment Properties).

**PRINCIPLES C & D** – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining the interventions necessary to achieve them.*

- 3.17 The Council's strategic vision for the Borough is set out in our Strategic Plan. Our vision is to work 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;
  - Pendle is a place where everyone aspires to reach their full potential;
  - Pendle is recognised locally, regionally and nationally as a great area to live, learn, work, play and visit.
- 3.18 Underpinning the Council's Strategic Plan are a number of other strategic plans and documents that outline their contributions to achieving the Council's vision and objectives. Examples include, but are not limited to:
- Core Strategy (Planning)
  - Jobs and Growth Strategy
  - Housing Strategy
  - Economic Development Strategy
  - Human Resources, Information Technology and Financial Strategies
- 3.19 Each service area of the Council prepares an annual service plan setting out its contributions to the delivery of strategic objectives and outcomes. Services are required to set and monitor agreed targets for performance. Performance against and achievement of expected outcomes is monitored regularly via the Council's corporate performance management system and reported quarterly to Councillors and the Management Team. Where the expected performance is not being met then potential intervention measures are considered and implemented where appropriate.
- 3.20 In relation to the buying of goods and services, staff must comply with the Council's Contract Procedure Rules. These set out relevant considerations when reaching decisions on award of contracts and include relevant environmental and sustainability aspects including the achievement of 'social value' in addition to cost.
- 3.21 Decisions on the overall level of resources allocated are taken by the Council following recommendations from the Policy and Resources Committee. Resources and spending plans are critically reviewed to optimise their use and level of fit with the Council's objectives. Financial planning arrangements are well established and underpinned by a three year forward projection as part of the Council's medium term financial planning arrangements. This includes both capital and revenue budgets.



**PRINCIPLE E – Developing the Council's capacity including the capability of council leadership and staff.**

- 3.22 At the heart of this principle is the Council's fourth strategic objective which is "Maintaining a sustainable, resilient and efficient organisation which is Digital by Default". The aim is to 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.
- 3.23 In recent years the Council has invested in training programmes to enhance organisational development, develop leadership skills and promote a coaching culture with staff at all levels encouraged to be innovative and challenge the normal way of doing things. All staff take part in annual performance management reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied and feedback is actively encouraged to assess the benefit of investment in training. The Council has developed a workforce plan, organisational development strategy and a learning and development strategy. Training is available for Councillors including induction and topic specific matters in addition to what is available from organisations such as the Local Government Association.
- 3.24 Capacity is enhanced via a range of partnerships and collaborative arrangements, as well as our commissioning and procurement processes through which the Council operates a mixed economy approach to delivering services in the most effective and efficient way. Service delivery models include, in-house, external outsourced, transfers to external parties and joint venture arrangements, such as PEARL, PEARL2, PEARL (Brierfield Mill) and PEARL Together. On a regional and sub-regional basis the Council works closely with the Lancashire Enterprise Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training. It also works closely with Nelson & Colne College and Lancashire Adult Learning on training provision and the Council is the lead district on the Pennine Lancashire Integrated Care Partnership.
- 3.25 Wider partnership working and engagement across Lancashire has also been evident during the COVID-19 pandemic via the Councils collaboration with the Lancashire Resilience Forum (LRF) and the creation of the Pendle Community Support Hub.
- 3.26 Leadership roles are well defined at the Council for staff and Councillors, distinguishing for example the role of Council Leader and the officer being the Head of Paid Service (i.e. the Chief Executive). A protocol is included in the Council's Constitution which reflects the principles underlying the respective Codes of Conduct which apply to Members and Employees. The shared object of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.
- 3.27 The Council is committed to a culture of continuous improvement and has a focus on service delivery and effective performance management. Peer learning is encouraged and the Council has undertaken a Peer Challenge review led by the Local Government Association to provide an assessment and feedback on, amongst other things, our organisational capacity and capability from best practice in the local government sector. To further this commitment the Council has a Workforce Strategy and has established the Continuous Improvement Group (CIG). The membership of the group comprises volunteer staff members who meet regularly and provide feedback to Management Team. The group was formed to address issues highlighted by Investors in People (IIP) reaccreditation audits and the Staff Survey. It also acts as a source of feedback on wider staff strategies and organisational development issues to ensure they are relevant and produce outcomes that add value to the work of staff and the organisation.
- 3.28 The Workforce Strategy acknowledges the essential role staff play in the Council's ability to deliver effective services; thus wanting to ensure that every employee fulfils their potential and takes advantage of the development opportunities available to them.

- 3.29 Sustaining organisational resilience is increasingly challenging at a time when headcount is reducing in response to ongoing resource constraints. Set against this, the importance of supporting staff health and well-being is acknowledged and a suite of policies and procedures are in place to help staff maintain their own physical and mental well-being. Examples include the annual health and well-being programme, work/life balance policy and the operation of flexible working for most staff.

**PRINCIPLE F** – *Managing risks and performance through robust internal control and strong public financial management.*

- 3.30 The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. The Council's **risk management framework** continues to evolve and presently includes the following arrangements:-
- Risk Management Policy and Strategy;
  - Arrangements for the Strategic Risk Register comprising corporate risks assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
  - Officer Working Groups (The Corporate Governance Working Group and the Risk Management Working Group) dedicated to maintaining risk management arrangements under review;
  - periodic review of risks in-year with reports to the Council's Management Team, Policy and Resources Committee and the Accounts and Audit Committee;
  - the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan;
  - the requirement for Officers of the Council to consider risk management issues when submitting reports to Committee for consideration by Councillors;
  - a suite of policies and procedures in relation to Whistleblowing, Anti-Fraud Theft and Corruption, Bribery and Anti-Money Laundering;
  - a suite of Business Continuity Plans are in place, i.e. Business Continuity Policy and Strategy, Strategic Crisis Management Plan, a Local Crisis Management Plan for each main office location and Fleet Street Depot; and a Business Recovery Plan for critical services
- 3.31 Councillors and officers have previously been trained in risk management and the Leader of the Council is briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk, and all service plans have a section on risk management.
- 3.32 Corporate Governance including risk management, incorporating the key strategic risks for the Council, are the subject of periodic reports to Policy and Resources Committee and the Accounts and Audit Committee.
- 3.33 The Corporate Governance Working Group reviews the Strategic Risk Register to ensure that risks are being actively monitored and managed and target risk scores have been introduced for all identified strategic risks as a means of providing much greater focus on those areas where risk management can be effective. Details of changes are reported to Management Team and the Accounts and Audit Committee.
- 3.34 The Chief Executive, as the Council's Head of Paid Service, is responsible for the corporate management of the Council, taking an active role in the corporate governance arrangements, including the organisation of the Council's staff and ensuring that appropriate internal control mechanisms are in place to achieve the Council's objectives in the most economical, efficient and effective way.
- 3.35 The Corporate Director is appointed the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Regime.

- 3.36 The Chief Financial Officer is designated as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972.
- 3.37 The three statutory officers referred to above have unfettered access to information and to Councillors on the Council so that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Chief Financial Officer at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 3.38 An established **financial management framework** comprising the following:-
- Financial and Contract Procedure Rules as part of the Constitution;
  - Medium term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;
  - Service and financial planning integrated within the corporate performance management cycle;
  - Annual budget process involving scrutiny, challenge and consultation;
  - Annual review of the adequacy of the level of financial reserves;
  - Regular monitoring by management of revenue and capital budgets with reports to Management Team and Policy and Resources Committee;
  - Annual reports to councillors on both the final revenue and capital out-turns compared to the approved budget;
  - Continuous challenge of the scope for securing efficiencies and service improvements;
  - Production of an annual Statement of Accounts compliant with the requirements of local authority accounting practice;
  - Compliance with the requirements established by CIPFA, the public sector accountancy body.
  - A regular review of the Council's Financial Management arrangements.
- 3.39 A **performance management framework** which provides an explicit link between the corporate priorities and personal objectives of staff and their training and development needs. Performance is reported to Councillors and the Management Team on a systematic basis with areas of poor performance investigated proactively. Key features of the Performance Management Framework include:-
- A regular review of the Strategic Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
  - Service Plans produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
  - The Council's staff appraisal system – Performance Management Reviews against a competency framework - links personal objectives directly to Service Plans;
  - Regular reports on the performance of key indicators which are presented to Councillors and Officers;
- 3.40 An **Information Governance Framework** which sets out the way we handle and process information, in particular, the personal and sensitive data relating to residents, suppliers and employees. Key features of the information governance framework include:-
- A suite of policies and procedures on the Council's Information Security which are available on the Intranet for all staff to review;
  - Arrangements for document management and retention;
  - A Data Protection Policy and Procedure with nominated staff responsible for providing advice and guidance on Data Protection matters;
  - Compliance with the Local Government Transparency Code and provision of Open Data on Council website;
  - A system for dealing with requests for information submitted to the Council under the Freedom of Information Act 2000 (including a regular review of the Council's Publication Scheme);
  - Regular reviews of the Council's Information Governance and Security arrangements by Internal Audit and external assessors.
  - Formation of the Information Governance Working Group in 2018/19.

- 3.41 The maintenance of an Internal Audit Unit, which operates in accordance with the statements, standards and guidelines published by the Auditing Practices Board, CIPFA (particularly the Public Sector Internal Audit Standards) and the Institute of Internal Auditors. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal control.
- 3.42 Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit. This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. The Internal Audit plan is agreed and monitored by the Accounts and Audit Committee. The Audit Manager is required to give an opinion on the adequacy of the Council's system of internal control each year.
- 3.43 In compliance with the Accounts and Audit Regulations 2015, a review of the effectiveness of the system of internal audit is undertaken annually with the results of the review reported to the Accounts and Audit Committee. This Committee can make recommendations or highlight any matters requiring attention to the Policy and Resources Committee and Council.
- 3.44 Lastly, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operating in their area of work. This specifically seeks assurance from Senior Managers that, other than those identified during the course of their normal work or by Internal Audit, they are not aware of any weaknesses in the Council's systems of internal control.

**PRINCIPLE G** – *Implementing good practice in transparency, reporting and audit to deliver effective accountability.*

- 3.45 All reports to meetings of Council, Policy and Resources Committee and other committees are publicly available on our website with the Minutes also published showing what decisions have been taken and the reason(s) why. Other forms of public accountability reporting include the annual Statement of Accounts, the Council's Annual Report and in year financial and performance monitoring reports. Reports from external audit are also published online including their annual report setting out the findings resulting from their audit of the accounts.
- 3.46 The Council reports performance against targets and financial targets on a regular basis. Progress updates on the implementation status of audit recommendations are also reported quarterly to the Accounts and Audit Committee. The Internal Audit service complies with the requirements of the Public Sector Internal Audit Standards and has direct access to Councillors and all staff in order to discharge its responsibilities.
- 3.47 The Council publishes information in accordance with the Local Government Transparency Code. The Council's website includes a section on Open Data. Open Data is about being transparent, sharing our information with the wider community, and giving them the opportunity to use that data to build useful applications. The data must be in open and machine readable formats that are easy to reuse.
- 3.48 The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

#### **4. Review of Effectiveness**

- 4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team who have a responsibility for the development and maintenance of the governance environment, the Audit Manager's Annual Report on Internal Audit and also reports from the external auditor and any other review agencies and inspectorates.
- 4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

- 4.3 Just prior to the end of the 2019/20 financial year, the Government's response to the COVID-19 outbreak led to changes in our governance arrangements. These are discussed in more detail below, along with details of our other governance arrangements.
- 4.4 The process that has been applied in maintaining and reviewing the effectiveness of the Council's Governance Framework includes the following:-
- Updating the Council's Constitution to reflect the move to reduce the number of Councillors (from 49 to 33); however, as a consequence of the coronavirus emergency this has been postponed until later in 2020/21;
  - The Council's Monitoring Officer and the Council in general oversee the operation of the Constitution to ensure its aims and principles are given full effect. The Constitution was most recently reviewed in May 2018 at the Annual General Meeting of Council;
  - The Council's Chief Finance Officer tendered their resignation during the latter part of 2019 and the decision was taken by Council for the Chief Executive to be appointed as the Section 151 Officer and the current Accountancy Manager would become Deputy Section 151 Officer for an interim period of 12 months;
  - An Interim Chief Finance Officer was brought in to assist with capacity and take on the role of Section 151 Officer during the Council's response to and recovery from the Coronavirus emergency;
  - The arrangements for scrutiny under the committee system, introduced in 2018/19, operate via a Task and Finish Committee as required allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. During 2019/20 two Task & Finish Reviews were completed – Council Housing and Drug Problems in Pendle – with the recommendations from each being approved by Council.
  - Further scrutiny of Policy and Resources Committee decisions is also provided by the Council's Call-In procedures. This is where any three members of the Council (representing at least two of the political groups) may sign and deliver to the Corporate Director a 'call-in notice' stating why they feel that the decisions should be considered further. Group Leaders will then be consulted to obtain each of their views, potentially resulting in referral back to Policy & Resources Committee for re-consideration.
  - As a consequence of the Coronavirus emergency there was a period where no Council meetings were held. During this period decisions were taken in accordance with the Council's Exercise of Urgent Powers Protocol, as detailed in the Council's Constitution and the updated protocol to specifically reflect the COVID-19 outbreak. Details of decisions taken under this protocol are published on the Council's website.
  - The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011 during the year.
  - The Accounts and Audit Committee met throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans. The Committee also received a report in July 2019 on the outcome of a review of the effectiveness of the system of internal audit in 2018/19, (for 2019/20 the equivalent report is due to be submitted to the Accounts and Audit Committee in July 2020);
  - The Accounts and Audit Committee and Council were previously appraised of developments arising from the Local Audit and Accountability Act 2014. This includes provisions for the appointment of local auditors. The Council had previously agreed to opt in to the national scheme for auditor appointments and during the year under review the appointment of Grant Thornton UK LLP as auditor to the Council was confirmed for a term of five years commencing from 1<sup>st</sup> April 2018;
  - During the latter part of 2019/20 the Internal Audit Manager was suspended from duty and subsequently left the Council. To ensure the continued delivery of the Internal Audit Plan and that effective governance arrangements remained in place, Mersey Internal Audit Agency (MIAA) were procured to discharge the Council's Internal Audit



responsibilities on a temporary basis. Further to this the decision was taken to outsource the provision of the Council's Internal Audit function, for which a procurement exercise will take place during 2020/21;

- Internal Audit completed 23 scheduled audits in the year with a further 5 reviews still in progress, with these having been delayed due to the ongoing pandemic. All high risk and key financial systems were audited. One completed audit was subject to a 'Limited Assurance' opinion in 2019/20. This related to the Section 106 Agreements. Internal Audit will work with Management to address the weaknesses identified in these audits and progress will be reported to the Accounts and Audit Committee.
- Following the departure of the Internal Audit Manager, MIAA were appointed to provide the overall opinion on adequacy of internal controls of the Council. The overall opinion expressed by MIAA for 2019/20 stated:-

"The overall opinion for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 provides **Substantial Assurance**; that while there is a basically sound system of control, there are weaknesses which may put the system objectives at risk."

- In accordance with the Accounts and Audit Regulations 2015, the Chief Financial Officer undertakes an annual review of the effectiveness of the Council's system of Internal Audit. This review will be undertaken in the near future with the outcome reported to the Accounts and Audit Committee in July 2020.
- The Council's Strategic Risk Register has been maintained under review during the year and updated periodically. Risk management matters have been considered by the Management Team, the Corporate Governance Working Group and by Policy and Resources Committee. To ensure Councillors are aware of the Council's key risks details of the key risks are periodically reported to Policy and Resources Committee and the Accounts and Audit Committee.
- Quarterly reports are presented to the Accounts and Audit Committee on the Council's work to manage fraud, theft and corruptions. Amongst other matters, these reports provide details of benefit fraud and action taken in response to this, investigations undertaken by Internal Audit and the results of the Council's work on the National Fraud Initiative.
- Whilst no internal frauds were reported during the year, five investigations took place relating to theft. One of these was an internal matter and procedures were reviewed to mitigate risk, demonstrating the effectiveness of the Council's arrangements.
- The Performance Management Framework has operated effectively during the year. Monitoring information on key areas of performance has been provided to Management Team for review and action where this has been considered necessary. Performance Management information has also been reviewed by the Policy and Resources Committee.
- The Information Governance Framework was established during 2018/19 and the Information Governance Working Group (IGWG) meets frequently to consider issues such as: Subject Access Request procedures; Data Retention Policy; review and consolidation of IT Policies; Data Privacy Impact Assessments (DPIAs); GDPR Staff Training; Internal Audit findings; monitoring reports from the Data Protection Officer (DPO) and Information Governance arrangements within key partner organisations. The group will continue to meet to oversee the Council's information governance arrangements and to review and update the Action Plan, reporting back to Management Team regularly. The IGWG also delivered a presentation about GDPR and Information Management to Extended Management Team on 25<sup>th</sup> June 2019 and set-up a web page on the staff intranet to share information via. The IGWG also supported the issue of updated IT security advice on the commencement of home working arrangements and regular employee briefings.
- During the year, the Council continued to provide online IT Security training ensuring regular updates on information security and governance for all staff using ICT. This was previously delivered by a software programme called Bob's Business which the Council had used for a number of years. Wishing to renew and refresh the training



provided, the Council changed the training provider to CC2i and now deliver a training programme designed specifically for the public sector called 'Dojo'.

- The Council also undertook a phishing simulation test during late 2019 and early 2020. The campaign consisted of a covert opening baseline being sent out to a random 10% sample of employees to provide an initial gauge of susceptibility of staff to phishing attacks. This was followed by an intensive internal communications campaign, a further two phases both of which consisted of two different test emails, each being sent to 50% of staff and then the last stage was a closing baseline, which was a repeat of the opening baseline but to a different 10% sample of staff. The results were due to be reported to Management Team at the end March but the report was delayed until 16<sup>th</sup> June 2020 due to the coronavirus emergency. The report highlighted a need for additional training in this area and regular communication on the need to remain vigilant. A further simulation test will be conducted again at a later date.
- The Council's health and safety training needs are delivered via an online solution by Praxis42. The system is used by staff to undertake health and safety assessments such as Display Screen Equipment (DSE). In March 2020 Praxis42 launched a new health and safety e-learning platform called SHINE which is now in use at Pendle.
- The Council's external auditor, Grant Thornton, audited the year-end Statement of Accounts and assessed our arrangements for securing value for money. Their Audit Findings report in July 2019, identified no material errors in the accounts for 2018/19 and concluded that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The audit of the accounts for 2019/20 has been delayed due to the pandemic, with amendments having been made to the Accounts and Audit Regulations 2015 to permit this.
- The Council has in place reporting arrangements on the financial affairs of the Council. Regular Strategic Monitoring reports were submitted to both Management Team and the Policy and Resources Committee during the year. Reports were also produced on the Council's Medium Term Financial Plan and Financial Strategy and these were used to inform the budget and Council Tax setting process;
- Whilst acknowledging that the Council has embedded people management processes and procedures a key issue for the Council continues to be to ensure that people management remains at the heart of the Council so that it can continue to ensure that it retains the right people with the skills in the right job.
- The Council published its annual Pay Policy in line with the statutory requirements of the Localism Act 2011, following approval by Council on 26<sup>th</sup> March 2019.
- During the latter part of the year a number of HR policies were reviewed in response to the Coronavirus emergency and actions taken to provide staff with additional support during these unprecedented times.
- The Council's Business Continuity Plans are in place and were updated during 2019/20 reflecting the changes to the Council's accommodation arrangements and the relocation of the Council's disaster recovery site. These plans consist of:-
  - a Business Continuity Policy and Strategy;
  - a Strategic Crises Management Plan;
  - a Local Crisis Management Plan for each main office location and Fleet Street Depot;
  - a Business Recovery Plan for critical services.
- The Council's Emergency Planning arrangements were successfully tested with a desktop exercise in November 2019. This was undertaken with partner organisations such as the Police, Fire and County Council in attendance.
- The Council's Business Continuity arrangements were due to be subject to a scheduled desktop test in late March 2020; however, this was postponed due to the Coronavirus emergency which resulted in the Council's Business Continuity Plan being invoked.

- Further amendments were made to our Business Continuity Plans in the latter part of 2019/20 to reflect our response to the Coronavirus emergency.
- 4.5 There have been no formal reports during the year from either the Council's Monitoring Officer or Section 151 Officer on matters of legality or financial related concerns. There were also no objections from local electors in respect of the financial statements and supporting information for the previous financial year.

### **Impact of COVID-19 on our Governance Arrangements**

- 4.6 Following the declaration of a public health emergency by the World Health Organisation in early March 2020, the Council began preparations and planning in the event of a more widespread outbreak and the risk to individuals increasing. Twice weekly meetings of Management Team were held to enable frequent reviews of the situation and assess the impacts on resources and service delivery, with staff safety, the safety of our community and the resilience of the Council at the forefront of discussions.
- 4.7 In mid-March 2020, the Council invoked its Business Continuity Plan (BCP), emergency planning procedures and Strategic Crisis Management Team (SCMT) in response to the pandemic being declared. The BCP was refreshed to reflect the Coronavirus emergency. Twice weekly meetings of SCMT were held along with representation of SCMT members on the relevant response and recovery groups of the Lancashire Resilience Forum.
- 4.8 Critical and essential services continued to work effectively with the redeployment of staff in response to demand where and when required.
- 4.9 Regular COVID-19 guidance notes and briefings for staff were issued and home working arrangements for staff were deployed. HR policies were reviewed and updated as required to enable the most effective and efficient response to the rapidly evolving situation as possible whilst also protecting the health and wellbeing of staff.
- 4.10 Whilst face-to-face meetings could no longer go ahead to enable adherence to social distancing guidelines, the Council introduced the use of Microsoft Teams, WhatsApp groups and Team Pendle (staff Facebook page) to ensure continued open communication channels and participation in virtual meetings.
- 4.11 During the period where no Council meetings could be held decisions were taken in accordance with the Council's Exercise of Urgent Powers Protocol, as detailed in the Council's Constitution and the updated protocol to specifically reflect the pandemic.
- 4.12 The Council's Corporate Governance arrangements have also been regularly reviewed and updated via the Corporate Governance Working Group and SCMT in response to the pandemic.
- 4.13 IT Guidance for home working was issued when home working arrangements were being implemented. Alongside this technical IT solutions were taken (e.g. Mimecast registration re downloads, non-use of the free of charge Zoom App) to safeguard the Council as much as possible and ensuring the maintenance of IT access controls.
- 4.14 Regular key cyber security messages were issued via the Employee Briefings, Messages of the Day, Team Pendle posts and the staff intranet to keep staff informed, and alert to the potential threats and heightened risk from opportunists.
- 4.15 Risk Assessments conducted across Council services in response to the pandemic and published on the staff intranet.
- 4.16 The ongoing effects of the pandemic and related lockdown measures have had a significant impact on the Council's financial position. The Council is required to submit regular financial returns to government summarising the financial impact of the pandemic. Details were reported to the Policy & Resources Committee in June 2020 highlighting an estimated impact of £3.3m. To help provide resource cover for the financial consequences of the pandemic the Council has earmarked a COVID-19 Reserve of £1.5m by diverting reserves previously agreed for other purposes. In addition to this the Council has received direct funding from Government of £1.2m in three tranches to help deliver essential services for residents during the emergency. Work is ongoing to monitor and update the financial impacts and further action may be necessary to

align service delivery within available resources. The Council's financial planning framework will support this activity.

- 4.17 The Council continues to work closely with Liberata to monitor and address the impacts of the pandemic, ensuring Government funding and benefits are allocated correctly, accurately and in a timely manner, e.g. hardship fund, business grants, etc.
- 4.18 A Business Recovery Plan has been produced and is regularly reviewed and updated via Management Team and shared with Members. A key action within this is to undertake a post-incident review in liaison with the LRF, with an impact assessment due to be reported to Full Council in September 2020,
- 4.19 SCMT has now been stood down as the Council moves from response to recovery.

## **5. Significant Governance Issues**

- 5.1 It is stressed that no system of control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance.
- 5.2 Last year's Annual Governance Statement highlighted the following areas for improvement. The narrative below sets out the action has been taken to address these issues in the current year:

***The scale of savings required over the medium term represents a significant challenge for the Council. There is a need to prioritise resources effectively and identify detailed savings options for the Council to consider as part of a strategy to achieve a balanced budget over the medium term.***

***The outcome of the Fair Funding Review is unknown, therefore there is no certainty within the funding forecasts across the whole of the 2021/22 to 2023/24 MTFP.***

For 2020/21 the Council agreed a balanced budget and work is ongoing to update the Medium Term Financial Plan and Financial Strategy to reflect the impacts of the Coronavirus emergency. An initial report was presented compiled and reported to the June meeting of the Policy & Resources Committee. This action will be retained for 2020/21, not just due to the forecasted scale of savings required, but also due to the uncertainty of the forward estimates of core funding within the Medium Term Financial Plan beyond 2020/21 pending the outcome of the Government's Comprehensive Spending Review and the delayed Fair Funding Review. In light of the reductions in core funding since 2010 this matter continues to represent a significant challenge for the Council.

***Embedding the Information Governance Framework into the Council's normal governance arrangements.***

The Information Governance Working Group was formed in 2018/19 and meets on a monthly basis. The group developed an action plan and work programme reflecting key information governance issues to be addressed with monthly progress updates being presented to Management Team. Whilst a great deal of work has been undertaken it is felt that this remains an issue to be continued into 2020/21 as reflected in the schedule below.

***Disaster Recovery – review and testing of local arrangements including designated recovery site***

The Disaster Recovery site was relocated from Colne Town Hall to the Fleet Street Depot in Nelson during early 2019/20, with the DR site going 'live' in July 2019. The replication of virtual servers to Fleet Street site was tested prior to 'go live' and permanent replication is now operational. The physical testing of the new DR site was planned for March 2020 and has now been delayed due to the COVID19 pandemic. This will be rescheduled as appropriate during 2020/21, and so will remain in the schedule of actions for 2020/21 below. However, the COVID19 response for Pendle included developing a specific Business Continuity Plan and getting the majority of staff set-up with home working arrangements in a very short space of time, resulting in service delivery being unaffected.

Further to the above an Emergency Planning Desktop Exercise was undertaken in November 2019 which involved a range of partners including Police and Fire and Lancashire County Council representatives. A Business Continuity Desktop Exercise to be undertaken by Zurich

Municipal was planned for March 2020 but again this had to be put on hold due to the COVID19 pandemic and will be rescheduled at a later date, as appropriate.

### ***Compliance with GDPR***

The Information Governance Working Group developed an action plan to address areas where the Council's compliance with GDPR could be strengthened. The group met on a monthly basis throughout the year providing monthly updates to Management Team on progress. This work will continue into 2020/21 and is captured within the Information Governance Framework action in the schedule below.

### ***Review of IT Systems password access and information access permissions***

The ICT Access Policy was reviewed by the Information Governance Working Group and approved by Management Team during 2019/20.

### ***Continued review and investment in People Management within a structured framework***

The Workforce Development Strategy 2018/20 will be reviewed and updated as required during 2020/21. The work of the Continuous Improvement Group has continued with regular meetings taking place alongside staff focus groups addressing particular issues / topics. The work of the group is reported to Management Team on a regular basis. The biennial Staff Survey was undertaken during September / October 2019 with the results being presented to Management Team in November 2019 and an action plan developed to address issues identified.

- 5.3 In concluding this year's review of the Council's internal control arrangements a small number of improvements have been identified to strengthen our governance framework. These are listed in the table below. An action plan to address these matters will be produced and this will be subject to regular monitoring by the Council's Accounts and Audit Committee as appropriate. The aim is to conclude these matters during the 2020/21 financial year.

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	The scale of savings required over the medium term represents a significant challenge for the Council. There is a need to prioritise resources effectively and identify detailed savings options for the Council to consider as part of a strategy to achieve a balanced budget over the medium term. The outcomes of the 2019 Spending and Fair Funding Reviews are unknown, therefore there is no certainty within the funding forecasts across the whole of the 2020/21 to 2022/23 MTFP	Review of the Council's Medium Term Financial Plan (MTFP) – identified as a key strategic risk for the Council	Work has already begun to develop savings proposal for the period 2021/22 to 2023/24 as part of the development of the Council's Financial Strategy and Medium Term Financial Plan  This work will also consider arrangements for prioritising resources and maintaining organisational resilience  Reports will be considered by the Policy and Resources Committee
2	Embedding the Information Governance Framework into the Council's normal governance arrangements	Information Governance Working Group	The Information Governance Working Group will review and continue to deliver the action plan and work programme which reflects key information governance issues to be addressed during the year

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
3	Disaster Recovery – review and testing of local arrangements including designated recovery site	The transfer of the Council's recovery site featured in the 2017/18 AGS and work is ongoing	Implement testing of specific recovery plans and the physical arrangements for the new Disaster Recovery site at the Fleet Street Depot
4	Interim Chief Finance Officer in post to assist with capacity in relation to the Council's response to and recovery from the COVID19 pandemic	Continued effective delivery of Financial Services	Review of temporary management structure in place
5	No Internal Audit Manager currently in post, with MIAA procured to discharge the Council's responsibilities in the interim	Management Team / Accounts & Audit Committee / Council	Decision to outsource the Council's Internal Audit function taken and procurement exercise to be undertaken during 2020/21
6	Continue to ensure effective and informed decision making arrangements are in place following all-out Election in May 2021	Minutes Updated Training & Development Plan	Review and update the training and development plan for Councillors following the all-out Election in May 2021
7	Consider how we consult the public more on provision and quality of services	Local consultation and research	Discuss options with Pearson Insight Consultants who provide the Council with research and consultation services and build into the Work Plan 2020/21 as required.
8	COVID19 Response and Recovery. Review the response, objectively look back and assess how did, lessons to learn, and how effective the recovery was.	Business Continuity Plans Emergency Planning Procedures Impact Assessment Post-incident review in liaison with the LRF	Assess the impact both internally and externally, e.g. how face-to-face operations / services resume, if indeed they do; economic impact locally on residents and businesses; hold virtual Council, Policy & Resources Committee and other Committees to maintain decision making processes; existing project and programmes that may have been put on hold / can no longer be delivered as planned.

- 5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



**Dean Langton**  
Chief Executive



**Councillor Mohammed Iqbal**  
Leader of the Council

August 2020

## 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	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
<b>Balance at 31 March 2018</b>	<b>8,162</b>	<b>2,591</b>	<b>559</b>	<b>11,312</b>	<b>(4,152)</b>	<b>7,160</b>
<b><u>Movement in reserves during 2018/19</u></b>						
Total Comprehensive Income and Expenditure	(5,436)	-	-	(5,436)	(804)	(6,240)
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,648	(575)	491	4,564	(4,564)	-
<b>Increase / Decrease in Year</b>	<b>(788)</b>	<b>(575)</b>	<b>491</b>	<b>(872)</b>	<b>(5,368)</b>	<b>(6,240)</b>
<b>Balance at 31 March 2019</b>	<b>7,374</b>	<b>2,017</b>	<b>1,050</b>	<b>10,441</b>	<b>(9,521)</b>	<b>920</b>
<b><u>Movement in reserves during 2019/20</u></b>						
Total Comprehensive Income and Expenditure	(4,806)	-	-	(4,806)	8,715	3,909
Adjustments between accounting basis & funding basis under regulations (Note 6)	4,685	(377)	(142)	4,166	(4,166)	-
<b>Increase / Decrease in Year</b>	<b>(121)</b>	<b>(377)</b>	<b>(142)</b>	<b>(640)</b>	<b>4,549</b>	<b>3,909</b>
<b>Balance at 31 March 2020</b>	<b>7,253</b>	<b>1,640</b>	<b>908</b>	<b>9,801</b>	<b>(4,972)</b>	<b>4,829</b>
<b>General Fund analysed over:</b>						
	£'000					
<b>Amounts Earmarked (Note 7)</b>	<b>6,253</b>					
<b>Amounts uncommitted (Bfwd/Cfwd)</b>	<b>1,000</b>					
<b>Total General Fund Balance at 31/03/2020</b>	<b>7,253</b>					

## 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.

2018/19				2019/20			
Gross Expenditure	Income	Net		Gross Expenditure	Income	Net	
£000's	£000's	£000's		£000's	£000's	£000's	
787	39	748	Directorate	726	70	656	
33,259	24,492	8,767	Financial Services	32,784	22,617	10,167	
1,147	211	936	Democratic & Legal Services	1,458	476	982	
1,056	984	72	Planning, Ec Dev & Regulatory Services	2,144	1,675	469	
6,032	1,983	4,049	Environmental Services	6,903	2,390	4,513	
2,719	1,514	1,205	Housing, Health & Engineering Services	3,823	2,035	1,788	
1,491	412	1,079	Neighbourhood Services*	-	-	-	
18	-	18	Area Committees	12	-	12	
<b>46,509</b>	<b>29,635</b>	<b>16,874</b>	<b>Cost Of Services</b>	<b>47,850</b>	<b>29,263</b>	<b>18,587</b>	
3,090	-	3,090	Other Operating Expenditure ( <b>Note 8</b> )	2,251	-	2,251	
1,690	217	1,473	Financing and Investment Income and Expenditure ( <b>Note 9</b> )	1,744	322	1,422	
4,015	20,016	(16,001)	Taxation and Non-Specific Grant Income and Expenditure ( <b>Note 10</b> )	5,528	22,982	(17,454)	
		<b>5,436</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>4,806</b>	
			(Surplus) or deficit on revaluation of Property				
		283	Plant and Equipment assets			(1,427)	
			Remeasurement of net Defined Benefit				
		521	Liability			(7,288)	
		<b>804</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(8,715)</b>	
		<b>6,240</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(3,909)</b>	

\* The Council restructured its Service Segments with effect from 1 April 2019. Functions previously within Neighbourhood Services were reallocated predominantly within Housing, Health and Engineering Services.

## Balance Sheet as at 31st March 2020

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 2019 £000's		Notes	31 March 2020 £000's
50,963	Property, Plant & Equipment	11	48,996
768	Heritage Assets	11	768
562	Intangible Assets	12	557
<u>3,952</u>	Long Term Debtors	13	<u>3,738</u>
<b>56,245</b>	<b>Long Term Assets</b>		<b>54,059</b>
10,531	Short Term Investments	13	17,047
242	Assets Held For Sale	17	228
45	Inventories		37
1,850	Short Term Debtors	15	820
<u>7,024</u>	Cash and Cash Equivalents	16	<u>5,825</u>
<b>19,692</b>	<b>Current Assets</b>		<b>23,957</b>
(1,408)	Short Term Borrowing	13	(1,097)
<u>(8,028)</u>	Short Term Creditors	18	<u>(7,454)</u>
<b>(9,436)</b>	<b>Current Liabilities</b>		<b>(8,551)</b>
(25)	Long Term Creditors	13	(23)
(2,065)	Provisions	19	(2,299)
(19,359)	Long Term Borrowing	13	(22,359)
(44,012)	Pension Liability	34	(39,843)
<u>(120)</u>	Other Long Term Liabilities		<u>(112)</u>
<b>(65,581)</b>	<b>Long Term Liabilities</b>		<b>(64,636)</b>
<b>920</b>	<b>Net Assets</b>		<b>4,829</b>
10,441	<b>Usable Reserves</b>	20	9,801
<u>(9,521)</u>	<b>Unusable Reserves</b>	21	<u>(4,972)</u>
<b>920</b>	<b>Total Reserves</b>		<b>4,829</b>



Dean Langton CPFA  
Chief Executive (S151)  
10<sup>th</sup> November 2020

## 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.

2018/19		2019/20
£000's	Note	£000's
5,436		4,806
Net (surplus) or deficit on the provision of services		
Adjustments to net surplus or deficit on the provision of services for non-cash		
(8,575) movements		(8,839)
2,553		2,257
Adjustments for items included in the net surplus or deficit on the provision of		
services that are investing and financing activities		
<b>(586) Net Cash Flows from Operating Activities</b>	22	<b>(1,776)</b>
(1,487) Investing Activities	23	5,260
(844) Financing Activities	24	(2,285)
<b>(2,917) Net (Increase) / Decrease in Cash and Cash Equivalents</b>		<b>1,199</b>
(4,107) Cash and cash equivalents at the beginning of the reporting period		(7,024)
<b>(7,024) Cash and Cash Equivalents at the end of the reporting period</b>	16	<b>(5,825)</b>

## Index of Explanatory Notes to the Core Financial Statements

Note No.	Note	Page
1.	Accounting Standards that have been Issued but have not yet been Adopted	66
2.	Critical Judgements in Applying Accounting Policies	66
3.	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	67
4.	Material Items of Income and Expense	68
5.	Events after the balance sheet date	68
6.	Adjustments between Accounting Basis and Funding Basis under Regulations	70
7.	Movements in Earmarked Reserves	72
8.	Other Operating Expenditure	73
9.	Financing and Investment Income and Expenditure	73
10.	Taxation and Non Specific Grant Income	74
11.	Property, Plant and Equipment	74
12.	Intangible Assets	77
13.	Financial Instruments	77
14.	Nature and Extent of Risks Arising from Financial Instrument	81
15.	Short-Term Debtors	86
16.	Cash and Cash Equivalents	86
17.	Assets Held for Sale	86
18.	Creditors	86
19.	Provisions	87
20.	Usable Reserves	87
21.	Unusable Reserves	87
22.	Cash Flow Statement - Operating Activities	90
23.	Cash Flow Statement - Investing Activities	91
24.	Cash Flow Statement - Financing Activities	91
25.	Expenditure and Funding Analysis	92
26.	Note to the Expenditure and Funding Analysis	93
27.	Expenditure and Income Analysed by Nature	96
28.	Officers' Remuneration	97
29.	Members' Allowances	98
30.	External Audit Costs	98
31.	Grant Income	99
32.	Related Parties	100
33.	Capital Expenditure and Capital Financing	101
34.	Defined Benefit Pension Schemes	102
35.	Joint Venture Arrangements	107
36.	Contingent Assets	109
37.	Contingent Liabilities	109
38.	Trust Funds	110

### **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 2019/20 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 2020/21 code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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 2021. 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 26 to 41, 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 35.
- 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 Institute of Chartered Surveyors. 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 2019. 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 2020 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 2020, the Council's Balance Sheet includes PPE assets of £49m. 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. The terms of engagement between the parties for property valuations comply with the requirements of the Royal Institution of Chartered Surveyors (RICS). In March 2020 the RICS published a valuation practice alert, in response to which Liberata Property Services subsequently issued the following supplementary note to their valuation report for 2019/20:

*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation under frequent review.*

Whilst it is understood that the RICS statement is more particularly designed to urge caution regarding valuations for lending purposes it serves as a general warning as to likely forthcoming market instability and re-adjustment. The restructuring of markets and the time frame for such adjustment is presently an unknown quantity in these unprecedented circumstances. Future revaluations of assets will attempt to reflect observed changes to the property market

#### *Debt Impairment*

At 31 March 2020 the Council had a balance of debtors of £6.183m. A review of significant balances suggested that an impairment of doubtful debts of £5.363m was appropriate (equivalent to 87% of the debt outstanding). This compares to 74% as at 31 March 2019 and includes management's assessment of the early impact of the COVID-19 pandemic on income receivable.



If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. Each 1% increase in the level of debt impairment would require an additional c£62k to be set aside.

#### *Pensions*

The estimation of the net liability to pay pensions 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 effects on the net pension liability of changes in individual assumptions can be measured – for example, a 1 year increase in life expectancy would increase pension liabilities by c£3.6m. A change of +0.1% in the discount rate as applied at 31st March 2020 would reduce the pensions liability by c£2.0m. However, changes are complex because the different assumptions interact. Under current accounting rules, a change in the pension liability does not impact upon the net cost of the General Fund.

Pension estimates for the reporting period were re-assessed as a result of the immediate impact of COVID-19 on markets in March 2020, being so close to the financial year-end.

The fall in equity markets as a result of ‘market turmoil’ have been reflected in the accounting figures provided by the actuary as at 31 March 2020. Pension Fund property asset valuations remain a source of estimation uncertainty at this time.

#### *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 2020. The estimate has been calculated using the latest Valuation Office Agency ratings list of appeals as at 31st March 2020. The Council's share of the provision held at this date is £1.934m being 56% and an increase of £227k compared to the previous year (40% share). In 2020/21 this will revert 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. Estimating what appeals may be submitted from businesses in the future is problematic especially with the backdrop of varied economic reports on the potential impacts and outcomes of the COVID-19 pandemic and Brexit.

#### **4. Material items of income and expense**

There are no material items of income and expenditure in 2019/20 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 Chief Finance Officer on 10<sup>th</sup> August 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

However, in accordance with the Code, the Council provides commentary on the following, non-adjusting events, relating to the response and recovery phases of the COVID-19 pandemic as at the date of these statements being authorised for issue:

The Council, acting as agent for Central Government, received £26.4m in April 2020 as part of COVID-19 funding packages announced with the aim of sustaining local economies. At the authorised for issue date, the Council has transferred in excess of £22.3m by way of business grants to qualifying small businesses and those in the retail, leisure and hospitality sectors.

In addition the Council has received un-ringfenced COVID-19 Emergency Funding from the Government to help with the response to the pandemic. The sum of £72k was received in March 2020 and is included in Note 31. The Council received a further £909k in April 2020 and £202k in July. It is not yet known with certainty what further funding support may be forthcoming from Government.

As per the Narrative Report, the financial impact of COVID-19 on the Council was assessed in June 2020 and reported to Government. Included in this submission was an estimate of income loss of c£1.2m. The Government have recently announced an Income Loss scheme but the Council is yet to receive details of the technical guidance underpinning the scheme. As a result it is not possible to make an informed judgement of what support the scheme might provide.

Included in the significant estimated additional costs are assumptions around supporting the Pendle Leisure Trust, a key stakeholder, to meet its cashflow needs resulting from reduced revenue due to lockdown restrictions and the closure of facilities. During this time, Pendle Leisure Trust provided personnel to operate the Pendle Community Support Hub providing access to support and assistance to those members of the local community who needed additional support to help them during the crisis.

The Council has earmarked up to £1.5m from reserves to help provide a level of resource cover should no further funding be made available by Government in relation to the financial effects of the pandemic. More information on this is included in the Narrative Report on page 23.

## 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.

2019/20	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	1,415	-	-	(1,415)
Revaluation losses on Property Plant and Equipment	1,968	-	-	(1,968)
Impairment of Long Term Debtor	147	-	-	(147)
Amortisation of intangible assets	123	-	-	(123)
Capital grants and contributions applied	(856)	-	-	856
Revenue expenditure funded from capital under statute	1,963	-	-	(1,963)
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	941	-	-	(941)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(484)	-	-	484
Capital expenditure charged against the General Fund	(148)	-	-	148
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(641)	-	641	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(783)	783
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(815)	815	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,261)	-	1,261
Transfer in respect of Long Term Debtor proceeds	-	69	-	(69)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	(15)	-	-	15
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	4,180	-	-	(4,180)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,265)	-	-	2,265
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	(839)	-	-	839
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11	-	-	(11)
<b>Total Adjustments</b>	<b>4,685</b>	<b>(377)</b>	<b>(142)</b>	<b>(4,166)</b>

2018/19	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000's	£000's	£000's	£000's
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	1,429	-	-	(1,429)
Revaluation losses on Property Plant and Equipment	2,010	-	-	(2,010)
Impairment of Long Term Debtor	-	-	-	-
Amortisation of intangible assets	131	-	-	(131)
Capital grants and contributions applied	(669)	-	-	669
Revenue expenditure funded from capital under statute	1,000	-	-	(1,000)
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	2,235	-	-	(2,235)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(473)	-	-	473
Capital expenditure charged against the General Fund	(27)	-	-	27
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(887)	-	887	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(396)	396
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(997)	997	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,622)	-	1,622
Transfer in respect of Long Term Debtor proceeds	-	51	-	(51)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	(16)	-	-	16
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	2,751	-	-	(2,751)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,267)	-	-	2,267
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	407	-	-	(407)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	21	-	-	(21)
<b>Total Adjustments</b>	<b>4,648</b>	<b>(574)</b>	<b>491</b>	<b>(4,564)</b>

## 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 2019/20.

	2018/19			2019/20			
	Balance at 1 April 2017	Transfers In	Transfers Out	Balance at 31 March 2019	Transfers In	Transfers Out	Balance at 31 March 2020
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Renewals Reserve	118	-	-	118	-	-	118
Budget Strategy	3,307	529	(848)	2,988	29	(453)	2,564
VAT Partial Exemption	50	-	-	50	-	-	50
Revenue Expenditure	794	321	(226)	889	314	(387)	816
Change Management	300	-	(198)	102	-	(81)	21
Pensions	22	37	-	59	11	-	70
Local Development Framework	211	24	(31)	204	23	(62)	165
Insurance/Risk Management	104	30	(31)	103	-	(30)	73
External Funding for Projects*	46	-	-	46	-	(46)	-
Liberata Bond	250	-	-	250	-	(250)	-
Performance	113	-	-	113	22	-	135
Developers' Contributions	79	-	-	79	-	(1)	78
External Funding Receipts	153	41	(68)	126	103	(36)	193
Business Growth Incentive	368	6	(135)	239	-	(102)	137
Portas Pilot	7	-	-	7	-	-	7
High Street Innovation Fund	14	-	(2)	12	-	(10)	2
ICT Strategy	95	103	-	198	24	-	222
Staff Development/Apprentices	176	10	(37)	149	23	(12)	160
Pearl Development Reserve	300	-	-	300	-	-	300
Community Projects Reserve	52	-	-	52	-	-	52
Business Rates Volatility Reserve	281	-	(281)	-	-	-	-
Community Investment Reserve	-	85	-	85	-	(83)	2
Growth Sites Development	322	30	(147)	205	15	(4)	216
New Homes Bonus Resilience Reserve	-	-	-	-	502	-	502
COVID19 Response Reserve	-	-	-	-	70	-	70
Future High Streets Reserve	-	-	-	-	138	-	138
Towns Fund Reserve	-	-	-	-	162	-	162
	<b>7,162</b>	<b>1,216</b>	<b>(2,004)</b>	<b>6,374</b>	<b>1,436</b>	<b>(1,557)</b>	<b>6,253</b>

\*The External Funding for Projects Reserve was consolidated within the External Funding Receipts Reserve in the year.

Further information on the reserves shown above is provided in Appendix 1 on page 118.

In addition to those Earmarked Reserves outlined above, the Council also has other Usable Reserves as reported in the Balance Sheet (page 63).

The Council's Usable Reserves at 31 March 2020 are presented below:

	£'000
Earmarked Reserves	6,253
Uncommitted Funds	1,000
Capital Receipts Reserve*	1,640
Capital Grants Unapplied*	908
<b>Total Usable Reserves</b>	<b>9,801</b>

\*Brought forward and carry forward balances for these reserves are shown in the Movement in Reserves Statement (page 61) with in-year movements disclosed in Note 6 (page 70).

## 8. OTHER OPERATING EXPENDITURE

2018/19 £000's		2019/20 £000's
1,774	Parish Council Precepts	1,967
43	Levies (County Council share of retained Business Rates Levy)	73
1,248	(Gains)/Losses on the disposal of Non-Current Assets	181
25	Pensions - Fund Administration Costs	30
<b>3,090</b>	<b>Total</b>	<b>2,251</b>

## 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000's		2019/20 £000's
606	Interest payable and similar charges	695
1,084	Pensions interest cost and expected return on pensions assets	1,049
(204)	Interest Income	(267)
(13)	Other income	(55)
<b>1,473</b>	<b>Total</b>	<b>1,422</b>



## 10. TAXATION AND NON SPECIFIC GRANT INCOMES

2018/19 £000's	2019/20 £000's
(8,152) Council Tax Income (Net)	(8,577)
(3,705) Non Domestic Rates (Net)	(5,893)
Non-ringfenced Government Grants	
(1,707) - Revenue Support Grant	-
(488) - New Homes Bonus Grant	(391)
(61) - Levy/Surplus Allocation	(14)
(2) - Council Tax Annexe Grant	-
(8) - Transparency Code	(8)
- - Family Annex Grant	(1)
(17) - EU Exit Funding	-
(1,130) - Small Business Rate Relief Grant	(1,801)
(38) - Parks Improvement Grants	-
Capital Grants and Contributions	
(604) - Third Party Grants and Contributions	(769)
(89) - Developers Contributions (Section 106)	-
<b>(16,001) Total</b>	<b>(17,454)</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for 2019/20 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
<b>Cost or Valuation</b>							
At 1st April 2019	43,715	5,101	768	69	575	6,626	56,854
Additions	421	214	-	-	166	115	916
Revaluations increases/(decreases)	-	-	-	-	-	-	-
- to Revaluation Reserve	1,148	-	-	-	265	14	1,427
- to Provision of Services	(598)	-	-	(27)	(3)	(1,312)	(1,940)
Derecognition	-	-	-	-	-	-	-
- disposals	(49)	-	-	-	-	(840)	(889)
- other	(559)	-	-	-	-	-	(559)
Reclassification of Assets	(244)	-	-	-	(84)	328	-
- (to)/from Held for Sale	(65)	-	-	-	-	-	(65)
<b>At 31st March 2020</b>	<b>43,769</b>	<b>5,315</b>	<b>768</b>	<b>42</b>	<b>919</b>	<b>4,931</b>	<b>55,744</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1st April 2019	1,233	3,888	-	-	-	3	5,124
Depreciation	-	-	-	-	-	-	-
- to Provision of Services	1,153	262	-	-	-	-	1,415
Derecognition	-	-	-	-	-	-	-
- disposals	-	-	-	-	-	-	-
- other	(559)	-	-	-	-	-	(559)
<b>At 31st March 2020</b>	<b>1,827</b>	<b>4,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>5,980</b>
<b>Net Book Value 31st March 2020</b>	<b>41,942</b>	<b>1,165</b>	<b>768</b>	<b>42</b>	<b>919</b>	<b>4,928</b>	<b>49,764</b>
<b>Net Book Value 31st March 2019</b>	<b>42,482</b>	<b>1,213</b>	<b>768</b>	<b>69</b>	<b>575</b>	<b>6,623</b>	<b>51,730</b>

Comparative movements in property, plant and equipment for 2018/19 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
<b>Cost or Valuation</b>							
At 1st April 2018	46,536	4,610	768	40	1,492	6,607	60,053
Additions	187	491	-	41	276	65	1,060
Revaluations increases/(decreases)							
- to Revaluation Reserve	(252)	-	-	-	-	(32)	(284)
- to Provision of Services	(799)	-	-	(2)	(1,193)	(17)	(2,011)
Derecognition							-
- disposals	(1,070)	-	-	(10)	-	(14)	(1,094)
- other	(870)	-	-	-	-	-	(870)
Reclassification of Assets	(17)	-	-	-	-	17	-
- (to)/from Held for Sale	-	-	-	-	-	-	-
<b>At 31st March 2019</b>	<b>43,715</b>	<b>5,101</b>	<b>768</b>	<b>69</b>	<b>575</b>	<b>6,626</b>	<b>56,854</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1st April 2018	948	3,685	-	-	-	3	4,636
Depreciation							
- to Provision of Services	1,226	203	-	-	-	-	1,429
Derecognition							-
- disposals	(71)	-	-	-	-	-	(71)
- written out to Revaluation Reserve	(870)	-	-	-	-	-	(870)
<b>At 31st March 2019</b>	<b>1,233</b>	<b>3,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>5,124</b>
<b>Net Book Value 31st March 2019</b>	<b>42,482</b>	<b>1,213</b>	<b>768</b>	<b>69</b>	<b>575</b>	<b>6,623</b>	<b>51,730</b>
<b>Net Book Value 31st March 2018</b>	<b>45,588</b>	<b>925</b>	<b>768</b>	<b>40</b>	<b>1,492</b>	<b>6,604</b>	<b>55,417</b>

### Heritage Assets

Detailed information on the Council's Heritage Assets is provided in the Accounting Policies note 11 on page 32. 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 2020, the Council had no material contractual commitments 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	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
Carried at historical cost	114	362	767	22	570	6	1,841
Valued as at:							
31 March 2020	6,294	135			265	3,340	10,034
31 March 2019	15,015	342	-	-	62	71	15,490
31 March 2018	17,759	196	-	16	21	1,420	19,412
31 March 2017	131	82	-	4	-	-	217
31 March 2016	2,629	48	-	-	-	93	2,770
<b>Total Cost or Valuation</b>	<b>41,942</b>	<b>1,165</b>	<b>767</b>	<b>42</b>	<b>918</b>	<b>4,930</b>	<b>49,764</b>

## 12. 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 £123k charged to revenue in 2019/20 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:

<b>2018/19</b>		<b>2019/20</b>
<b>Total</b>		<b>Total</b>
<b>£000's</b>		<b>£000's</b>
	<b>Balance at 1st April</b>	
1,320	Gross carrying amount	1,432
(739)	Accumulated amortisation	(870)
<b>581</b>	<b>Net carrying amount at 1st April</b>	<b>562</b>
112	Additions	118
(131)	Amortisation for the period	(123)
<b>562</b>	<b>Balance at 31st March</b>	<b>557</b>
	Comprising:	
1,432	- Gross carrying amounts	1,550
(870)	- Accumulated amortisation	(993)
<b>562</b>		<b>557</b>

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

## 13. 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:

2018/19			2019/20		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£000's	£000's		£000's	£000's	
<b>Financial Assets Measured at:</b>					
<b>Amortised Cost</b>					
17,553	17,553	Investments*	22,871	22,871	
<b>17,553</b>	<b>17,553</b>	<b>Total Investments</b>	<b>22,871</b>	<b>22,871</b>	
3,952	3,952	Long-Term Debtors	3,738	3,738	
1,140	1,140	Short-Term Debtors	613	613	
<b>5,092</b>	<b>5,092</b>		<b>4,351</b>	<b>4,351</b>	
<b>22,645</b>	<b>22,645</b>		<b>27,222</b>	<b>27,222</b>	
<b>Financial Liabilities Measured at:</b>					
<b>Amortised Cost</b>					
19,359	22,303	Long-Term Borrowing	22,359	23,875	
1,408	1,408	Short-Term Borrowing	1,097	1,097	
<b>20,767</b>	<b>23,711</b>		<b>23,456</b>	<b>24,972</b>	
25	25	Long-Term Creditors	23	23	
1,045	1,045	Short-Term Creditors	689	689	
<b>1,070</b>	<b>1,070</b>	<b>Total Creditors</b>	<b>712</b>	<b>712</b>	
<b>21,837</b>	<b>24,781</b>		<b>24,168</b>	<b>25,684</b>	

\* 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:

2018/19			2019/20		
Financial Liabilities : measured at amortised cost	Financial Assets : Loans and Receivables	Total	Financial Liabilities : measured at amortised cost	Financial Assets : Loans and Receivables	Total
£000's	£000's	£000's	£000's	£000's	£000's
606	-	606	695		695
<b>606</b>	<b>-</b>	<b>606</b>	<b>695</b>	<b>-</b>	<b>695</b>
-	(204)	(204)		(267)	(267)
<b>-</b>	<b>(204)</b>	<b>(204)</b>	<b>-</b>	<b>(267)</b>	<b>(267)</b>
<b>606</b>	<b>(204)</b>	<b>402</b>	<b>695</b>	<b>(267)</b>	<b>428</b>

## **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 (£27.2m)**

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 (£22.9m)
- Long Term Debtors (£3.7m)
- Current Debtors (£0.6m)

### **Investments (£22.9m)**

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 (£17.0m)
- Bank (£2.9m)
- LCC Call (£3.0m)

### **Long Term Debtors (£3.7m)**

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 (£0.1m)
- Pearl (£2.7m)
- Pendle Leisure Trust (£0.8m)
- Other (£0.1m)

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.

The loan to Pendle Leisure Trust was initially to re-finance lease rentals pertaining to the extension of Wavelengths (and Spa) previously leased on a commercial basis. This was originally being repaid on a principal and interest basis over a 12 twelve year period. The Council agreed to extend this repayment period by a further 5 years as part of its annual budget setting process in February 2020.

#### **Current Debtors (£0.6m)**

The sum of £0.6m (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 (£24.2m)**

- Borrowing £23.5m
- Creditors £0.7m

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 (£23.5m)**

All borrowings are shown at amortised cost which for these loans is the same as principal outstanding. Of the total borrowings £23.4m 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 £25.0m 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 (£0.7m)**

The total of £0.7m 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:

2018/19			2019/20	
Carrying Amount £000's	Fair Value £000's		Carrying Amount £000's	Fair Value £000's
20,359	23,303	PWLB borrowing*	23,359	24,875
<b>20,359</b>	<b>23,303</b>	<b>Total financial liabilities</b>	<b>23,359</b>	<b>24,875</b>
16,000	16,000	Loans and receivables*	20,000	20,000
<b>16,000</b>	<b>16,000</b>	<b>Total loans and receivables</b>	<b>20,000</b>	<b>20,000</b>

\*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 £35.207m rather than the value of £24.875m shown in the table above.

#### **14. 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 2019/20 which incorporates the prudential indicators was approved by Council on 26th March 2019 and subsequently revised in September 2019, upon the approval of a Property Investment Strategy. The strategy document is available on the Council website at [www.pendle.gov.uk](http://www.pendle.gov.uk).

The key issues within the strategy were:

- Inclusion of Commercial Investment activity;
- The Authorised Limit for 2019/20 was set at £35.5m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £33.5m. 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 2019/20 range from 100 days to 364 days. The maximum sums invested range from £1.0m to £5.0m (£5.0m 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 breached its counterparty limit with its bankers on 27<sup>th</sup> and 30<sup>th</sup> March 2020 as result of early receipt in full of 2020/21 Section 31 Grant payments from Central Government. This receipt was in response to the outbreak of COVID-19 and provided front-loaded financial support to the Council to assist with its cashflow management.

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 2020 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 2020 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 (£)
Lancashire CC	3,000,000	AA-	0.000%	0
Santander UK Plc	1,000,000	A	0.002%	20
Suffolk CC	3,000,000	AA-	0.001%	0
Nationwide BS	1,000,000	A	0.002%	20
Coventry BS	1,500,000	A-	0.003%	48
Santander UK Plc	1,500,000	A	0.007%	112
Coventry BS	1,000,000	A-	0.012%	116
Nationwide BS	1,000,000	A	0.012%	125
Salford CC	3,000,000	AA-	0.011%	0
Thurrock BC	3,000,000	AA-	0.011%	0
Lloyds Bank Plc (RFB)	1,000,000	A+	0.034%	344
<b>Total</b>	<b>20,000,000</b>			<b>785</b>

\*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 £000's	Historical experience of default %	Adjustment for market conditions %	Estimated maximum exposure to default (ECL) £000's	Estimated maximum exposure to default £000's
Cash deposits :	31 March 2020	31 March 2020	31 March 2020	31 March 2020	31 March 2019
Banks & Building Societies	8,015	0.00%	0.00%	Nil	Nil
Other Local Authorities / Govt	12,036	0.00%	0.00%	Nil	Nil
Sundry /Trade Debtors	751	3.00%	48.00%	383	331
<b>Total</b>	<b>20,802</b>			<b>383</b>	<b>331</b>

The Council does not generally allow credit for its customers, such that the sum of £717,000 of the £751,000 debtors balance shown above is past its due date for payment. The past due amount can be analysed by age as follows:-

2018/19 £000's		2019/20 £000's
210	Less than three months	351
97	Three to six months	34
52	Six months to one year	50
285	More than one year	282
<b>644</b>		<b>717</b>

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: (£383k)**

- Trade Refuse Charges (£66k)
- Market Rents (£41k)
- Building Act/Works in Default (£42k)
- Other service recipients (£234k)

Expected credit losses are calculated based on historical data for defaults adjusted for current and forecast economic conditions. A prudent assumption for short-term losses has been applied to the maximum exposure calculation in the wake of COVID-19. Prior to this outbreak the Council had determined lower risk for short-term credit outside of the prescribed categories of debt above. Management have reviewed the debt profile as at 30 March 2020 and increased cover for expected credit losses on both short-term and longer term debt outstanding. 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:

2018/19 £000's		2019/20 £000's
1,000	Less than one Year	1,000
-	Between one and two years	1,000
3,000	Between two and five years	3,000
3,500	Between five and ten years	3,000
12,859	More than ten years	15,359
<b>20,359</b>		<b>23,359</b>

## 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 81 from £24.875m to £21.405m;
- 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 2019/20 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.



## 15. SHORT-TERM DEBTORS

2018/19 Total £000's		2019/20 Total £000's
1,091	Central Government Departments	387
201	Other Local Authorities	73
1,975	Business Rate Payers/Council Tax Payers	2,195
3,833	Other Entities and Individuals	3,528
<b>7,100</b>	<b>Total Debtor Balance</b>	<b>6,183</b>
(5,250)	Provision for Bad and Doubtful Debts	(5,363)
<b>1,850</b>	<b>Net Debtor Balance</b>	<b>820</b>

## 16. CASH AND CASH EQUIVALENTS

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

2018/19 Total £000's		2019/20 Total £000's
1	Cash held by the Council	-
1,517	Bank current accounts	2,820
5,505	Bank/Other Deposits - instant access	3,005
<b>7,023</b>		<b>5,825</b>

## 17. ASSETS HELD FOR SALE

2018/19 £000's		2019/20 £000's
<b>1,459</b>	<b>Balance at 1st April</b>	<b>242</b>
5	In year capital expenditure	2
	Assets newly qualified as held for sale:	
-	Property, Plant and Equipment	65
-	Revaluation gains (losses)	(29)
(1,222)	Assets sold	(52)
<b>242</b>	<b>Balance at 31st March</b>	<b>228</b>

## 18. CREDITORS

2018/19 Total £000's		2019/20 Total £000's
841	Central Government bodies	1,622
215	Other Local Authorities	174
-	NHS bodies	27
6,027	Business Rate Payers/Council Tax Payers	4,702
945	Other entities and individuals	929
<b>8,028</b>		<b>7,454</b>
	Receipts in Advance included in the above creditors:	
19	Central Government bodies	1,335
6	Other Local Authorities	18
152	Business Rate Payers/Council Tax Payers	158
93	Other entities and individuals	178
<b>270</b>		<b>1,689</b>

## 19. 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:-

2018/19		2019/20		2019/20
£000's		Advanced £000's	Utilised £000's	£000's
75	Burnley and Pendle JTC	-	-	75
264	Municipal Mutual Insurance	-	-	264
20	Other	7	(1)	26
1,706	Business Rates Appeals*	545	(317)	1,934
<b>2,065</b>		<b>552</b>	<b>(318)</b>	<b>2,299</b>

\*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).

## 20. USABLE RESERVES

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

## 21. 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).

2018/19 £000's		2019/20 £000's
23,335	Revaluation Reserve	23,665
11,754	Capital Adjustment Account	9,756
(45,216)	Pensions Reserve	(39,843)
(164)	Financial Instruments Adjustment Account	(148)
866	Collection Fund Adjustment Account	1,705
(96)	Accumulated Absences Account	(107)
<b>(9,521)</b>		<b>(4,972)</b>

### 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.

2018/19 £000's		2019/20 £000's    £000's	
25,892	<b>Balance at 1st April</b>		<b>23,335</b>
2,863	Upward Revaluation of assets	2,113	
(3,146)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(686)	
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,427
(545)	Difference between fair value depreciation and historical cost depreciation	(524)	
(1,729)	Accumulated gains on assets sold or scrapped	(573)	
(2,274)	Amount written off to the Capital adjustment Account		(1,097)
<b>23,335</b>	<b>Balance at 31st March</b>		<b>23,665</b>

### 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.

2018/19 £000's		2019/20 £000's
<b>13,149</b>	<b>Balance at 1st April</b>	<b>11,754</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
(1,429)	Charges for depreciation and impairment of non current assets	(1,415)
(2,010)	Revaluation losses on Property, Plant and Equipment	(1,968)
(131)	Amortisation of intangible assets	(123)
(1,000)	Revenue expenditure funded from capital under statute	(1,963)
(2,245)	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	(941)
<u>(6,815)</u>		<u>(6,410)</u>
(126)	Adjusting amount written out re Long Term Debtor	(305)
<u>2,274</u>	Adjusting amounts written out of the Revaluation Reserve	<u>1,097</u>
(4,667)	Net written out amount of the cost of non-current assets consumed in the year	(5,618)
	<i>Capital financing applied in the year:</i>	
1,622	Use of the Capital Receipts Reserve to finance new capital expenditure	1,261
721	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	856
343	Application of grants to capital financing from the Capital Grants Unapplied Account	782
473	Statutory provision for the financing of capital investment charged against General Fund balances	484
88	Amounts voluntarily set aside for repayment of debt	89
<u>25</u>	Capital expenditure charged against General Fund balances	<u>148</u>
<u>3,272</u>		<u>3,620</u>
<b>11,754</b>	<b>Balance at 31 March</b>	<b>9,756</b>

### 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.

2018/19 £000's	2019/20 £000's
<b>(44,211) Balance at 1st April</b>	<b>(45,216)</b>
(521) Remeasurements of the net defined benefit liability	7,288
(2,751) 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	(4,180)
2,267 Employer's pensions contributions and direct payments to pensioners payable in the year	2,265
<b><u>(45,216)</u></b>	<b><u>(39,843)</u></b>

#### Collection Fund Adjustment Account

2018/19 £000's	2019/20 £000's
<b>1,273 Balance at 1st April</b>	<b>866</b>
(407) 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	839
<b><u>866</u></b>	<b><u>1,705</u></b>

## 22. 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

2018/19 £000's	2019/20 £000's
1,429 Depreciation charged to Comprehensive Income & Expenditure Statement	1,415
131 Amortisation of Intangible Assets	123
2,012 Impairment and Downward Revaluations	1,968
370 Increase / (Decrease) in Creditors	559
243 (Increase) / Decrease in Debtors	326
(20) (Increase) / Decrease in Inventories	8
1,687 Pensions Liability	3,118
- Contributions to / (from) Provisions	234
2,248 Revaluation Losses	-
475 Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	941
- Other non-cash movements	147
<b><u>8,575</u></b>	<b><u>8,839</u></b>

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

2018/19 £000's	2019/20 £000's
1,556 Capital Grants credited to the surplus or deficit on the provisions of services	1,497
997 Proceeds from the sale of non-current assets	760
<b><u>2,553</u></b>	<b><u>2,257</u></b>

c) Interest received and interest paid

2018/19 £000's		2019/20 £000's
(115)	Interest received	(179)
603	Interest paid	1,006
<b>488</b>		<b>827</b>

**23. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

2018/19 £000's		2019/20 £000's
1,195	Purchase of property, plant and equipment, investment property and intangible assets	1,151
23,000	Purchase of short-term investments	54,500
535	Other payments for investing activities	50
(997)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(760)
-	Other payments from investing activities - loans granted	
(23,500)	Proceeds from short-term investments	(48,000)
(1,720)	Other receipts from investing activities (mainly capital grants)	(1,681)
<b>(1,487)</b>	<b>Net cash flows from investing activities</b>	<b>5,260</b>

**24. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

2018/19 £000's		2019/20 £000's
(2,000)	Cash receipts of short- and long-term borrowing	(4,000)
-	- Council Tax and NNDR Adjustments (as Billing Authority)	
1,007	Repayments of short- and long-term borrowing	1,000
149	Other payments for financing activities	715
<b>(844)</b>	<b>Net cash flows from financing activities</b>	<b>(2,285)</b>

## 25. 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.

2018/19			2019/20		
Net Expenditure Chargeable to the General Fund	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000's	£000's	£000's	£000's	£000's	£000's
776	(28)	748	671	(15)	656
6,841	1,926	8,767	7,048	3,119	10,167
994	(58)	936	1,015	(33)	982
149	(77)	72	218	251	469
4,212	(163)	4,049	4,439	74	4,513
1,258	(53)	1,205	987	801	1,788
1,082	(3)	1,079	-	-	-
18	-	18	12	-	12
<b>15,330</b>	<b>1,544</b>	<b>16,874</b>	<b>14,390</b>	<b>4,197</b>	<b>18,587</b>
		<b>Cost Of Services</b>			
(14,542)	3,104	(11,438)	(14,269)	488	(13,781)
<b>788</b>	<b>4,648</b>	<b>5,436</b>	<b>121</b>	<b>4,685</b>	<b>4,806</b>
		<b>(Surplus) or Deficit</b>			
		<b>8,162</b>			<b>7,374</b>
		<b>Opening General Fund Balance</b>			
		Less/Plus Surplus or (Deficit) on General Fund			
		(788) Balance in Year			(121)
		<b>7,374</b>			<b>7,253</b>
		<b>Closing General Fund Balance at 31st March</b>			



## 26. 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.

2018/19						2019/20					
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	
51	725	776	(28)	748	Directorate	22	649	671	(15)	656	
5,767	1,074	6,841	1,926	8,767	Financial Services	6,069	979	7,048	3,119	10,167	
1,062	(68)	994	(58)	936	Democratic & Legal Services	1,167	(152)	1,015	(33)	982	
500	(351)	149	(77)	72	Planning, Building Control & Licensing	829	(611)	218	251	469	
4,574	(362)	4,212	(163)	4,049	Environmental Services	4,839	(400)	4,439	74	4,513	
1,906	(648)	1,258	(53)	1,205	Housing, Health & Economic Development	1,438	(451)	987	801	1,788	
1,433	(351)	1,082	(3)	1,079	Neighbourhood Services	-	-	-	-	-	
18	-	18	-	18	Area Committees	12	-	12	-	12	
15,311	19	15,330	1,544	16,874	Net Cost Of Services	14,376	14	14,390	4,197	18,587	
(14,542)	-	(14,542)	3,104	(11,438)	Other Income and Expenditure	(14,269)	-	(14,269)	488	(13,781)	
769	19	788	4,648	5,436	(Surplus) or Deficit	107	14	121	4,685	4,806	
				8,162	Opening General Fund Balance					7,374	
					Less/Plus Surplus or (Deficit) on General Fund						
				(788)	Balance in Year					(121)	
				7,374	Closing General Fund Balance at 31st March					7,253	

Figures included in 2018/19 have been re-presented to better reflect sums reported for resource management and the value of adjustments to arrive at amounts chargeable to the General Fund in accordance with the Code.

## **26. (contd) NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS ABOVE**

Adjustments between the Funding and Accounting Basis are shown below for both 2019/20 and 2018/19.

### **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		2019/20		
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	-	(16)	1	(15)
Financial Services	2,016	1,103	-	3,119
Democratic & Legal Services	-	(30)	(3)	(33)
Planning, Building Control & Licensing	300	(51)	3	252
Environmental Services	165	(97)	5	73
Housing, Health & Economic Development	870	(74)	5	801
Neighbourhood Services	-	-	-	-
Area Committees	-	-	-	-
<b>Net Cost Of Services</b>	<b>3,351</b>	<b>835</b>	<b>11</b>	<b>4,197</b>
Other Income and Expenditure from the Funding Analysis	(769)	1,079	178	488
<b>Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement</b>	<b>2,582</b>	<b>1,914</b>	<b>189</b>	<b>4,685</b>

Adjustments between Funding and Accounting Basis		2018/19		
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	-	(35)	7	(28)
Financial Services	1,995	(72)	3	1,926
Democratic & Legal Services	-	(61)	3	(58)
Planning, Building Control & Licensing	-	(79)	2	(77)
Environmental Services	18	(187)	6	(163)
Housing, Health & Economic Development	79	(134)	2	(53)
Neighbourhood Services	55	(57)	(1)	(3)
Area Committees	-	-	-	-
<b>Net Cost Of Services</b>	<b>2,147</b>	<b>(625)</b>	<b>22</b>	<b>1,544</b>
Other Income and Expenditure from the Funding Analysis	(693)	1,109	2,688	3,104
<b>Difference between the General Fund surplus or deficit and that shown on the face of the Comprehensive Income and Expenditure Statement</b>	<b>1,454</b>	<b>484</b>	<b>2,710</b>	<b>4,648</b>

## 27. 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.

2018/19 £000's	Gross Expenditure	2019/20 £000's
6,659	Employee Benefits Expense	9,423
35,132	Other Service Expenses	32,832
69	Support Service Recharges	(83)
4,649	Depreciation Amortisation and Impairment	5,678
606	Interest Payments	695
4,015	Expenditure Associated with Council Tax/NNDR	5,528
1,817	Precepts and Levies	2,040
2,357	Gain or Loss on Disposal of Non Current Assets/Pension Interest	1,260
<b>55,304</b>	<b>Gross Expenditure</b>	<b>57,373</b>
<b>Gross Income</b>		
6,207	Fees and Charges and Other Service Income	6,699
15,872	Income from Council Tax/NNDR	19,997
27,510	Government Grants and Contributions	25,210
62	Support Service Recharge	339
217	Interest and Investment Income	322
<b>49,868</b>	<b>Gross Income</b>	<b>52,567</b>
<b>5,436</b>	<b>Net Expenditure (Deficit on Provision of Services)</b>	<b>4,806</b>

## 28. OFFICERS' REMUNERATION

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

<b>Post Title</b>		<b>Salary, Fees and Allowances</b>	<b>Bonuses</b>	<b>Expenses Allowances</b>	<b>Compensation Loss of Office</b>	<b>Benefits in Kind **</b>	<b>Pension Contribution</b>	<b>Total</b>
		£	£	£ *	£	£	£	£
<b>Chief Executive</b>								
	<b>2019/20</b>	104,390	-	350	-	-	16,181	<b>120,921</b>
	<b>2018/19</b>	100,873	-	350	-	-	15,635	<b>116,858</b>
<b>Corporate Director</b>								
	<b>2019/20</b>	72,904	-	250	-	-	2,829	<b>75,983</b>
	<b>2018/19</b>	93,209	-	250	-	-	14,447	<b>107,906</b>
<b>Housing Health &amp; Engineering Services Manager</b>								
	<b>2019/20</b>	64,813	-	-	-	9,271	10,046	<b>84,130</b>
	<b>2018/19</b>	64,598	-	-	-	8,709	10,013	<b>83,320</b>
<b>Planning, Economic Development &amp; Regulatory Services Manager</b>								
	<b>2019/20</b>	60,173	-	-	-	10,390	9,327	<b>79,890</b>
	<b>2018/19</b>	56,948	-	-	-	9,069	8,827	<b>74,844</b>
<b>Chief Financial Officer</b>								
	<b>2019/20</b>	67,829	-	-	-	-	10,514	<b>78,343</b>
	<b>2018/19</b>	58,633	-	-	-	-	7,026	<b>65,659</b>
<b>Neighbourhood Services Manager</b>								
	<b>2019/20</b>	-	-	-	-	-	-	<b>-</b>
	<b>2018/19</b>	43,438	-	-	-	16,659	-	<b>60,097</b>
<b>Environmental Services Manager</b>								
	<b>2019/20</b>	60,173	-	-	-	-	9,327	<b>69,500</b>
	<b>2018/19</b>	53,995	-	-	-	-	8,369	<b>62,364</b>

\* Expense Allowances are the payment of professional fees

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

The Corporate Director is the Council's Returning Officer for elections for which a payment of £2,900 per annum is made. This is included in the post-holder's salary shown above. The post-holder reduced their working pattern with effect from July 2019 following flexible retirement.

The Council restructured Services with effect from 1 April 2019 resulting in the disestablishment of the Neighbourhood Services Manager post. Functions previously within Neighbourhood Services were reallocated predominantly within Housing, Health and Engineering Services.

The senior officers shown above are also included in the analysis by remuneration band provided below.

The lease car scheme is closed to new entrants.

The Council's Pay Policy is approved annually. The 2019 Pay Policy Statement was approved by the Council in March 2019 and can be found on the Council's website at [www.pendle.gov.uk](http://www.pendle.gov.uk).

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	
		2018/19	2019/20
£50,000 -	£54,999	1	1
£55,000 -	£59,999	1	-
£60,000 -	£64,999	1	1
£65,000 -	£69,999	1	1
£70,000 -	£74,999	1	3
£90,000 -	£94,999	1	-
£100,000 -	£104,999	1	1

The Authority terminated the contract of one employee in 2019/20 incurring liabilities of £25k (£68k in 2018/19). This sum represents payment to the officer who was made redundant as part of the Council's review of its service delivery arrangements. The numbers of exit packages with the total cost per band and type of redundancy is set out in the table below:

(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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £20,000	1	-	6	-	7	-	67,631	-
£20,001 - £40,000	-	-	-	1	-	1	-	24,991
Totals	1	-	6	1	7	1	67,631	24,991

## 29. MEMBERS' ALLOWANCES

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

2018/19 £	2019/20 £
162,112 Allowances	160,772
608 Expenses	721
<b>162,719</b> Total	<b>161,493</b>

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

## 30. 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. Appointed Auditor fees are as per scale fees published by Public Sector Audit Appointments Ltd (PSAA). All grant work, including Housing Benefit certification falls outside the PSAA contract and fees are agreed separately with the Council. Details are shown below:

2018/19 Total £000's		2019/20 Total £000's
	<b>Fees Payable:</b>	
31	with regard to external audit services carried out by the appointed auditor for the year	39
9	to external auditors for certification of grant claims and returns	11
<b>40</b>	<b>Total</b>	<b>50</b>

Included in the above table are sums in respect of additional external audit costs (+£4.5k) relating to 2018/19 as subsequently agreed, post 2018/19 audit, with the PSAA but also a rebate (-£4k) from PSAA as a share of a redistribution of surplus funds and efficiencies since its establishment in 2015.

### 31. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 Total £000's		2019/20 Total £000's
	<b>Credited to Taxation and Non Specific Grant Income</b>	
1,707	Revenue Support Grant	-
488	New Homes Bonus Grant	391
8	Transparency Code	8
61	Levy/Surplus Allocation	14
2	Council Tax Annexe Grant	1
17	EU Exit Funding	-
38	Parks Improvement Grants	-
1,130	Small Business Rate Relief Grant	1,801
693	Capital Grants and Contributions	769
<b>4,144</b>		<b>2,984</b>
	<b>Credited to Services</b>	
22,366	Housing Benefits and Council Tax	20,604
-	- Individual Electoral Registration Grant	12
82	Misc Grants from MHCLG (mainly Housing/Homelessness)	112
-	- Business Rates Relief New Burdens	9
-	- EU Exit Funding	35
16	High St Improvement Grant (MHCLG)	-
33	Electoral Integrity Pilot (Cabinet Office)	59
-	- European Parliamentary Elections Funding	110
-	- General Parliamentary Elections Funding	118
7	Cyber Security Grant (IDEA)	-
-	- Towns Fund	162
-	- Future High Street Fund	150
-	- COVID-19 Local Authority Support Grant	72
-	- Community Led Housing Grant	55
862	Capital grants funding Revenue Expenditure Under Statute	728
<b>23,366</b>		<b>22,226</b>
<b>27,510</b>	<b>Total</b>	<b>25,210</b>

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 2019/20 (£nil 2018/19).



## **32. 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 112. Precepts payable to local Town and Parish Councils – refer to Note 8 on page 73. For details of payments to the Lancashire County Council Pension Fund refer to Note 34 below.

### **Members and Chief Officers**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 29. 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 2019/20 the Council paid a grant of £1.266m to the Trust (£1.315m in 2018/19). The sum of £2.8k was also paid to the Trust to compensate it for the levy contribution it was required to make to the Colne BID. At the Balance Sheet date the Council owed Pendle Leisure Trust £Nil and was owed £845,020 of which £834,990 related to long-term loans. 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 £4k.

In the year, the Council's Chief Executive was the Company Secretary for PEARL and four Councillors and the Housing, Health and Engineering Manager also served on the Board. Total payments of £50k were made to PEARL entities during the year (£577k in 2018/19). Additional information on PEARL entities is disclosed in Note 35.

Payments to the value of £40,534 (£90,315 in 2018/19) were made to Penburn Construction, a local company of which Councillor Sakib is a Director. All procurement of goods and services is subject to the Council's financial procedure rules and the Councillor was not involved in any decision relating to these transactions.

During the year the Council provided a grant of £55,430 (£54,450 in 2018/19) to the Burnley and Pendle Citizens Advice Bureau, a local organisation on which two positions on the governing body are held on behalf of the Council.

Other payments in the year were made to Growth Lancashire Ltd in the sum of £15k (£15k in 2018/19) with Councillor Mohammed Iqbal serving on the Board; Burnley and Pendle Council for Voluntary Service (CVS) in the sum of £10k (£10k in 2018/19) plus £1.5k for the delivery of food parcels with Councillor Hanif acting as the Council's nominated representative; and £7k (£7k in 2018/19) to the Forest of Bowland Area of Outstanding Natural Beauty (AONB) with Councillor Newman acting as the Council's nominated representative.

A number of Councillors also serve on Town and Parish Councils and during the year the Council completed a range of asset transfers to local councils including ad hoc parcels of land in parts of the Borough.

The following matters stem from declarations made by Councillors when responding to requests for information to complete this disclosure note:

*Cllr K Hartley*

*Cllr Hartley is a Non-executive Director of West Craven Together; during the year the Council made various payments to West Craven Together linked to the Council's use of the Rainhall Centre in Barnoldswick. The Council hired the centre for use as a Polling Station as well as for meetings of the West Craven Area Committee. Payments to West Craven Together totalled £1,590 in the year.*

*Cllr R Carroll*

*Cllr Carroll is a director of Carro-Step, commercial printers. In the course of the year, the Council obtained printing services from the company for the production of Order of Service sheets in connection with the Remembrance Sunday service in Earby for which the Council paid it £330.*

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.

### **33. 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.

2018/19 £000's		2019/20 £000's
<b>20,965</b>	<b>Opening Capital Financing Requirement</b>	<b>20,404</b>
	<b>Capital Investment</b>	
1,065	Property Plant and Equipment	916
112	Intangible Assets	118
535	Expenditure on Loans	50
1,000	Revenue Expenditure funded from Capital under Statute	1,963
	<b>Sources of Finance</b>	
(1,622)	Capital Receipts	(1,261)
(1,065)	Government Grants and Other Contributions	(1,638)
	Sums set aside from Revenue:	
(25)	Direct Revenue Contributions	(148)
(473)	Minimum Revenue Provision	(484)
(88)	Amounts voluntarily set aside for debt repayment	(90)
<b>20,404</b>	<b>Closing Capital Financing Requirement</b>	<b>19,830</b>
	<b>Explanation of Movements in Year</b>	
(561)	Increase/ decrease in underlying need to borrow (unsupported by government financial assistance)	(574)
<b>(561)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(574)</b>

### 34. 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.

2018/19 £000's	Lancashire County Pension Fund - Pendle Borough Council	2019/20 £000's
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
1,617	Current service costs	1,789
-	Past service costs	1,278
25	Settlements and Curtailments	34
<b>1,642</b>	<b>Total Service Cost</b>	<b>3,101</b>
<b>Other Operating Expenditure</b>		
25	Fund Administration Expenses	30
<b>Financing and investment Income and Expenditure</b>		
1,084	Net interest expense	1,049
<b>2,751</b>	<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,180</b>
<b>Remeasurements of the Net Defined Benefit Liability comprising:</b>		
(7,578)	Return on plan assets (excluding amounts included in net interest)	2,715
-	Experience (gain)/loss	(1,755)
-	Actuarial gains and losses arising from changes in demographic/experience assumptions	(4,296)
8,099	Actuarial (gains) or losses arising from changes in financial assumptions	(3,952)
<b>521</b>	<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>(7,288)</b>
<b>3,272</b>	<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,108)</b>
<b>Movement in Reserves Statement</b>		
(2,751)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(4,180)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
2,267	Employer contributions payable to the scheme	2,265

#### 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:

2018/19 £000's	Lancashire County Pension Fund - Pendle Borough Council	2019/20 £000's
93,368	Fair Value of employer assets	90,639
(134,123)	Present value of funded benefit liabilities	(127,149)
(4,461)	Present value of unfunded benefit liabilities	(3,333)
<b>(45,216)</b>	<b>Closing balance at 31st March</b>	<b>(39,843)</b>

## Reconciliation of the Movements in the Fair value of Scheme Assets

2018/19 £000's	Lancashire County Pension Fund - Pendle Borough Council	2019/20 £000's
85,419	<b>Opening fair value of scheme assets</b>	93,368
2,234	Interest income	2,240
-	Remeasurement gain / (loss):	
7,578	Return on plan assets excluding amounts included in net interest	(2,715)
(25)	Other	(30)
2,267	Contributions from employer	2,265
327	Contributions from employees into the scheme	321
(4,432)	Benefits paid	(4,810)
<b>93,368</b>	<b>Closing fair value of scheme assets</b>	<b>90,639</b>

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

2018/19 £000's	Lancashire County Pension Fund - Pendle Borough Council	2019/20 £000's
<b>129,630</b>	<b>Opening balance at 1st April</b>	<b>138,584</b>
1,617	Current service cost	1,789
3,318	Interest cost	3,289
327	Contributions from scheme participants	321
	Remeasurement (gains) and losses:	
-	- Experience (gain)/loss	(1,755)
-	- Actuarial gains/losses arising from changes in demographic assumptions	(4,296)
-	- Actuarial (gains)/losses arising from changes in financial assumptions	(3,952)
8,099	Past service cost	1,278
25	Curtailments	34
(4,432)	Benefits paid	(4,810)
<b>138,584</b>	<b>Closing balance at 31st March</b>	<b>130,482</b>

In 2017/18, in addition to the 2017/18 contribution made to the past service deficit in the sum of £1,219,900, the Council made an additional payment to the Pension Fund of £2,415,300. This payment was made in relation to the Council's past service deficit contribution due to the Fund covering the two year period from 2018/19 to 2019/20. 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 15.5%). The next valuation uses data from 31st March 2019 and becomes effective with effect from 1st April 2020.

As part of the 2016 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 2017/18 the Council agreed to pre-pay the past service deficit in full for three years as follows:-

	£'000
2017/18 Past Service Deficit	1,220
2018/19 Past Service Deficit	1,212
2019/20 Past Service Deficit	<u>1,203</u>
<b>Total payment made in 2017/18</b>	<b>3,635</b>

The past service deficit payment relating to 2019/20 has been charged against the General Fund Balance in 2019/20 and forms part of the Employer Contribution sum shown in the tables above of £2,265k.

## 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.

In preparing the 2018/19 accounts, the actuarial calculations of the net change to pension liabilities as a result of the above judgments was not considered material, with no charge made to the Comprehensive Income and Expenditure Statement (CIES). The Council's accounts for 2019/20 include this liability for the first time as a 'Past Service Cost' in the sum of £1.278m, as disclosed above. This cost has been reported within the Surplus/Deficit on Provision of Services line in the 2019/20 CIES in accordance with the Code.

The pension scheme assets comprised the following:

2018/19 £000's	Lancashire County Pension Fund - Pendle Borough Council	2019/20 £000's
<b>Asset Category:</b>		
543	<b>Cash and Cash equivalents</b>	997
<b>Bonds*</b>		
634	UK corporate	1,087
461	Overseas corporate	1,178
-	UK Fixed gilts	-
-	Overseas fixed interest	-
3,282	UK index linked	-
4,377		2,265
<b>Property</b>		
2,248	Retail	91
6,454	Commercial	1,179
8,702		1,270
<b>Other</b>		
7,176	Private Equity - UK and Overseas	7,251
41,157	Pooled Equity Funds - UK and Overseas	40,788
13,199	Infrastructure	12,508
6,629	Credit Funds	14,321
10,156	Pooled Fixed Income	4,804
1,429	Indirect Property Funds	6,435
79,746		86,107
<b>93,368</b>	<b>Closing balance at 31st March</b>	<b>90,639</b>

\* 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 2016. The next valuation will use data from 31st March 2019 and become effective with effect from 1st April 2020.

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 £690m as at 31st March 2016. 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:

<b>Local Government Pension Scheme - Pendle Borough Council</b>	<b>2018/19</b>	<b>2019/20</b>
Mortality assumptions:		
Longevity at 65 for current pensioners (years)		
Men	22.8	22.3
Women	25.5	25.0
Longevity at 65 for future pensioners (years)		
Men	25.1	23.8
Women	28.2	26.8
Rate of CPI inflation	2.3%	2.1%
Rate of increase in salaries	3.8%	3.6%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.4%	2.4%

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 2018/19, updated for any emerging issues arising from the immediacy of the COVID-19 pandemic.

<b>Local Government Pension Scheme - Pendle Borough Council</b>	<b>Impact on the Defined Benefit Obligation £'000</b>
<i>Sensitivity Analysis - Assumptions</i>	
+0.1% change in discount rate	(1,916)
+0.1% change in inflation rate	1,944
+0.1% change in pay growth	198
1 year increase in life expectancy	3,647

### **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 2016 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 £1.790m to the scheme in 2020/21.

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

### **35. JOINT VENTURE ARRANGEMENTS**

In partnership with Barnfield Investment Properties Limited (BIP), the Council has established three joint venture companies (JVC). In 2018, 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 2019/20. This position is subjected to an annual review in response to any changes in the scale of activity of the Council and PEARL entities.

#### **Pendle Enterprise and Regeneration Ltd (Company No. 6375571)**

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

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

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 2020 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 2020 is £763k including accrued interest of £193k.

#### **Pendle Enterprise and Regeneration (2) Ltd (Company No 6684862)**

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.

Further housing developments are underway at Clitheroe Road in Brierfield and at Oak Mill and Carry Lane in Colne.

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 2020 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 2020 is £1.393m (including accrued interest of £201k).

#### **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 2020. 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 2020 is £518k (including accrued interest of £38k).

In addition to the loans recognised as a long-term debtor, during the year the Council converted a cashflow loan made to the company in 2016/17 of £200,000 to a grant. This was always the Council's intention but the conversion was delayed whilst consideration of State Aid issues were addressed. The Council has accounted for the grant as capital expenditure in 2019/20.

#### **Pearl Together Ltd (Company No 11229691)**

Pearl Together was incorporated in February 2018 but at the previous balance sheet date had yet to commence trading. 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.

The company commenced trading during the year and in support of its activities the Council advanced loan payments totaling £19,500 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 2020 is £20k (inclusive of accrued interest).

## **Other Joint Venture related matters**

Company Secretarial services were provided by the Council in 2019/20 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 PEARL companies can be obtained upon request in writing from the Company Secretary, Pendle Enterprise and Regeneration Ltd, c/o Financial Services, Number 1 Market Street, Nelson, Lancashire, BB9 7LJ.

## **36. CONTINGENT ASSETS**

### **Regenerate Pennine Lancashire**

During 2007/08, the Council introduced a Purchase Assistance Loan Scheme (PALs) in conjunction with Regenerate Pennine Lancashire (RPL), 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 2020, the Council had 6 loan advances outstanding of £151k following one loan repayment received in the year of £30,000. 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.

## **37. 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.

### **38. TRUST FUNDS**

The Council has the following funds:-

	2018/19 £000's	2019/20		2019/20 £000's
		Advanced £000's	Utilised £000's	
Mayor's War Benevolent Fund	43	-	-	43
Winewall Inghamites	40	-	-	40
Carl Pritchard	14	-	-	14
	<b>97</b>	<b>-</b>	<b>-</b>	<b>97</b>

As at the 31st March 2020 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 2020

Restated 2018/19 £000's		Council Tax £000's	2019/20 NNDR £000's	Total £000's
<b>Income</b>				
46,699	Council Tax	49,454	-	49,454
-	Other Income	-	-	-
-	Council Tax Transitional Relief	-	-	-
19,438	Business Rates	-	19,202	19,202
66,137	<b>Total Income</b>	49,454	19,202	68,656
<b>Expenditure</b>				
Precepts				
32,229	Lancashire County Council	32,401	3,009	35,410
13,160	Pendle Borough Council	6,384	9,630	16,014
4,199	Lancashire Police Commissioner	4,847	-	4,847
1,773	Lancashire Combined Fire Authority	1,672	258	1,930
1,774	Town & Parish Councils	1,967	-	1,967
8,830	Central Government	-	4,299	4,299
2,526	Transfer of Collection Fund Surplus / (Deficit)	2,111	1,000	3,111
64,491		49,382	18,196	67,578
Business Rates				
133	Collection Allowance	-	133	133
133		-	133	133
Bad and Doubtful Debts				
740	Bad Debts Provision	650	(200)	450
1,497	Appeals Provision	-	(612)	(612)
464	Write-Offs	250	205	455
2,701		900	(607)	293
67,325	<b>Total Expenditure</b>	50,282	17,722	68,004
(1,188)	Surplus / (Deficit) For The Year	(828)	1,480	652
4,804	Surplus / (Deficit) Brought Forward	2,610	1,006	3,616
3,616	Surplus / (Deficit) Carried Forward	1,782	2,486	4,268



## 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 2019/20 is 56% with the remainder paid to precepting bodies. For Pendle the precepting bodies are Central Government 25% share, Lancashire County Council 17.5% and the Lancashire Combined Fire Authority 1.5% share.
3. The total non-domestic rateable value was £52.9m as at 31<sup>st</sup> March 2020 (£52.7m as at 31<sup>st</sup> March 2019). The national non-domestic rate standard multiplier for 2018/19 was 50.4p, with a small business multiplier of 49.1p (49.3p and 48.0p respectively in 2018/19).
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.

2018/19		Council Tax Band	2019/20	
Adjusted No	Band D		Adjusted No	Band D
of Properties	Equivalent		of Properties	Equivalent
97	54	-A	102	57
21,810	14,540	A	21,847	14,564
4,203	3,269	B	4,188	3,258
4,007	3,562	C	4,034	3,587
2,990	2,990	D	3,019	3,019
1,671	2,043	E	1,670	2,042
914	1,321	F	919	1,328
487	811	G	489	815
34	67	H	33	67
	<u>28,657</u>			<u>28,737</u>

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 2019/20 was calculated as follows expressed as a number of Band D equivalent dwellings:

Number of Band D equivalent properties (per above)	28,737
Less: Class C Discount from 1st April 2019	<u>(79)</u>
Adjusted gross tax base	28,658
Less: reduction for estimated non-collection	<u>(1,002)</u>
	27,656
Less: reduction for impact of Council Tax Support discount	<u>(3,595)</u>
<b>Net Tax Base for 2019/20</b>	<u>24,061</u>

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

2018/19		Precept/ Demand	Share of Surplus	2019/20 Total
£000's		£000's	£000's	£000's
6,559	Pendle Borough Council	6,384	314	6,698
32,442	Lancashire County Council	32,401	1,223	33,624
4,450	Lancashire Police Commissioner	4,847	182	5,029
1,690	Lancashire Combined Fire Authority	1,672	63	1,735
<b>45,141</b>		<b>45,304</b>	<b>1,782</b>	<b>47,086</b>

#### Business Rates

2018/19		Precept/ Demand	Share of Surplus	2019/20 Total
£000's		£000's	£000's	£000's
9,333	Central Government	4,299	623	4,922
7,466	Pendle Borough Council	9,630	1,391	11,021
1,680	Lancashire County Council	3,009	435	3,444
187	Lancashire Combined Fire Authority	258	37	295
<b>18,666</b>		<b>17,196</b>	<b>2,486</b>	<b>19,682</b>

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 2019 it was estimated that the Collection Fund would have a Council Tax surplus of £2.111m and a Business Rates surplus of £1.000m, a combined net Collection Fund surplus of £3.111m (£2.526m surplus in January 2018) and so the following amounts were due to / (from) the preceptors in 2019/20

2018/19		Council Tax	Business Rates	2019/20 Total
£000's		£000's	£000's	£000's
316	Central Government	-	500	500
589	Pendle Borough Council	375	400	775
1,367	Lancashire County Council	1,460	90	1,550
76	Lancashire Combined Fire Authority	76	10	86
178	Lancashire Police & Crime Commissioner	200	-	200
<b>2,526</b>		<b>2,111</b>	<b>1,000</b>	<b>3,111</b>

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. During 2019/20 the Lancashire Business Rates Pool operated as a pilot under the Government's 75% local retention of business rates. Ribble Valley Borough Council acts as the lead authority for the Pool and undertakes the financial accounting associated with the Pool on behalf of its member authorities. Each member of the Pool pays a fee to Ribble Valley for this service.
11. In 2019/20 the governance arrangements for the pilot pool were approved such that any retained growth above that which would have been received under the previous 50% scheme was to be split on the following basis:

- Risk Resilience Reserve: The first 5% of any additional growth was to be used to create a new risk resilience reserve to mitigate against any extra loss arising from being a pilot member.
- Strategic Economic Growth and Financial Sustainability Fund: A further 25% of the additional growth was to be set aside to create a Lancashire wide fund to be used to target strategic economic growth and improve financial sustainability and allocated based on unanimous decisions of the Pilot Pool Governing Body after the closure of the financial year.

12. The position on the Pilot Pool for 2019/20, based upon the final submitted NNDR3 returns, is detailed below:

Lancashire Business Rates Pilot Pool Members 2019/20	Authority Type	Tariffs and Top-Ups in Respect of 2019/20 £	Total Growth above Baseline Under 75% Scheme £	Additional Retained Growth above that under the 50% Scheme £	5% Due to Resilience Reserve £	25% Due to Strategic Economic Growth Reserve £
Blackburn with Darwen Unitary Authority	Top-Up	-27,209,155	6,290,545	2,096,849	104,842	524,212
Blackpool Unitary Authority	Top-Up	-27,136,666	965,342	321,780	16,089	80,445
Burnley Borough Council	Tariff	8,389,841	3,894,421	1,112,691	55,635	278,173
Chorley Borough Council	Tariff	10,116,103	2,888,454	825,273	41,264	206,318
Fylde Borough Council	Tariff	11,921,669	3,971,482	1,134,710	56,736	283,678
Hyndburn Borough Council	Tariff	5,350,206	644,806	184,230	9,212	46,058
Pendle Borough Council	Tariff	5,125,168	2,363,324	675,236	33,762	168,809
Preston Borough Council	Tariff	27,181,715	1,627,197	464,913	23,246	116,228
Ribble Valley Borough Council	Tariff	6,364,376	2,331,874	666,250	33,313	166,563
Rossendale Borough Council	Tariff	4,595,868	1,820,769	520,220	26,011	130,055
South Ribble Borough Council	Tariff	15,149,823	4,667,725	1,333,636	66,682	333,409
West Lancashire Borough Council	Tariff	13,287,104	2,905,817	830,233	41,512	207,558
Wyre Borough Council	Tariff	10,760,888	2,011,984	574,853	28,743	143,713
Lancashire County Council	Top-Up	-164,645,542	9,362,315	4,448,284	222,414	1,112,071
Lancashire Combined Fire Authority	Top-Up	-17,656,850	957,163	311,393	15,570	77,848
Central Government	-	118,405,452	-	-	-	-
<b>Total</b>		<b>0</b>	<b>46,703,218</b>	<b>15,500,551</b>	<b>775,028</b>	<b>3,875,138</b>

13. During the year an advance request for use of the Strategic Economic Growth and Financial Sustainability Fund was considered and agreed by the Governing Body in respect of expenditure to be incurred by Lancashire County Council in the creation of the Greater Lancashire Plan. This was to be capped at £400,000.
14. At a later point in the year, and in light of the Covid-19 pandemic financial pressures, it was decided by the Governing Body that the expenditure on the Great Lancashire Plan would instead only be funded up to the £50,000 that had been defrayed at that point. It was also agreed that all authorities would retain any remaining balance on the Strategic Economic Growth and Financial Sustainability Fund to help them meet their own financial resilience pressures under the pandemic.
15. In accordance with the Memorandum of Understanding for the Pilot Pool, the Risk Resilience Reserve would be retained by each Pool member, unless it was evidenced at the end of the financial year through the completion of the NNDR3 returns that such funds were needed.
16. The outturn position showed that the Risk Resilience Reserve was not needed and that the only payment due to the Strategic Economic Growth and Financial Sustainability Fund was the £50,000 in total towards the Greater Lancashire Plan. The overall position is shown in the table below:

Lancashire Business Rates Pilot Pool Members 2019/20	Total Growth above Baseline Under 75% Scheme £	Actual Payments Due to the Strategic Economic Growth and Financial Sustainability Fund £	Net Business Rates Growth Above the Baseline Retained by Local Authority £
Blackburn with Darwen Unitary Authority	6,290,545	6,764	6,283,781
Blackpool Unitary Authority	965,342	1,038	964,304
Burnley Borough Council	3,894,421	3,589	3,890,832
Chorley Borough Council	2,888,454	2,662	2,885,792
Fylde Borough Council	3,971,482	3,660	3,967,822
Hyndburn Borough Council	644,806	594	644,212
Pendle Borough Council	2,363,324	2,178	2,361,146
Preston Borough Council	1,627,197	1,500	1,625,697
Ribble Valley Borough Council	2,331,874	2,149	2,329,725
Rossendale Borough Council	1,820,769	1,678	1,819,091
South Ribble Borough Council	4,667,725	4,302	4,663,423
West Lancashire Borough Council	2,905,817	2,678	2,903,139
Wyre Borough Council	2,011,984	1,854	2,010,130
Lancashire County Council	9,362,315	14,349	9,347,966
Lancashire Combined Fire Authority	957,163	1,005	956,158
<b>Total</b>	<b>46,703,218</b>	<b>50,000</b>	<b>46,653,218</b>

## **AUDIT CERTIFICATE AND OPINION**

## Audit Opinion

The Accounts are draft at this stage and subject to audit by Grant Thornton UK LLP. The audit is due to commence in August. The Audit Findings Report from Grant Thornton will be presented to a meeting of the Accounts and Audit Committee on or before the 30<sup>th</sup> November 2020. The Committee will be asked to approve the accounts at this meeting following which the audited accounts together with the Audit Opinion from Grant Thornton will be published on the Council's website.

**EARMARKED RESERVES 2019/20**

- Renewals Reserve – is a source of funding for the Council's Asset Management Strategy;
- Budget Strategy Reserve – provides general support to the Council's annual spending priorities – the VAT Shelter Reserve was combined with this in 2010/11;
- 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;
- Revenue Expenditure Reserve – contains miscellaneous service related balances and also covers slippage of revenue budgets from one year to another;
- Change Management Reserve – established to provide funding for the Council to deal with changes in the delivery of services as and when they arise;
- Pensions Reserve – to provide cover for changes in Employers' contribution rates;
- Local Development Framework Reserve – to cover any resource implications of the framework;
- Insurance/Risk Management Reserve – to cover potential uninsured losses and support investment in measures to reduce risk;
- Liberata Bond Reserve – to provide resource cover in the event there is a need to transfer services currently undertaken by Liberata back to the Council and where the costs of doing so are not met by Liberata under the terms of the contract;
- 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;
- 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;
- 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. The External Funding for Projects Reserve was combined with this on closure of the 2018/19 accounts;
- 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;
- 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;
- High Street Innovation Fund Reserve – to use Government grant funding to support local town centres and reduce the number of empty shops;
- ICT Strategy Reserve – to fund costs associated with upgrading IT equipment and software;
- Staff Development / Modern Apprentices Reserve – funding for staff training, development and the recruitment of young persons as Modern Apprentices;
- 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;
- Community Projects Reserve – to enable local groups (including town and parish councils), via one-off support, to deliver or sustain local projects and services;
- 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;
- 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.
- 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.



- 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.
- COVID-19 Response Reserve – established to meet the net financial costs of COVID-19 on the Council and not to fund any measures to support the recovery effort.
- Future High Streets Reserve – to fund the Council's plans to make high streets and town centres fit for the future.
- Towns Fund Reserve – established to set aside sums in support of the Government's plan to 'level up' regions.

## Summary of Council Service Areas in 2019/20

### Directorate

- Corporate management of the Council
- Policy Development
- Community Based Projects
- 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**

<b><i>Accruals</i></b>	The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b><i>Accumulated Absences</i></b>	Absences earned but not taken by the end of the financial year i.e. holiday pay entitlement.
<b><i>Amortisation</i></b>	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.
<b><i>Assets</i></b>	Something of worth which is measurable in monetary terms
<b><i>Balance Sheet</i></b>	A statement of the recorded assets, liabilities and reserves at the end of an accounting period.
<b><i>Budgets</i></b>	A statement of the Council's forecast spend - i.e. net revenue expenditure for the year.
<b><i>Business Rates</i></b>	See Non-Domestic Rates.
<b><i>Capital Charges</i></b>	This represents charges made to services' revenue accounts to reflect the cost of fixed assets used in the provision of services.
<b><i>Capital Expenditure</i></b>	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
<b><i>Capital Receipts</i></b>	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.
<b><i>Cash and Cash Equivalents</i></b>	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.
<b><i>CIPFA</i></b>	Chartered Institute of Public Finance and Accountancy
<b><i>Community Assets</i></b>	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.
<b><i>Contingent Liability</i></b>	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.
<b><i>Creditors</i></b>	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.
<b><i>Debtors</i></b>	Sums of money due to the Council but which are unpaid at the date of the balance sheet.
<b><i>DEFRA</i></b>	Department for Environment, Food and Rural Affairs

<b><i>Depreciation</i></b>	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.
<b><i>Effective Interest Rate</i></b>	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.
<b><i>Expected Credit Loss</i></b>	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.
<b><i>Fair Funding Review</i></b>	A review by Central Government on baseline funding allocations to Local Authorities through an assessment of their relative needs and resources.
<b><i>Fair Value</i></b>	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.
<b><i>Finance Lease</i></b>	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.
<b><i>Financial Assets</i></b>	Cash, bonds, deposits, loan and debtors, and shares in another organisation, are all examples of financial assets.
<b><i>Financial instrument</i></b>	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
<b><i>Financial Liabilities</i></b>	Include borrowings, other financing and bank overdrafts, derivative instruments and accounts and notes payable.
<b><i>General Fund Services</i></b>	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.
<b><i>Historical Cost</i></b>	This represents the original cost of acquisition, construction or purchase of a fixed asset.
<b><i>IAS</i></b>	International Accounting Standard
<b><i>IFRS</i></b>	International Financial Reporting Standard
<b><i>Impairment</i></b>	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.
<b><i>Infrastructure Assets</i></b>	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.
<b><i>Liabilities</i></b>	Money the Council will have to pay to people or organisations.
<b><i>Minimum Revenue Provision</i></b>	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.

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**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.