

# STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31<sup>ST</sup> MARCH 2022



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# INDEPENDENT AUDITORS REPORT

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**THE AUDIT OPINION WILL BE INSERTED HERE WHEN AGREED  
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# NARRATIVE REPORT BY CHIEF FINANCIAL OFFICER

## 1. INTRODUCTION

Welcome to the narrative report and Statement of Accounts for Fylde Borough Council. In my role as Chief Financial Officer and the Council's statutory Section 151 Officer, I am required to prepare a narrative report to accompany the Statement of Accounts. This narrative report is prepared in a style that aims to enable readers to understand and interpret the accounting statements. By producing this report, I aim to give electors, local residents, Council Members, partners, stakeholders and other interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure. The narrative report sets the scene and tells the story of the past year. Included are details of the Council and the Borough, financial and non-financial performance, and the outlook for the future.

Whilst the country emerged from the most restrictive effects of the pandemic during 2021/22, it was again a year dominated by the impacts of Covid-19 and much of what you read over the following pages has been affected in some way. The effects of the pandemic have been felt to varying degrees by every household, every business, every organisation in the public and charitable sectors. Many people have suffered the devastating effects of illness, others have lost income or their livelihoods. During 2021/22, Fylde Council has again risen to the challenge and taken forward its leadership role. I am extremely proud of the way in which staff across the Council have responded to the challenges presented in order to support the borough.

I hope what follows is interesting and informative, and I thank you for your interest in the finances of the Council.

The Finance Team at Fylde Council aims to prepare the Statement of Accounts to the highest standards and in accordance with the guidance for Local Authorities in the UK. This document sets out the Council's statutory Statement of Accounts for the financial year ending 31st March 2022. The Accounts and Audit Regulations 2015 require me, as the Council's responsible financial officer, to certify that they 'present a true and fair view of the financial position of the authority'. The Council is then formally required to approve and publish the Statement of Accounts, in respect of 2021/22 by no later than 30th November. This function is delegated at Fylde Council to the Audit and Standards Committee. Following approval, the Statement of Accounts must be signed and dated by the member presiding at the meeting at which approval is given. For 2021/22 the publication date has been amended from the pre-pandemic deadline of 31st July each year owing to the additional workload that Councils have experienced due to Covid-19 and because of the ongoing challenges in the external audit sector.

The accounts are audited by the Council's External Auditors, Deloitte LLP, who also review whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to issue a conclusion on this as part of their report to those charged with governance which will be prepared for the Council's Audit and Standards Committee at the conclusion of the audit.

The format of the Statement of Accounts is heavily prescribed and follows the requirements as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), and the Service Reporting Code of Practice for Local Authorities 2021/22 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

Local authorities must commence the public inspection period on or before the first working day of August 2022. This means that the unaudited Statement of Accounts must be published on or before 31st July 2022 at the latest. Following completion of the audit process the Regulations require that for 2021/22 local authorities in England publish their audited Statement of Accounts by 30th November 2022.

## 2. AN INTRODUCTION TO THE BOROUGH OF FYLDE

Fylde Borough consists of the seaside towns of Lytham and St Anne's-on-Sea, the market town of Kirkham and a rural hinterland with numerous small, picturesque villages. The borough covers 166 square km and is situated on the west coast of Lancashire. It is bounded to the north by Wyre Council and the estuary of the River Wyre, to the north-west by the densely populated urban area of Blackpool, to the east by Preston and to the south by the Ribble Estuary. St Anne's-on-Sea is a traditional seaside resort with a Victorian pier, quality accommodation and fine floral displays, a gentler and more peaceful tourism destination than Blackpool. 'Leafy' Lytham is a desirable location for residents and visitors with, an attractive Victorian shopping centre,

the spectacular grade one listed Lytham Hall in pleasant surroundings and an expansive seafront Green with the iconic white Windmill overlooking the sea. The area also boasts an internationally famous championship golf course situated at Royal Lytham & St Annes Golf Club. Kirkham is a traditional market town surrounded by beautiful countryside with strong links to neighbouring Wesham, Treales, Roseacre, Wrea Green and Freckleton.

The rural hinterland provides a contrasting lifestyle and tourism experience with countryside pursuits such as walking, cycling, horse riding and boating, complemented with high quality, award winning, eating establishments and accommodation, all mixed into a vast farming community. The rich heritage within the towns and villages has helped to make the Fylde countryside a destination in its own right.

On Census Day, 21 March 2021, the size of the usual resident population in Fylde was 81,400 people: this is an increase of 5,643 since 2011, when it was 75,757 people. Fylde is now ranked 13 (out of 18 Districts in the North West region) in terms of total population. Fylde's population increase, at c7%, compares to a 5% increase for the North West and a 7% increase for England.

As of 2021, Fylde is ranked 28 out of the 41 local authority areas in the North West for population density, with around 4.91 persons per hectare of land. The population density for the North West is 5.26 persons per hectare and for England it is 4.34 persons per hectare

Of the 81,400 people in Fylde, 41,600 were women (51% of the population) and 39,800 men (49%). 13.9% (11,300) are children aged under 15, and 58.2% (47,400) are adults aged 15 to 64. 27.9% (22,700) are aged 65 and over, which is the highest proportion in Lancashire and well in excess of the national average of c16%. 3.9% (3,200) of the resident population are 85 and over.

Fylde is one of the safest areas of the country when compared with its 'family' group of local authorities based on population and demographics. The borough has been a popular retirement destination for many years, resulting in a higher than average percentage of the population being over 65 years of age. There is a strong sense of community, volunteer groups and charity organisations play a big part in making the borough a great place to live, work and visit.

### **Economic Profile**

Fylde has a diverse economy that is centred on manufacturing, the energy sector, aeronautics, farming, and tourism industries. There are two regionally significant employers in BAE Systems at Warton and the Westinghouse nuclear processing plant at Springfields. Other major employers include the public sector through the Department of Work and Pensions (DWP) and Land Registry, financial services organisations and the many hotels, cafes, restaurants, and leisure facilities reflecting the tourism aspect of the local economy.

In October 2011, the government created a single Lancashire Enterprise Zone that covers two separate sites, one of which is located around the BAE Systems manufacturing facility and runway at Warton in the Council's area. Within these sites financial incentives and a simplified planning system are designed to encourage businesses and create employment. The zone is operated by BAE Systems and Lancashire County Council (with strategic oversight being provided by the Lancashire Enterprise Partnership). The enterprise zone is focussed on high-end manufacturing that is related to the military aeronautic industry, and as such is designed to complement existing production at the BAE Systems facility.

In the 2015 Budget, the Chancellor announced that a further Enterprise Zone would be established at Blackpool Airport and adjoining land, which straddles the border between Fylde and Blackpool Council areas. This Enterprise Zone came into being in April 2016 with a focus on the energy, manufacturing, service industries (insurance / financial) and aviation business development. The Council is represented on the Enterprise Zone Programme Board along with Blackpool Council and private sector partners. A specialist energy college within the enterprise zone was completed and opened during 2017/18, forming part of the Blackpool & the Fylde College. Enterprise Zones are designated by Government for a period of 25 years.

### **Political Structure and Constitution**

The Council consists of 51 elected members representing 21 wards across the Borough. The Council holds 'all out' elections every four years with the last election being held in May 2019 at which a Conservative majority was returned for the fifth consecutive election. Fylde is a two-tier district Council with Lancashire County Council being responsible for delivering the upper tier authority functions.

The council's constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. The constitution also identifies the principal obligations and functions of the council.

The constitution and its appendices clearly explain how the different elements of the council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols.

The constitution builds on model constitutions and guidance produced by the government.

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. During the year a series of workshops were held with both elected members from Blackpool and Fylde Council's, together with the three independent persons, to review the Elected Member Code of Conduct. This resulted in a revised Code of Conduct being incorporated within the Constitution (Blackpool and Fylde Council's share a common Code of Conduct and reciprocal standards arrangements).

During the year, the Local government Boundary Commission (LGBC) completed its review of both councillor numbers and warding arrangements for the council. This will result in the number of councillors reducing to 37 post May 2023 local government elections, together with revised warding arrangements.

Work also took place on a community governance review comprising four stages: initiation, stakeholder consultation, community consultation and report writing and recommendations. The consultation elements of this work were undertaken during 2021/22, with recommendations to be brought forward during 2022/23.

The council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it.

The council operates a committee system with decision-making delegated to the council's committees. There is a mechanism in place for decisions to be referred to the council. The council's committees comprise Finance and Democracy, Tourism and Leisure, Environment Health and Housing, Operational Management, Planning, Licensing, Public Protection and a combined Audit and Standards Committees. There is also a cross-party Member Development Steering Group which considers and recommends personal development and general training opportunities for elected members together with the well-being of elected members in the wider context. These various member groups have met several times each throughout the course of the year with an emerging focus on setting the induction process for the new council post May 2023. joint committee is also established with Blackpool and Wyre Councils to discharge economic development functions, within the context of the council's overall policy framework.

The council is engaged in other partnerships and these arrangements are subject to review on an on-going basis, for example, the Community Safety Partnership. The Partnership appointed a new Chairman elect during the year.

The council remains committed to working with all the Lancashire authorities to establish alternative options for working together on strategic regional initiatives. In line with all other Lancashire councils, a commitment has been given to high level priorities for councils to come together to develop a County Deal. This has included evidence gathering work to assist in shaping an overarching vision, strategy and plan for the whole of 'Greater Lancashire'. Eight priority themes have been developed focusing on economic prosperity; transport and infrastructure, early years; employment and skills; housing; health and well-being; environmental sustainability and place making and community building.

Meetings of the council's committees are open to the public, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point or raise a question during Programme Committee meetings, council together with the Planning Committee. Members of the council who are not members of the respective committees can ask questions at committee meetings. This helps ensure robust accountability of decisions. Members of the public also have the facility to ask a question at council meetings by pre-registering to do so.

The council has no scrutiny committee/committees in place at present; however, the change in governance arrangements in 2023/24 has allowed for a return to scrutiny.

All the council's work is aligned to its corporate priorities through its committee system. All reports identify how they align to one of the four priorities: economy; environment; efficiency and tourism.

The council's Audit and Standards Committee deals with conduct, ethics, propriety, and declarations of interest. It also oversees and determines complaints made against members under the Code of Conduct. There were no investigations with respect to standards issues during the year.

The monitoring and performance of the council's assurance and governance framework is also led by the council's Audit and Standards Committee. The committee has the responsibility to ensure that the monitoring and probity of the council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

## **Officer Structure**

As well as the council and committees, the authority implements its priorities, objectives and decisions through officers, partnerships, and other bodies. Officers can also make some decisions on behalf of the authority under the Scheme of Delegation.

The council's statutory officers have specific legal responsibilities for ensuring probity and good governance in the way the council manages its affairs. The statutory officers are the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer.

The Chief Executive is designated as the council's **Head of Paid Service**. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the Authority. He is responsible for establishing a framework for management direction, style, and standards and for monitoring the performance of the organisation.

The council's **Monitoring Officer** during 2021/22 held the substantive post of Director of Resources. The Monitoring Officer must ensure compliance with established policies, procedures, laws, and regulations. She must report to the full council if she considers that any proposal, decision, or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such reports have arisen during the 2021/22 financial year. Blackpool Council's Monitoring Officer acts as a Deputy Monitoring Officer for the council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these council's Monitoring Officers. The Head of Governance also supports ethical framework arrangements as a deputy monitoring officer.

The council has designated the **Chief Financial Officer** as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2015. Regular reports have been made to the council's Finance and Democracy, and other Committees as appropriate, throughout the course of the year.

Both the Monitoring Officer and Chief Financial Officer have unfettered access to information, to the Chief Executive and to councillors so 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 accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. A protocol supports the statutory role of the Monitoring Officer.

Each of the three statutory officers has been in post for several years, bringing stability, experience, and corporate knowledge to their key governance functions.

In addition to the three statutory officers, the Management Team collectively and individually is responsible for managing the council and securing the economic, effective, and efficient use of resources as required by the duty of best value. Powers delegated to each member of Management Team, together with other officers, are documented in the constitution.

During 2021/22, the Management Team consisted of the three statutory officers, together with one other director (the Director of Development Services) and six heads of service. Following the retirement of the Director of Development Services during 2021/22 a management review has resulted in the re-designation of

the Director of Resources to Deputy Chief Executive, and the deletion of the Director of Development Services post. Management capacity was increased by increasing the number of service heads from six (including the Chief Financial Officer) to eight. These arrangements are to take full effect during 2022/23.

Further details of the political and organisational structure of the Council, together with details of the governance framework, are set out in the Annual Governance Statement which can be found towards the end of this document.

### 3. MEDIUM TERM FINANCIAL STRATEGY

The Council has well-established and embedded financial management practices, the cornerstone of which is a Medium Term Financial Strategy (MTFS). The strategy is updated and reported to Members on a regular basis, with the latest update being approved at the Council meeting of 3<sup>rd</sup> March 2022. In that report I concluded, having taken account of the major items of expenditure and income and their sensitivity to change, together with the risks detailed in the report, that the finances of the Council are robust.

The purpose of the MTFS is detailed within that document, together with details of: the Vision for the Borough; the Council's Strategic Planning and Performance Management Framework; the Council's Capital Strategy and Asset Management Plan; Savings and Growth proposals; Reserves and Balances provision; details of the Council's Capital Programme; key areas of financial risk facing the Council; and a five year financial forecast for the Council. One key aim of the MTFS is to ensure that the resources available to the Council are aligned with the priorities set out within the Council's approved Corporate Plan.

The latest version of the [MTFS report can be found at this link](#), and further details on the council's Corporate Plan are contained in section 9 of this Narrative Report below.

### 4. CHANGES INTRODUCED BY THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING 2021/22 (THE CODE)

Note 2 to the Statement of Accounts sets out details of changes in accounting policies which will be required from 1st April 2022. If these had been adopted retrospectively for the financial year 2021/22 there would be no material changes within the financial statements.

### 5. THE FINANCIAL STATEMENTS

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31<sup>st</sup> March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 (as amended by The Accounts and Audit (Amendment) Regulations 2022), those Regulations requiring the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and the Service Reporting Code of Practice 2021/22 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Full details of the accounting policies that have been adopted in the preparation of the Statements of Accounts are set out in Note 1 to the accounts on page 42.

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts.

The Core Financial Statements contained within the accounts and the purpose of each is set out below: -

- *Expenditure and Funding Analysis* – this 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 Programme Committees.

- Comprehensive Income and Expenditure Statement – this consists of two sections: the first section showing entries for income and expenditure arising from day to day operational services and the second section showing the increase or decrease to net worth as a movement in fair value of assets.
- Movement in Reserves Statement – this is a summary of the movement in year on the different reserves held by the Authority analysed into ‘usable reserves’ (those which can be applied to fund expenditure) and un-usable reserves (those which cannot be used to fund expenditure).
- Balance Sheet – this sets out the Council’s assets and liabilities as at 31<sup>st</sup> March 2021 and how these are funded (by reserves, borrowing, provisions and other balances).
- Cash Flow Statement – this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- Notes to the Core Financial Statements – these assist in the interpretation of the accounts by comprising a summary of significant accounting policies and other explanatory information.

Additional statements accompanying the accounts:

- Statement of Responsibilities for the Statement of Accounts – this identifies the officer who is responsible for the proper administration of the Council’s financial affairs.
- Risk Management Policy Statement - this outlines the Council’s approach to the management of risk.
- Collection Fund - this was established to maintain a separate fund for the collection and distribution of amounts due in respect of Council tax and non-domestic rates, as a requirement for all billing authorities under the Local Government Finance Act 1988.
- Glossary – an explanation of some of the key technical terms used in these accounts.

In line with the Code of Practice on Local Authority Accounting 2021/22 the Annual Governance Statement is included within the Statement of Accounts.

## 6. THE COUNCIL’S SPENDING

The Council effectively has two types of expenditure:

- **Revenue expenditure** – this is essentially the day to day costs incurred by the Council in providing services, including for example, employee costs, premises running costs, transport related costs and supplies and services.
- **Capital expenditure** – this is essentially one-off major items of expenditure relating to the purchase of new assets or expenditure which materially improves the working life of existing assets. This may include Revenue expenditure funded from capital under statute (REFCUS) and Revenue treated as capital under a direction order.

At the Annual Budget Setting Council meeting, the Council plans and approves how much it is going to spend in the coming year and reflects these spending plans as budgets. It calculates how much money needs to be raised from Council tax having allowed for income and government grants and determines how much it can raise from existing resources, contributions from outside sources or borrowing to fund its capital expenditure.

The Revenue Budget Forecast Update was reported to the Finance and Democracy Committee in both November 2021 and January 2022 and to Council in February 2022, with the Medium Term Financial Strategy (MTFS) and budget decisions presented to full Council for approval in March 2022.

The statement of accounts sets out the outturn position for the financial year 2021/22, a year which was dominated by the impacts of the Covid-19 pandemic. In response the Council has played a significant role in delivering a range of support to the community during the year including the provision of a substantial package of grants to businesses on behalf of the government, support for clinically extremely vulnerable residents, support for Council tax-payers (including the processing of payments to those required to self-isolate), the inspection of premises to ensure compliance with covid restriction measure, support to the Community Hub (including the provision and delivery of food parcels to residents forced to self-isolate or 'shield'), supporting the programme of track and trace and latterly support in the delivery of the vaccination programme. The majority of this work has been delivered by existing Council employees who have necessarily been diverted from the "day job" to prioritise the response to the pandemic, and as a result there has been consequential impacts on some of the planned work which would otherwise have been carried out. This is reflected in increased budget slippage requests in particular for capital budget items this year.

The financial impact of the covid restriction measures on a number of service areas, and consequently on the Council's financial position for 2021/22, has been significant, and as a consequence a range of national funding measures were introduced to assist in off-setting some of those negative financial effects. Fylde Council was allocated general covid support grant funding for 2021/22 totalling £392k. As at 31st March 2022, £256k of this funding remained unspent and following advice from the council's external auditors regarding the year end carry-over of this funding, this sum was transferred into a new Covid-19 Unringfenced Grant Reserve at the balance sheet date and was subsequently transferred out of the reserve to be available to spend in 2022/23 as part of the MTFS Outturn Report considered by Finance and Democracy Committee in June 2022.

In addition to the above, the government introduced the Contain Outbreak Management Fund (COMF) to mitigate the impacts of the pandemic. Update reports outlining the amount of grant received, the projected spend and associated projects have been presented to the Environment, Health and Housing Committee, with the most recent report available [at this link](#). As at 31st March 2022, £189k of this funding remained unspent and following advice from the council's external auditors regarding the year end carry-over of this funding, this sum was transferred into a new Contain Outbreak Management Fund Reserve at the balance sheet date and was subsequently transferred out of the reserve to be available to spend in 2022/23 as part of the MTFS Outturn Report considered by Finance and Democracy Committee in June 2022.

Each of the covid related funding streams referred to above have been reflected in the relevant revised budgets for 2021/22 against which the financial outturn for the year is compared within the remainder of this report.

## **6.1 REVENUE EXPENDITURE**

This part of the Narrative Report deals with the revenue outturn position for the Council for the financial year ended 31st March 2022.

### Net Budget Requirement and Financing

On the 3rd March 2022, Budget Council approved a revised Forecast Revenue Budget net requirement of £11.153m for 2021/22. The outturn position for 2021/22 is a net requirement of £10.440m resulting in a favourable variance (before financing and slippage) of £0.713m. In addition, Budget Council approved Forecast Financing totalling £12.639m for the year, and the outturn position was also £12.639m which was in line with the sum budgeted. The financing figure of £12.639m includes the net effect of transfers into and out of the Collection Fund Deficit Reserve which have been required as a result of additional grant funding received from the government during 2021/22 to offset lost business rate income as a result of extended business rate reliefs (including to the retail, hospitality and leisure sectors and to small businesses) offered to businesses to support them during the pandemic. As a result of these reliefs, the business rate collection fund (administered by Fylde to collect business rates and then allocate the monies to central government and the major preceptors) made a significant deficit in respect of 2021/22 when compared against the level of income expected before the year began. Because of timing differences between the flow of funds into and out of the collection fund it will be necessary to transfer this grant funding into the Collection Fund Deficit Reserve because this set aside will be required in 2022/23 and 2023/24 for release to offset the collection fund deficit which is spread across these years.

The underlying outturn position after taking account of the transfers into and out of the Collection Fund Deficit Reserve, into both the Covid-19 Unringfenced Grant Reserve and the Contain Outbreak Management Fund Reserve, and the budgeted transfer into the Capital Investment Reserve (as set out in the MTFS report to Budget Council in March 2022) was therefore a favourable variance of £0.713m.

As a Council Tax and Non-Domestic Rates (NDR) Billing Authority, Fylde Council is required by legislation to collect council tax and business rates within the borough on behalf of central government, Town and Parish Councils and major preceptors (being Lancashire County Council, and the Fire and Police Authorities), and to account for that income through a 'Collection Fund'. Under the Collection Fund accounting arrangements any surplus or deficit on the fund each year, which occur as a result of actual income being higher or lower than that budgeted for, is split between the Government and the other precepting bodies in proportion to their shares.

In July 2020 the Government announced that local authorities would be allowed to spread the estimated deficit on the 2020/21 Collection Fund over three years – from 2021/22 to 2023/24. The normal process of sharing surpluses and deficits is that they are spread over two years. As a result of Covid-19 and the extra reliefs awarded during 2021/22, there is a larger than normal deficit on the 2021/22 Collection Fund.

**For Council Tax only**, there was a surplus on the fund as at 31st March 2022 of £125k. This will be shared between Fylde Council, the County Council, the Police Authority and the Fire & Rescue Authority in 2022/23 to 2023/24. Fylde Council's share of the surplus is £16k, the impact of which will be reflected in future updates of the Council's financial forecast.

**For Non-Domestic Rates only**, there was a deficit on the fund as at 31st March 2022 of £11.309m. A large proportion of this arises from the decision from Government due to the impact of Covid-19 to continue to increase business rate reliefs during 2021/22 to support businesses during the pandemic. This has the impact of reducing business rates collectable by the council, thus creating a shortfall in income. The deficit will be shared between Central Government, Fylde Council, the County Council, and the Fire & Rescue Authority in 2022/23 to 2023/24. Fylde Council's share of the deficit is £4.524m, the negative impact of which will be funded in 2022/23 from the specific government grant allocated for this purpose (i.e. to offset collection fund deficits caused by the additional reliefs awarded to businesses) which has been set aside into the Collection Fund Deficit Reserve in 2020/21 and 2021/22. The remaining balance on the Collection Fund Deficit Reserve is likely to be required to offset collection fund deficits in 2022/23 and later years.

The Council joined the Lancashire Business Rate Pool with effect from 1<sup>st</sup> April 2017 in order to benefit from a reduced government levy on business rate growth which resulted in a higher level of retained Business Rates. Full details of the pool and its benefits to the Council for 2021/22 are set out within a note to the Collection Fund.

The government has previously announced a "full reset" and reform to the Business Rates system due to be implemented for all authorities in 2020/21 as part of a general Fair Funding Review for Local Government. This review was delayed from 2019/20 because of uncertainties surrounding the departure of the United Kingdom from the European Union, and again in 2020/21 due to the pandemic. It is widely anticipated that the review and the reform to the Business Rates system will look to re-balance public funding in such a way that may provide additional support to upper tier Councils which provide social care services and may as a consequence be detrimental to district Councils, although details of the review, its timing and outcome are yet to be known. When details of the reforms and the impact on future retained business rate income are announced and assessed the financial forecast will be updated accordingly. In the meantime, the preparation of medium term financial forecasts is extremely difficult because the future funding regime for local government is uncertain.

The Collection Fund accounting processes mean that there are significant timing differences between when a deficit or surplus on the Collection Fund occurs and when the relevant payments or receipts are made to or from the relevant parties to the Collection Fund.

A summary of the outturn position and the transfers to reserves described above are shown in Table 1 below:

**Table 1 – General Fund Revenue Outturn Position and Transfers to Reserves 2021/22**

	Budget	Actual	Variance	
	£m	£m	£m	
Net expenditure for the year	11.153	10.440	(0.713)	(Fav)
Financing for the year	(12.639)	(12.639)	(0.000)	(Fav)
<b>Surplus of resources for the year</b>	<b>(1.486)</b>	<b>(2.199)</b>	<b>(0.713)</b>	(Fav)
<b>Less:</b>				
Budgeted transfer to Capital Investment Reserve	1.486	1.486	0.000	-
<b>Balance – underlying outturn variance</b>	<b>0.000</b>	<b>(0.713)</b>	<b>(0.713)</b>	(Fav)
<b>Analysis of further transfers to reserves:</b>				
Required transfer to GF revenue balances re slippage	0.000	(0.485)	(0.485)	(Fav)
Transfer to Funding Volatility Reserve	0.000	(0.228)	(0.228)	(Fav)
<b>Total further transfers to reserves</b>	<b>0.000</b>	<b>(0.713)</b>	<b>(0.713)</b>	(Fav)

Full details and further analysis of expenditure, income and budget variances is set out in the Medium Term Financial Strategy (MTFS) Outturn Report reported to the Finance and Democracy Committee on 23<sup>rd</sup> June 2022. A copy of the report can be found on the Council’s website [at this link](#).

**Gross Cost of Services 2021/22**

The 2021/22 Gross Cost of General Fund Services, excluding internal support service recharges, is analysed by service area in Table 2 below:

**Table 2 – Gross Cost of General Fund Services 2021/22**

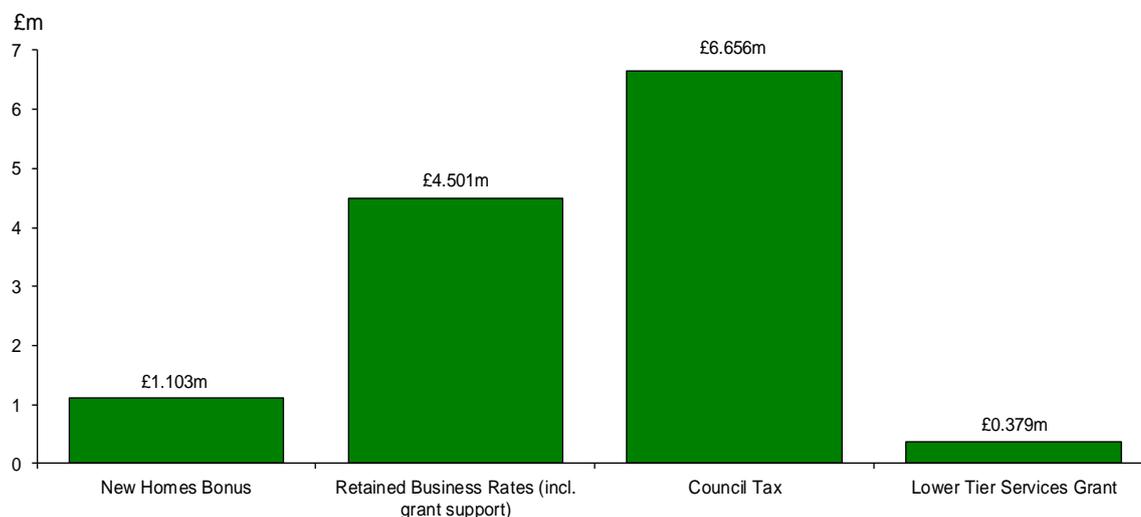
	Outturn
	£'m
<b>Service:</b>	
Refuse Collection	2.908
Street Cleaning	1.162
Other Environmental Health	2.675
Development Control, Building Control and Local Plans	2.139
Tourism and Leisure	3.429
Housing	0.852
Housing Benefits	14.207
Local Tax Collection	0.947
Economic Development and Regeneration	0.572
Other	6.558
<b>Gross Expenditure Totals</b>	<b>35.449</b>
<b>Income and Grants:</b>	
Other Government Grants (incl Housing Benefit Subsidy Grant)	(15.728)
Other Grants and Contributions	(4.150)
Other Income, Fees and Charges etc.	(5.131)
<b>Income and Grants Totals</b>	<b>(25.009)</b>
<b>Net Expenditure for the Year</b>	<b>10.440</b>

(as per Table 1)

## 6.2 INCOME

The Council finances its net operating expenditure from Council Tax, New Homes Bonus, General Government Grants and the local share of retained Business Rates. The net income receivable from each source is shown in the following graph: –

### Source of Funding 2021/22



### **New Homes Bonus**

The Council received £1.103m in New Homes Bonus during 2021/22. The New Homes Bonus scheme is currently being reviewed by the government and is unlikely to remain in its current form. Future updates of the Council's financial forecast will be updated to reflect the financial impact of any scheme changes once they are announced.

### **Retained Business Rates (including grant support)**

The Council's share of retained local business rate income for 2021/22, net of grant support for national discount schemes, transfers to and from the collection fund deficit reserve, and the surplus/deficit from the previous year, totalled £4.501m. Further details are included in paragraph 6.1 above.

### **Council Tax**

Fylde Borough Council charged an average Band D Council Tax of £214.91 for 2021/22 (excluding Town and Parish precepts), which was a £4.20 increase from the 2020/21 average Band D charge for a Band D property. This represented an increase of 1.99% which was within the Central Government capping limit for 2021/22. Individual year-on-year changes within the Borough varied due to the impact of Town and Parish Council precepts and the liability for Special Expense charges in Lytham and St Annes. The actual in-year rate of collection in 2021/22 was 96.0%, with collection adversely affected because of the pandemic. The in-year collection rates for 2020/21 and 2019/20 were 95.2% and 96.8% respectively. Ultimately the Council collects in the region of 99% of Council Tax. In 2021/22 the Council retained £6.656m of Council Tax income.

### **Lower Tier Services Grant**

A new feature of the Funding Settlement for 2021/22 was the payment of a Lower Tier Services Grant which is payable to Councils such as Fylde that have a responsibility for lower tier services. The Council's received Lower Tier Services Grant for of £0.379m for 2021/22.

### 6.3 CAPITAL

In 2021/22 total capital expenditure was £5.164m as compared to a revised total programme of £8.729m. After adjusting for slippage of £3.544m this leaves a net underspend for the year of £21k. An analysis of how the money was spent, and financed, is shown in Table 3 below.

**Table 3 – Capital Expenditure and Sources of Financing 2021/22**

Capital Expenditure by Scheme:	£'000	£'000
<b>Tourism &amp; Leisure Committee:</b>		
Fairhaven Lake and Gardens	1,183	
Coastal Signage Improvements	7	
Fylde Sand Dunes Improvement Scheme	35	
Blackpool Road North Playing Fields Drainage	119	
Additional Parks Access Control Measures	16	
Ashton Gardens Lighting Improvement Scheme	21	
Park View Drainage Improvement Scheme	1	
Fairhaven Boathouse - Remodelling and Refurbishment Scheme	7	
Play Area Improvements	57	
Friends of Newton Community Park Improvement Scheme	100	
Fairhaven Kiosk / Ice Cream Bar Project	15	
Boating Pool Safety Improvements	9	
<b>sub-total</b>	1,570	1,570
<b>Operational Management Committee:</b>		
Replacement Vehicles	164	
Car Park Improvements	40	
Public Transport Improvements	18	
St Anne's Sea Wall	161	
Accommodation/ facilities at Snowdon Road Depot	206	
Charging Infrastructure for Electric Taxis	78	
Outdoor Digital Signage	32	
South Fylde Line Study	60	
<b>sub-total</b>	759	759
<b>Environment, Health &amp; Housing Committee:</b>		
Disabled Facilities Grants Programme	1,281	
Progress housing Buy Backs	58	
CCTV Replacement Schemes	26	
Fylde Affordable Housing Delivery Programme	19	
<b>sub-total</b>	1,384	1,384
<b>Planning Committee:</b>		
St Annes Regeneration Scheme	1	
Kirkham Public Realm Improvements	1	
M55 Link Road – Design Fees	1	
Kirkham and Wesham Station	15	
Future High Street Fund: Kirkham	656	
Wesham Community Centre	85	
Kirkham Heritage Action Zone	636	
Tree Planting Scheme	6	
25 Victoria Road St Annes Y-Pad Scheme	50	
<b>sub-total</b>	1,451	1,451
<b>Total Expenditure</b>		<b>5,164</b>

Financing of Capital Expenditure:	£'000	£'000
Grants & Contributions	3,942	
Internal Borrowing (use of internal cashflow resource)	-	
Capital Receipts	196	
Revenue Contribution	142	
Performance Reward Grant Reserve	26	
Funding Volatility Reserve	15	
Capital Investment Reserve	843	
<b>Total Financing</b>		<b>5,164</b>

## 6.4 COVID BUSINESS SUPPORT GRANTS

The Council received a range of grants from central government in 2021/22 to support the overall response to the COVID-19 pandemic. The financial impact of these grants is included within the outturn position and the council's Statement of Accounts. Included within the support provided was a range of business support grant funding which were administered by the Council in line within the guidance received from the Department for Business, Energy & Industrial Strategy (BEIS). Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an "agent" for the government or as "principal". Where the Council was **acting as agent** the following conditions applied: 1) It was acting as an intermediary between the recipient and the Government Department; and 2) It did not have "control" of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council was able to use its own discretion when allocating the amount of grant payable, it was **acting as principal**. For each grant scheme the government provided funding based upon its own estimates of local need, and a reconciliation process is in place for each of the grant schemes, with any remaining funds repaid to BEIS.

A separate report to the Finance and Democracy Committee on 23<sup>rd</sup> June 2022 sets out full details of all BEIS-led grant schemes administered by the council since inception of the covid business support grant regime. A copy of the report can be found on the Council's website [at this link](#).

## 7. TREASURY MANAGEMENT

The Council is bound by the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities, and it is required to comply with both these Codes through regulations issued under the Local Government Act 2003.

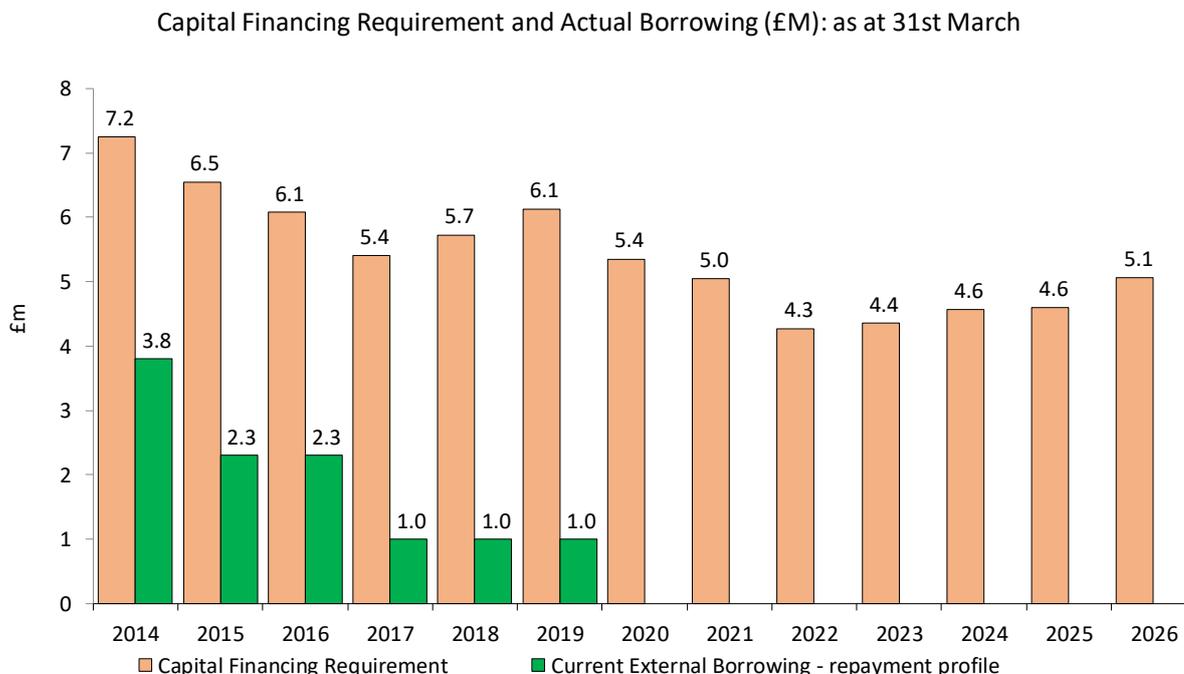
The Prudential Indicators and Treasury Management Strategy for 2021/22 were originally approved in the Medium Term Financial Strategy 2021/22 Report to Council on 4th March 2021. The Prudential Indicators are updated as required and changes have been approved by Council in the Mid-Year Prudential Indicators & Treasury Management Monitoring Report to Council on 6th December 2021 and the Medium Term Financial Strategy Report to Council on 3rd March 2022. For 2021/22 the Council has complied with all agreed internal procedures and the Prudential Indicators set for borrowing have been managed within the limits set.

The security of investments is the Council's main investment objective. This is achieved by adhering to the Treasury Management Strategy, as approved by Council on 4<sup>th</sup> March 2021. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

A key Prudential Indicator for every Council is the Capital Financing Requirement (CFR). The CFR is the amount that the Council needs to borrow in order to fund its capital expenditure requirements: it is in effect the Council's underlying need to borrow. The CFR for Fylde Borough Council for the year ended 31st March 2022 was £4.3m. The Council can borrow money from either the Public Works Loans Board (PWLB) (an agency of HM Treasury), from banks, building societies, or from other public bodies. During 2019/20 the Council repaid its only external borrowing and became debt-free. Accordingly, as at 31<sup>st</sup> March 2022 the Council had no external borrowing, and incurred no interest payment costs in respect of external debt during 2021/22.

The Authorised Limit for External Debt is a further key Prudential Indicator that controls the overall level of borrowing and is a statutory limit set by the Council that must not be breached. The Council's authorised limit for external debt for 2021/22 was £6.0m. The Council's actual total debt at 31<sup>st</sup> March 2022 was nil as a result of the use of internal borrowing (cash balances used to meet the CFR in place of external borrowing). This has the effect of also lowering the overall treasury risk by reducing both external debt and temporary investments.

The chart below shows forecast external borrowing and the Capital Financing Requirement (CFR) from 2014 to 2026:



### Economic Background and Treasury Activity

The continuing economic recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues at various stages during the 2021/22 financial year.

The bank base rate was 0.1% at the beginning of the year. April and May 2021 saw the economy gathering momentum as the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that, and the base rate was increased to 0.25% in December 2021, 0.5% in February 2022 and increased again to 0.75% in March 2022.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for April 2022 registered 9.0% year on year, up from 7.0% in March 2022.

During the year the Council held an average cash balance of £35.8m of internally managed funds, which were invested with approved banks, money market funds, Lancashire County Council and a number of other Local Authorities in line with the approved Treasury Management Strategy.

Ultra-low short-dated interest rates, which began in March 2020 when the bank rate was cut to 0.1% prevailed for much of the year which resulted in the return on sterling low volatility investments being close to zero. Higher returns followed the increases in the bank base rate in December 2021, and February and March 2022.

The overall performance was a gross return of 0.12%, compared with a benchmark return of 0.14%. Interest earned was £41.8k compared to a revised budget of £28.1k. The level of interest from investments was higher

than the revised budget due to higher in-house cash balances during the year and reduced capital expenditure, combined with increases in the bank base rate during the final quarter of the year.

## Pension Fund

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits for officers who contribute into the pension scheme. Although not required to be paid until employees retire, the pension fund is committed to making the payments and the Council is required to disclose the authority's liability at the time that employees earn their future entitlement. The scheme is funded, however, meaning that both the authority and employees pay contributions into the fund calculated at a level intended to balance the pension liabilities with scheme assets.

During 2020/21 the Council made a lump sum £2.330m pre-payment of employer pension contributions in respect of 2021/22 and 2022/23. The Council did this 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 financial years has been charged directly against the net Pension Liability in 2020/21. The net liability on the pension fund as shown on the balance sheet was therefore reduced by £1.165m to £23.260m as at 31<sup>st</sup> March 2022 to take account of that element of the prepayment which relates to 2022/23. As a result of these transactions it is recognised that there will be an imbalance between the net pension liability and the pension reserve totals in the first two years of the three year period. This imbalance will be removed in 2022/23.

The Council's share of the pension fund deficit has fluctuated widely over the past few years, with a significant impact being the financial assumptions made by the scheme actuary, Mercer Ltd. This has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Statutory arrangements for funding the pension fund mean that the deficit will be made good by increased contributions over the remaining working life of employees as assessed periodically by the pension fund actuary. The next full revaluation is taking place during 2022. Full details of the scheme history and assumptions used by the actuary are included in note 41 to the accounts.

## 8. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

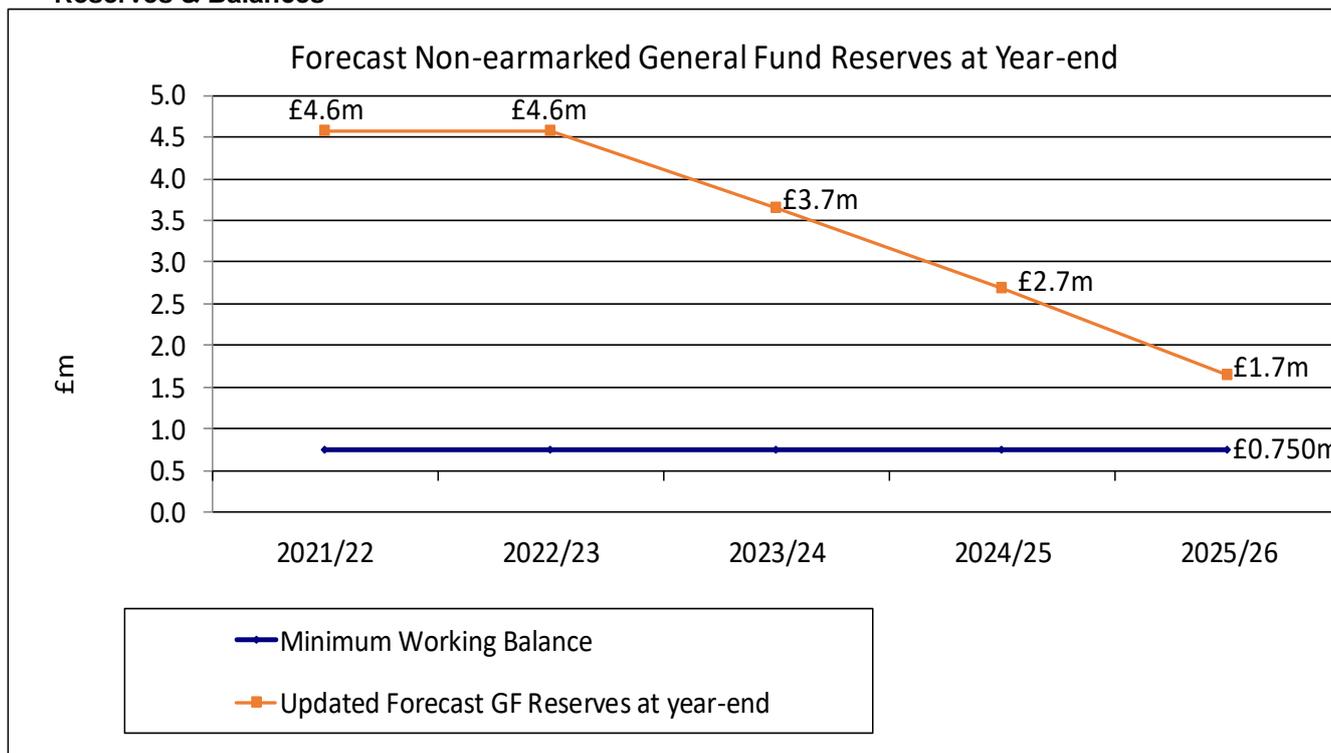
The favourable outturn position for revenue allows for a further contribution to be made to the Capital Investment Reserve in the sum of £0.228m in addition to the budgeted contribution. This will provide additional financing resources for future projects – which in turn reduces the need for the Council to borrow. This further contribution is beneficial to the overall position of the Council and is thus to be welcomed. As a result, the financial position of the Council has improved since the revised 2021/22 budget was set in March 2022, the Council remains debt-free, and the financial position remains robust.

Through continued focus on the importance of financial stability, the Council has delivered a savings programme over several years and has continued to reduce overheads wherever possible. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain high quality frontline services to customers. This work has yielded ongoing savings to help improve the Council's financial position over that period. For Fylde Council to continue to successfully meet the new challenges that it faces it is vital that this approach is re-doubled and that all reasonable opportunities for further cost-reduction measures and for the generation of additional income are considered. Prudent financial management in previous years has provided a level of reserves which allows the necessary time to determine how this Council can best respond to the increased challenges.

Whilst challenges remain, and will no doubt continue to be present, prudent financial management has provided a relatively stable financial environment which allows the necessary time for the Council to assess and respond to the challenges it faces.

The following graph sets out the estimated general fund balances of the Council as reported to Budget Council in March 2022. The balance at 31<sup>st</sup> March 2022 will increase temporarily by £0.485m in order to fund items of revenue slipped from 2021/22 into 2022/23. The forecast reduction in reserves from 2023/24 onwards reflects the uncertainty of central government funding allocations to Local Authorities pending the delayed Fair Funding Review into Local Government financing arrangements. Despite the potential reductions shown below, the forecast level of General Fund Reserves remains above the minimum working balance £0.750m throughout the forecast period.

## Reserves & Balances



In addition to the non-earmarked General Fund Reserve shown in the graph above the Council also has a number of ear-marked reserves, set-aside for specific purposes. The total of these ear-marked reserves at 31<sup>st</sup> March 2022 is £18.219m. Included within this total is £4.741m within the Collection Fund Deficit Reserve. This is as a result of additional grant funding received from the government during 2020/21 and 2021/22 to offset lost business rate income as a result of extended business rate reliefs (including to the retail, hospitality and leisure sectors and to small businesses) offered to businesses to support them during the pandemic. As a result of these reliefs, the business rate collection fund (administered by Fylde to collect business rates and then allocate the monies to central government and the major preceptors) is in deficit in respect of 2021/22 when compared against the level of income expected before the year began. This government grant funding has been set aside in the Collection Fund Deficit Reserve and will be required in 2022/23 and subsequent years to offset the collection fund deficit. Full details of these reserves are shown at Note 8 to these accounts.

### Capital Programme

The current Capital Programme for the Council is fully funded. Furthermore, in order to provide a resource for future additions to the Capital Programme the Council has created a Capital Investment Reserve. Following favourable outturn positions in recent years it has been possible to transfer resources into that reserve which have provided funding for numerous capital schemes.

### The Medium Term Financial Strategy

The Medium Term Financial Strategy sets out the Council’s revenue budget allocations, the ongoing programme for capital investment, efficiency targets and forecasts for the five year period covered by the Strategy. The key influences on this strategy include:

- The continuing reduction in central government funding for local government;
- The consequent spending constraints resulting from reduced resources in the medium term;
- Ensuring a robust and sustainable budget through the prudent use of reserves and balances and ensuring externally funded projects are facilitated;

- Developing new ways of delivering services using modernisation techniques to achieve higher levels of customer satisfaction, efficiency, value for money, strategic partnerships, service commissioning, and enterprise; and
- The need to continuously review and maintain existing assets to a quality standard.

The MTFS looks at the current year and ahead over the next four years to identify the resources likely to be required by the Council to finance service priorities and to meet spending pressures. It aims to:

- Ensure the sustainability of the Council's budget;
- Facilitate pro-active strategic management of the budget to ensure service investments and dis-investments flow from the Council's corporate and service planning frameworks;
- Be responsive to a changing and uncertain financial climate in which existing funding streams cease and new opportunities arise; and
- Demonstrate clearly to stakeholders, both internal and external, what the Council's plans are for the use of its resources.

### **The Longer-Term Outlook and the Vision for the Borough**

As a consequence of the uncertainty about the impact of the pandemic on national public finances, the Government implemented a one-year Spending Review for 2021/22 and the Council, as with all Local Authorities, received a one-year funding settlement for the year. This was the second year running that the funding settlement was for one-year only. The MTFS report presented to Council in March 2022 sets out the full context of the financial landscape of the council, including an assessment of the key financial risks which primarily relate to uncertainties around reviews of the future funding regime for local government. The report can be found at this link: [MTFS Report March 2022](#).

The impact of the pandemic on the financial position of the Council, together with the potential for future general reductions in central government funding from 2023/24 onwards, requires that the Council continues the approach to continually seek opportunities to achieve savings and efficiencies and to generate additional income to enable a balanced budget position to continue into the future and to provide on-going contributions to reserves. The Council has a past record of taking actions in order to meet and overcome these challenges; the introduction of a chargeable green waste collection service from 2017/18 being a recent example of such action, as was the decision to join a Business Rates pool from 2017/18 and a '75% Business Rate Retention Pilot' scheme for 2019/20, the latter of which further increased the total of retained business rates for the borough.

The two Enterprise Zones in the Borough were created to help attract more investment into the area, bringing jobs and businesses, delivering long-term, sustainable growth based on cutting-edge technology and enterprise. The Blackpool Airport Corridor Enterprise Zone Masterplan outlines the aspirations for the site including the generation of 3,000 new jobs, securing in excess of £300m of private sector investment and with over 180 new businesses locating to the site.

Fylde Council will continue to seek other such opportunities to maintain a robust financial position in the face of a challenging and changing financial environment. This approach will ensure that the Council continues to achieve and sustain a balanced budget position on an ongoing basis and is able to deliver the priorities set out in the Corporate Plan.

### **Managing Risks and Uncertainties**

The Council recognises that effective risk management is integral to the Council's corporate governance arrangements. The Council's Corporate Risk Management Group meets quarterly to review the Council's strategic risks as identified on the Council's Strategic Risk Register and identify any new risks that may prevent the Council from achieving its long-term corporate objectives.

The Council has developed a methodology which provides a structured process for the identification, evaluation and management of risk at strategic and operational levels. The Audit and Standards Committee approve any changes to the Risk Strategy and monitor actions designed to alleviate or ameliorate risks on a regular basis.

The Council manages its operational risk register via a Risk Management system called GRACE. This system gives managers the platform to identify, record, manage and ultimately reduce/remove risks from their areas of responsibility.

The note on Contingent Liabilities (note 42 to this Statement of Accounts) outlines a number of potential future risks that may arise, but which have not yet materialised.

## 9. ORGANISATIONAL PERFORMANCE AND CULTURE

The Council has embarked on a culture change programme aimed at delivering continuous improvement to ensure that the council is a modern efficient organisation. The Council was in a poor financial position in 2007/08 with general reserves forecast to fall below the then £0.5m recommended minimum limit with further pressure on reserves if the Council continued to operate in the way that it was doing. The Council has reduced the number of direct employees by almost 50% in the last 10 years, general fund reserves are in excess of £5m with a further £18.2 million currently held within earmarked reserves.

Key to transforming the Council has been employee engagement which has secured ownership of change and improvement. Competencies were developed in consultation with employees and have been placed at the core of behaviour across the Council. Every process, strategy and policy has been influenced by the competencies in order to embed the behaviours required to transform traditional public sector attitudes that had been developed over many years. The approach has been underpinned by a communication strategy that is reviewed regularly to ensure that every possible means of informing and supporting employees to demonstrate the required behaviours is in place.

The culture change programme has been delivered through 'leadership from everywhere' in the organisation, mentoring, coaching, employee workshops, 'open door' policy, leadership by example, management by walkabout, and team working across the organisation. Simple mantras have made it easy for everyone to understand how they can make a difference such as; 'more from less' and 'treat people how you would like to be treated'. These have been demonstrated and reinforced through the online employee newsletter, the Chief Executive's weekly Five Points, at Team Briefs and Team Talks.

### The Corporate Plan

The Corporate Plan is an important document for every local authority. The plan outlines the key actions and projects that the Council is aiming to deliver with the key priorities necessary to achieve them. The corporate plan has been established after extensive consultation and feedback from customers over a long period of time. Each year further information is gathered through consultation and contact information, and this valuable feedback is captured to review and update the plan, ensuring every action contributes towards achieving the corporate priorities.

The plan makes it clear what the Council will do over the plan period to improve the local community in line with what the local community wants. The quality of life for everyone in the borough must continue to improve in order for Fylde to remain one of the best areas in the country to live, work and visit.

A new Corporate Plan covering the period 2020 to 2024 has been developed and has been presented to each of the programme committees of the Council. A review of the 2016/20 Corporate Plan during 2019/20 considered each action within the plan and any that were deemed to not have been completed were incorporated into the new 2020/24 Corporate Plan.

The 4 key themes as set out in the new Corporate Plan are:

- Economy;
- Environment;
- Efficiency; and
- Tourism.

The council's agreed ambitions against each of the themes are as follows:

<b>AMBITIONS</b>	<b>Economy</b>	<b>Environment</b>
	<p><b>To create a vibrant and healthy economy we will:</b></p> <ul style="list-style-type: none"> <li>○ Develop &amp; deliver Master Plans for the town centres</li> <li>○ Support and promote appropriate development</li> <li>○ Facilitate improved transport infrastructure and connectivity</li> <li>○ Maximise the use of all council owned assets</li> <li>○ Work with partners to attract new employment and create vibrant economic communities</li> <li>○ Retain and enhance the identity of our local communities</li> </ul>	<p><b>To deliver services customers expect we will:</b></p> <ul style="list-style-type: none"> <li>○ Reduce the use of plastics &amp; increase recycling</li> <li>○ Enhance the natural environment</li> <li>○ Improve coast and countryside accessibility</li> <li>○ Create clean, safe and healthy communities</li> <li>○ Provide high quality parks and open spaces</li> <li>○ Provide safe, clean and accessible coast and countryside facilities</li> <li>○ Provide coastal defences and drainage infrastructure to protect against flooding</li> <li>○ Implement energy efficient initiatives</li> <li>○ Reduce anti-social behaviour, disorder and crime</li> </ul>

<b>Efficiency</b>	<b>Tourism</b>
<p><b>By spending money in the most efficient way we will:</b></p> <ul style="list-style-type: none"> <li>○ Keep council tax as low as possible whilst delivering first class services</li> <li>○ Adopt a 'Customer First Attitude'</li> <li>○ Actively seek feedback to improve service delivery</li> <li>○ Apply technology to deliver services in the most efficient way possible</li> <li>○ Continuously review every service to meet changing customer expectation</li> <li>○ Champion and enhance the reputation of the council</li> <li>○ Keep customers informed through open and transparent communication</li> </ul>	<p><b>To create a great place to live and visit we will:</b></p> <ul style="list-style-type: none"> <li>○ Provide high quality leisure, tourism, arts, sports and recreation facilities</li> <li>○ Deliver and support a diverse programme of events across the Fylde coast and countryside</li> <li>○ Develop and promote unique destination points across the coast and countryside</li> <li>○ Maintain public swimming provision</li> <li>○ Provide parking solutions that meet the needs of residents, workers and visitors</li> <li>○ Support and facilitate heritage and arts</li> </ul>

The 2020/24 Corporate Plan is frequently reported to programme committees providing updates of each actions identified on the plan, providing a status and narrative of the progress to date.

The current Corporate Plan is accessible on the Council website together with the latest performance and delivery against the priorities and actions set out in the plan, all of which can be found here: <http://fyldeperformance.inphase.com>

**Key Activities and Achievements During 2021/22**

The financial year 2021/22 was again dominated by the impacts of the Covid-19 pandemic. The extensive programme of tourism and leisure events ordinarily delivered and supported by the Council across the borough were either cancelled or delayed as the area entered various local and national lockdowns and restrictions throughout the year. In response to the pandemic the Council played a significant role in delivering a range of support to the community during the year including the provision of a substantial package of grants to businesses, support for clinically extremely vulnerable residents, support for Council Tax-payers (including the processing of payments to those required to self-isolate), the inspection of premises to ensure compliance with covid restriction measure, support to the Community Hub (including the provision and delivery of food parcels and medicines to residents forced to self-isolate or 'shield'), supporting the programme of track and trace and latterly support in the delivery of the vaccination programme. The Council also appointed Covid secure marshals for compliance and enforcement work during the pandemic, and extra resources were also

commissioned for cleaning, communications and additional staffing to provide preventative and responsive support.

The majority of this work was delivered by existing Council employees who have necessarily been diverted from the “day job” to prioritise the response to the pandemic, and as a result there has been consequential impacts on some of the planned work which would otherwise have been carried out. Despite the evident challenges of the pandemic the Council has maintained the delivery of core services and its performance across a number of service areas.

A resident satisfaction survey is carried out each year and the results, as set out in the table below, show high levels of customer satisfaction with the Councils performance:

### The 2021 Residents Survey Results

<b>QUESTIONS</b> (Percentages figures are of those who rated as satisfied, good, or excellent)	<b>2021 Response</b>
How would you rate the <b>refuse collection</b> service at Fylde	97%
How would you rate the <b>household recycling</b> service at Fylde	89%
How would you rate the <b>parks and open spaces</b> in Fylde	95%
How would you rate the <b>cleanliness of the streets</b> in Fylde	80%
How would you rate the <b>planning service</b> at Fylde*	73%
How would you rate the <b>building control service</b> at Fylde*	75%
How would you rate the <b>Environmental Protection Control service</b> at Fylde*	71%
How would you rate the <b>benefits service</b> at Fylde*	82%
How would you rate the <b>Cemetery and Crematorium service</b> at Fylde*	99%
How would you rate the <b>housing service</b> at Fylde*	85%
How would you rate the <b>customer service</b> at Fylde*	90%
Overall, how would you rate Fylde as a <b>place to visit</b>	97%
Overall, how would you rate Fylde as a <b>place to live</b>	95%
How would you rate the <b>value for money</b> you receive from Fylde Council	80%
Overall and taking <b>everything into account</b> , how would you rate Fylde Council	89%

*\*Percentage of respondents that had used the service.*

The objective of the survey is to obtain an overview of satisfaction levels with services and the Council that can be used to identify areas for improvement and allow comparison over time. In many cases the high-level overview which the survey provides supplements service-based customer research which carried out in several areas. The survey is live gathering feedback all the time and it is possible to view at any time the latest results, the data set is automatically updated so cumulative results are live on the council’s website.

The pattern of results shows there is always lower levels of satisfaction with regulatory and enforcement services because of the nature of the decisions that have to be made, the expectations of the customer and the negative outcome for a number of customers i.e. enforcement or not getting permission. Two questions refer directly to the Council, which are about value for money and overall performance. The results show that 80% of respondents felt that the Council delivered value for money and 89% were satisfied with the Council performance overall.

In addition to prioritising existing service delivery and the response to the pandemic, the Council delivered or approved the following key schemes during the year:

#### **New RSPB Fairhaven Lake Visitor Centre**

Following the award of National Lottery Heritage Funding in December 2018, the new RSPB Fairhaven Lake Visitor Centre opened in April 2021. The new visitor centre, which was formerly known as the Ribble Discovery

Centre is still home to the RSPB shop, but also includes new interactive information boards that tell the story of Fairhaven's development from shingle bank to boating lake. The centre celebrates the area's natural heritage as well as its rich history. The interior has had a full restoration exposing the original vaulted ceiling and heritage features.

Alongside the improvements to the sea defence wall and promenade at Granny's Bay this re-development of the buildings, lake and gardens further enhances the existing visitor offer. It is the first building of the exciting restoration project to be opened.

Supported through the National Lottery Heritage Fund (NLHF) and National Lottery Community Fund, the project aims to conserve and restore Fairhaven's heritage buildings and landscape, improve the lake's infrastructure and water quality, and provide an exciting new programme of events. New information boards will help visitors better understand Fairhaven's heritage. Other funding bodies to the overall project include Fylde Council, Sport England & Lancashire Environmental Fund.

### **M55 Link Road Work Commenced**

Work commenced on the M55 to Heyhouses Link Road which is expected to open in early 2024. The scheme will improve access between Lytham St Annes and the M55, relieve congestion on smaller local roads, and support the commercial viability of local housing and business development sites.

Local partners have been working hard over recent years to bring together the funding needed for the road, with a contract being agreed in March 21 after the project became one of ten 'shovel ready' schemes across the county to receive support as part of the Getting Building Fund to speed up construction in the wake of the coronavirus crisis.

The road will provide much better access between the M55 motorway and existing employment areas in Lytham and St Annes, with the improved link to the coast also supporting the Blackpool Airport Enterprise Zone and the area's vital leisure and tourism industry. In addition, Wild Lane on the northern section will connect into existing bridleways and become a route for pedestrians, cyclists and equestrians to enjoy its use. On the southern section, the road will have a parallel footway/cycleway. Together these will provide a continuous sustainable transport corridor along the whole length of the new road. The link road will connect the existing roundabout at Whitehills Road to the north with Heyhouses Lane near the Cypress Point development site to the south.

The road is being funded thanks to contributions from (or managed through) the Department for Transport, Highways England, the Lancashire Enterprise Partnership (LEP), Lancashire County Council, Fylde Borough Council, and housing developers.

### **CCTV Improvements**

At a meeting of the Environment, Health and Housing Committee, Members agreed to approve the replacement of the strategic town centre cameras in St Annes, Lytham and Kirkham in principle, subject to Capital budgetary provision, which was subsequently confirmed through the 2022/23 budget process. It is envisaged that four rapid deployable cameras will also replace the current CCTV vans, and the town and parish Council's will be encouraged to fund further supplementary cameras to ensure a thorough coverage of the Borough.

The Committee is keen to improve the CCTV provision across the Borough because of its remit for community safety and its status as the statutory crime and disorder committee for the purposes of the Police and Justice Act 2006. The Council currently controls fifteen static CCTV cameras in town centre locations. The cameras are in in St Annes (8 cameras), Lytham (4) and Kirkham (3). The cameras are maintained under an agreement with Blackpool Council and operated and monitored through an arrangement with Wyre Council.

As well as the town centre cameras, the Council has historically also been able to deploy two mobile CCTV vehicles which were moved quickly to address problem areas on a temporary basis. Four rapid re-deployable cameras (RRCs) will replace the mobile CCTV cameras with the Council being responsible for their use and regulatory compliance. RRCs are specifically designed to deliver live and recorded high-definition images via 4G mobile transmission.

### **Snowdon Road Depot benefits from much needed facilities upgrade**

Employees at Snowdon Road Depot benefitted from a modern upgrade to the facilities there. The Council invested much needed funds in completely renovating the office and workspace area at the Snowdon Road Depot with fantastic new modern facilities for all the employees that work from the location. There is now a clean, efficient, and fit for purpose office, a canteen, meeting rooms, showers, toilets and dedicated drying room for staff who continue to deliver excellent services day in day out, no matter what the weather.

The main contract was undertaken by Parkinson's Contractors with a total scheme capital budget of £414k. The redevelopment began in March 2021 and took 6 months to complete.

Initial feedback from the staff working from the new and improved depot has been fantastic and it is hoped the facilities will enable the employees to continue to feel valued whilst delivering efficient front-line services for the residents of Fylde.

### **Environment Agency gives green light for funding towards St Annes Sea Wall project**

In October 2021 the Environment Agency approved a £12.1m fund towards the regeneration of the St Annes sea wall. The replacement aims to reduce the risk of coastal erosion and flooding to over 500 properties and businesses over the next 100 years and involves replacing the existing 660m long seawall around the Island site in St Annes. The site being a strategic headland means it will also manage the coastal risk to the natural dune and beach defences to the north and south over the same time period.

The existing seawall is currently in a poor condition and is now at the end of its design life. Having been first constructed in 1935 the crest level is low resulting in frequent overtopping, flooding and damage to the seawall and promenade. With climate change and future sea level rises, the frequency and severity of overtopping and flooding is predicted to worsen, meaning action needs to be taken imminently to protect those homes and businesses in the area.

The project follows the success of the Fairhaven to Church Scar sea wall project which completed in 2020. This previous project, which stretches from Fairhaven Lake to Church Scar promenade adjacent Seafield Road, Lytham, was designed to protect up to 2,400 properties from coastal erosion and flooding. Work began on site in 2018 after previous defences which were built in the late 1890s were identified as being in a failing condition, requiring emergency repairs to be financed every year to prevent a breach and coastal erosion. Works on the St Annes sea defences could begin as soon as January 2023 and be completed by August 2024, and meetings with stakeholders, and public exhibitions of the works proposed will be held before any works begin.

More information regarding the project is available at : <https://www.discoverfylde.co.uk/stannesseawall/>

### **Kirkham Regeneration Project**

Three Lancashire-based architectural practices were appointed to help restore shops and businesses on Kirkham's historic high street to their former glory. More than 35 property owners signed up to Fylde Borough Council's Shop Front Improvement Scheme which was launched after Kirkham was designated a High Street Heritage Action Zone (HS HAZ) by Historic England. Grants covering up to 90% of the design and build costs of the specialist restoration work are available to businesses to help reinstate historic features – including timber sash windows, slate roofs, timber shop fronts, brickwork pointing and guttering.

Fylde Council's Regeneration team appointed Kirkham-based DC & MG Associates and North West Design Collective (NWDC) of Preston, in partnership with Blackpool-based Joseph Boniface Architects, to work with property owners and bring the plans to life.

The Shop Front Improvement Scheme is a key part of the £10m Kirkham Futures regeneration masterplan which aims to breathe new life into the historic town centre by restoring high street buildings and improving the public realm. It is hoped the refurbished shopfronts, and removal of any unsightly building alterations, will brighten the high street and create a look and feel more in-keeping with Kirkham's historic market town status.

The collaboration of architects are working with shop owners and tenants whose buildings are situated within Kirkham's central Conservation Area, which covers parts of Poulton Street, Church Street, Preston Street and Freckleton Street.

### **Flooding and Surface Water Review Concluded**

The Council's Environmental Health and Housing Committee concluded their 12-month review into flooding and surface water management in the Borough. The Working Group began their review in November 2020 in response to growing concerns amidst increased incidents of flooding in the Fylde, seeking to identify ways to enable greater coordination and effectiveness to reduce future flooding and to ensure that responses to emergencies are swift and robust.

The fruits of their labours are 30 key recommendations which have now been adopted by the Environmental Health and Housing Committee. These recommendations look to deliver the government's 2020 National Flood and Coastal Erosion Risk Management Strategy for England, to create "a nation ready for, and resilient to, flooding and coastal change – today, tomorrow and to the year 2100". The Council's Technical Services

team will now seek to implement the recommendations going forward in partnership with the Environment Agency, neighbouring local authorities, and other agencies.

The full Flood & Surface Water Review can be viewed online on the Fylde Council Website here: [Flood & Surface Water Review \(fylde.gov.uk\)](https://www.fylde.gov.uk/flood-surface-water-review)

### **Updated Local Plan - to take account of revised government guidance and to assist neighbouring authorities in delivering unmet commitments**

The updated Fylde Local Plan 2032 (incorporating Partial Review) was adopted by Fylde Council on 6th December 2021. This document revises 9 policies of the previous Local Plan which was adopted in October 2018 to ensure it is up to date with the latest National Planning Policy Framework (NPPF21). Much of the Local Plan, including the site allocations policies, remains unchanged.

The most significant changes are a result of a reduction in the assessment of housing need, with the updated plan reducing the number of houses required to be built in the Borough to 305 homes per year instead of the previous 415.

The new housing requirement will be used as the basis for the calculation of the Council's housing supply, placing the Council in a much stronger position to resist unplanned development, and ensuring that only those sites identified in the Plan receive planning permission. This means that the Council's sustainable development strategy will continue to be delivered.

All relevant documents can be found on the Fylde Council website: [Adopted Fylde Local Plan to 2032 \(incorporating Partial Review\)](https://www.fylde.gov.uk/adopted-fylde-local-plan-to-2032-incorporating-partial-review)

### **St Annes Regeneration**

Development of the St Annes Town Centre and the Island Masterplan continued apace, as consultants met in February 2022 with the elected members of St Annes Town Council to discuss their vision for the project and seek their views on how best to bring prosperity to the town.

This followed meetings in November 2021, where experts from Building Design Partnership Ltd (BDP), the agency appointed by Fylde Council to lead the consortium responsible for the development of the Masterplan, met with Fylde Council's Town Centre Working Group and St Anne's Enterprise Partnership (STEP) to outline the scope of their work and provide opportunity for feedback. A household survey was also conducted to directly contact residents and obtain an understanding of their needs and preferences.

The project seeks to revitalise the town centre of St Annes through a collaborative effort with all stakeholders, including householders, residents, businesses, and the owners of key sites and premises in the town centre and island. The development of the Masterplan includes funding from Fylde Council and Lancashire County Council's £12.8m Economic Recovery Growth Fund, which supports projects to help local economies bounce back from the effects of COVID-19. The Masterplan will form the basis of a bid to the government's flagship Levelling Up Fund.

### **New Electric Charging Facilities**

Council-operated car parks in Fylde will soon be able to offer charging facilities for electric vehicles thanks to a new project funded by the Department of Transport's Office for Low Emission Vehicles (OLEV).

Four ultra-fast charging units have been installed on Fylde car parks: North Promenade, Wood Street, Pleasant Street, and Lytham Station. Once fully commissioned and connected to electric supplies these units will be able to provide an 80% charge for electric vehicles in around 40 minutes.

The funding from OLEV is for the Lancashire-wide project led by Lancaster Council, with multiple Lancashire districts receiving an allocation to implement accessible electric charging, intended to make the switch to electric vehicles more attractive for taxi firms. The proportion of the funding received by Fylde Council was £98,206, with a further 25% contribution provided by EB Charging, the contractor commissioned to install and operate the system.

These charging points will initially be open for use by members of the public. As local taxi fleets transition to electric vehicles, these charging points will be restricted to their specific use as per the requirements of the funding, in order to encourage the industry to make the switch to cleaner modes of transport.

For the broader public, Fylde Council will soon be developing an electric vehicle infrastructure policy, which is likely to include an intention to install further public charge points across the Council's car parks.

### **Disabled Facilities Grants Programme**

As the local housing authority, the council has a statutory duty to provide disabled adaptations within the borough. In order to fund these works the council receives grant support via the 'Better Care Fund' which is managed by the Department of Health, with funding being distributed to all councils via the upper-tier authority for each area of the country. As such, in Lancashire the fund is administered by Lancashire County Council. Each upper-tier authority then allocates the funding to their respective housing authorities (i.e. district councils within their area) to enable them to continue to meet this statutory responsibility. The level of government funding has increased significantly under the 'Better Care Fund' arrangements and Fylde Council spent £1.281m in 2021/22 in providing disabled adaptations throughout the borough.

## **10. OUTLOOK FOR THE FUTURE**

The favourable outturn position for revenue allows for a further contribution to be made to the Capital Investment Reserve in the sum of £0.228m in addition to the budgeted contribution. This will provide additional financing resources for future projects – which in turn reduces the need for the Council to borrow. This further contribution is beneficial to the overall position of the Council and is thus to be welcomed. As a result, the financial position of the Council has improved since the revised 2021/22 budget was set in March 2022, the Council remains debt-free, and the financial position remains robust.

The single year financial settlements for 2020/21 and 2021/22, coupled with the impacts of the pandemic and ongoing uncertainty and reform of future funding mechanisms for local government makes financial planning problematic, even over the short and medium term.

The Financial Forecast within the most recent MTFS report shows a budgeted surplus for 2022/23 followed by estimated deficits in future years. A significant factor in the financial forecast is the estimated reduction in the level of retained business rates from 2023/24 onwards arising from the government's stated intention of further reform to the business rates retention mechanism from that year. The government has previously announced a "full reset" and reform to the Business Rates system due to be implemented for all authorities in 2020/21 as part of a general Fair Funding Review for Local Government. This review was delayed from 2019/20 because of uncertainties surrounding the departure of the United Kingdom from the European Union, and again in 2020/21 due to the pandemic. It is widely anticipated that the review and the reform to the Business Rates system will look to re-balance public funding in such a way that may provide additional support to upper tier Councils which provide social care services and may as a consequence be detrimental to district Councils, although details of the review, its timing and outcome are yet to be known. When details of the reforms and the impact on future retained business rate income are announced and assessed the financial forecast will be updated accordingly. In the meantime, the preparation of medium term financial forecasts are extremely difficult because the future funding regime for local government is uncertain.

Increasing inflation is exerting significant upward pressure on prices for utilities and on supplies and services across all sectors of the economy, which in turn increases the base costs for both revenue and capital budget items. The situation is particularly acute in the construction sector where supply chain issues and price increases are combining to put increased risks on the delivery of capital programme schemes. This is likely to be a continuing issue for the council during 2022/23.

The impact of the pandemic on the financial position of the Council for 2020/21 and beyond, together with the potential for future general reductions in central government funding from 2023/24 onwards, requires that the Council continues the approach to continually seek opportunities to achieve savings and efficiencies and to generate additional income to enable a balanced budget position to continue into the future and to provide ongoing contributions to reserves. Whilst challenges remain, and will no doubt continue to be present, prudent financial management has provided a relatively stable financial environment which allows the necessary time for the Council to assess and respond to the challenges it faces.

In addition to the year-end contribution to the Capital Investment Reserve, into which revenue surpluses have been transferred for a number of years, has meant that a significant number of capital schemes have been delivered without the requirement for external financing. The reduced requirement to borrow in turn results in a reduction in borrowing costs and thus contributes to an improved overall revenue position. The Council remains debt-free.

The Council has not required any temporary borrowing to support its cashflow during 2021/22. Nor does it anticipate any cashflow concerns in future years through careful management of cashflow and investment decision-making.

Cashflow forecasts are prepared and reviewed regularly throughout the financial year by senior finance officers. The forecast is revised as required to reflect changes in actual cash movements, transaction timing changes and to include new cash movements. The monthly cash flow forecast is used as the basis for determining the level of cash that is available for external investment to thereby generate additional revenue income. In order to ensure that excessive funds are not invested externally and consequently causing potential liquidity issues for the Council it is day-to-day practice to leave a minimum cash balance of £0.5m within the Council's current bank account. In addition to this, short term liquid deposits of at least £6m are maintained on call or available within a week's notice. Monies will not be placed on fixed term deposit when such an action would reduce cash balances below this level. It is expected that such practices will provide sufficient liquidity of funds at all times. However, if necessary short-term borrowing is available from the Money Market as and when required.

The key financial risks that the Council is currently facing are set out in detail in the MTFs, and can be summarised as:

- Potential reductions in levels of future central government funding, including reforms to the business rate retention and new homes bonus schemes,
- Ongoing impacts of the pandemic – including potential additional costs and reduced income;
- Upward pressure on pay and prices as a result of high inflation levels; and
- Capital programme delivery complexities and challenges, in particular town centre regeneration projects and the St Annes sea wall.

Brexit, the impact of Covid-19 and high levels of inflation are expected to continue to exert a significant influence on the UK economy. These factors have the potential to affect the following areas of the Council's financial statements:

- Asset valuations, such as those over property, may be more difficult to estimate and may be more volatile where the view of market participants may have changed; and
- Defined benefit pension valuations are inherently very sensitive to the selection of an appropriate discount rate. Actuarial views around discount rates and other assumptions may be impacted in the future.

In preparation for the known future financial challenges the Council has, in recent years, undertaken a review of potential means of responding to those circumstances. Consequently a number of important decisions have already been made with regard to income generation and expenditure reduction that will have a positive effect on the financial forecast for future years, demonstrating a responsiveness to the current financial challenges which is essential for the Council to be able to maintain a robust financial position and deliver its key corporate objectives.

At a strategic level, activity and resources are focused on the delivery of the key objectives of the Council as set out within the Council's approved Corporate Plan. Given the level of reserves that has been generated in recent years the level of budget deficits currently estimated in the final years of the forecast appear to be at manageable levels. However, in an uncertain financial environment the position can change in unexpected ways. It is important that the Council continues to operate in a sound and prudent manner in order to maintain a stable financial position and to explore further means by which the financial position can be further strengthened, whilst continuing to provide high quality services to residents and to deliver the priorities set out in the Corporate Plan.

## **CONCLUSION**

2021/22 has been another year dominated by the Covid-19 pandemic. Prudent financial management of the Council's resources over the last decade has provided a level of reserves which allowed the Council sufficient resources to manage the impacts on the Council, and looking forward will provide the necessary time to determine how best to respond to future financial challenges, including the outcome of the Fair Funding Review into the future of Local Government funding arrangements. Officers and Members will be continuously monitoring all areas of concern through established budget forecasting and setting procedures and will work to ensure that the Council's Revenue Budget remains robust and sustainable.

The Council has a track record of making savings as dictated by resource availability. I am therefore confident that the Council will continue to maintain a balanced budget position in the medium term.

I would like to place on record my thanks to all staff across the Council for their efforts during this extraordinary year. In particular I would like to thank the Finance Team for the timely production of this Statement of Accounts and for their continued dedication and resilience following a prolonged period of intense workload supporting the response to the pandemic and supporting teams across the council in delivering corporate priorities.

This is the Statement of Accounts upon which the auditor should enter his certificate and opinion and has been prepared under the Local Government Finance Act 1982.

**Signed**



**P. O'Donoghue, ACMA, CGMA  
Chief Financial Officer, Section 151 Officer**

**Date: 31<sup>st</sup> July 2022**

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial 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

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;

## The Chief Financial Officer's Certification

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31<sup>st</sup> March 2022 and of its income and expenditure for the year then ended.



**P. O'Donoghue, ACMA, CGMA**  
Chief Financial Officer, Section 151 Officer

**Date: 31st July 2022**

# CORE FINANCIAL STATEMENTS

# INTRODUCTION TO THE CORE FINANCIAL STATEMENTS

## Introduction to the Core Financial Statements

Set out below is a brief explanation of the Core Financial Statements which are presented on the following pages:

- **The Expenditure and Funding Analysis (Page 35)**

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 Programme Committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **The Comprehensive Income and Expenditure Statement (Page 36)**

The Comprehensive Income and Expenditure 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

- **The Movement in Reserves Statement (Page 37)**

The Movement in Reserves 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 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

- **The Balance Sheet (Page 38)**

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 and reserves that hold timing differences shown in the Movement in Reserves Statement line '*Adjustments between accounting basis and funding basis under regulations*'.

- **The Cash Flow Statement (Page 39)**

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.

- **The Collection Fund (Page 97)**

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.

## EXPENDITURE AND FUNDING ANALYSIS

2020/21			2021/22		
Net Expenditure Chargeable to the General Fund	Adjustments  (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments  (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Programme Committees</u></b>					
1,892	477	2,369	2,318	554	2,872
2,556	1,451	4,007	1,959	2,101	4,060
(467)	136	(331)	346	170	516
526	98	624	767	200	967
4,890	453	5,343	4,873	403	5,276
<b>9,397</b>	<b>2,615</b>	<b>12,012</b>	<b>10,263</b>	<b>3,428</b>	<b>13,691</b>
(15,977)	2,036	(13,941)	(10,725)	(4,115)	(14,840)
6,281	(6,281)	-	(23)	23	-
<b>(299)</b>	<b>(1,630)</b>	<b>(1,929)</b>	<b>(485)</b>	<b>(664)</b>	<b>(1,149)</b>
(4,272)			(4,571)		
(299)			(485)		
<b>(4,571)</b>			<b>(5,056)</b>		

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2020/21			2021/22			
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
<b><u>Programme Committees</u></b>						
3,366	(997)	2,369		4,228	(1,356)	2,872
6,269	(2,262)	4,007		7,929	(3,869)	4,060
2,460	(2,791)	(331)		2,802	(2,286)	516
1,451	(827)	624		2,296	(1,329)	967
21,265	(15,922)	5,343		19,650	(14,374)	5,276
<b>34,811</b>	<b>(22,799)</b>	<b>12,012</b>		<b>36,905</b>	<b>(23,214)</b>	<b>13,691</b>
<b>Cost of Services</b>						
1,099	(207)	892	9	1,132	(133)	999
798	(920)	(122)	10	2,096	(464)	1,632
4,742	(19,453)	(14,711)	11	3,692	(21,163)	(17,471)
<b>41,450</b>	<b>(43,379)</b>		<b>12</b>	<b>43,825</b>	<b>(44,974)</b>	
	<b>(1,929)</b>					<b>(1,149)</b>
						<b>(1,149)</b>
	(253)		13			(285)
						(285)
	6,682		41			(9,795)
						(9,795)
	<b>6,429</b>					<b>(10,080)</b>
						<b>(10,080)</b>
	<b>4,500</b>					<b>(11,229)</b>
						<b>(11,229)</b>

## MOVEMENT IN RESERVES STATEMENT

Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 26)	Unusable Reserves (Note 27)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Current Year</b>							
<b>Balance at 31<sup>st</sup> March 2021</b>	<b>4,571</b>	<b>18,242</b>	<b>162</b>	<b>432</b>	<b>23,407</b>	<b>13,044</b>	<b>36,451</b>
<b>Movement in Reserves during 2021/22</b>							
Total Comprehensive Income and Expenditure	1,149	-	-	-	1,149	10,080	11,229
Adjustments between accounting basis and Funding under Regulations	7 (687)	-	(63)	3,174	2,424	(2,424)	-
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>462</b>	<b>-</b>	<b>(63)</b>	<b>3,174</b>	<b>3,573</b>	<b>7,656</b>	<b>11,229</b>
Transfers to/from Earmarked Reserves	8 23	(23)	-	-	-	-	-
<b>Increase/(Decrease) in 2021/22</b>	<b>485</b>	<b>(23)</b>	<b>(63)</b>	<b>3,174</b>	<b>3,573</b>	<b>7,656</b>	<b>11,229</b>
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>5,056</b>	<b>18,219</b>	<b>99</b>	<b>3,606</b>	<b>26,980</b>	<b>20,700</b>	<b>47,680</b>

### Comparative Year

#### **Movement in Reserves during 2020/21**

<b>Balance at 31<sup>st</sup> March 2020</b>	<b>4,272</b>	<b>11,961</b>	<b>-</b>	<b>168</b>	<b>16,401</b>	<b>24,550</b>	<b>40,951</b>
Total Comprehensive Income and Expenditure	1,929	-	-	-	1,929	(6,429)	(4,500)
Adjustments between accounting basis and Funding under Regulations	7 4,651	-	162	264	5,077	(5,077)	-
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>6,580</b>	<b>-</b>	<b>162</b>	<b>264</b>	<b>7,006</b>	<b>(11,506)</b>	<b>(4,500)</b>
Transfers to/from Earmarked Reserves	8 (6,281)	6,281	-	-	-	-	-
<b>Increase/(Decrease) in 2020/21</b>	<b>299</b>	<b>6,281</b>	<b>162</b>	<b>264</b>	<b>7,006</b>	<b>(11,506)</b>	<b>(4,500)</b>
<b>Balance at 31<sup>st</sup> March 2021</b>	<b>4,571</b>	<b>18,242</b>	<b>162</b>	<b>432</b>	<b>23,407</b>	<b>13,044</b>	<b>36,451</b>

# BALANCE SHEET

Balance As at 31 <sup>st</sup> March 2021 £'000		Notes	Balance As at 31 <sup>st</sup> March 2022 £'000
46,197	Property, Plant and Equipment	13	45,469
3,788	Heritage Assets	14	3,788
3,688	Investment Properties	15	4,133
-	Intangible assets	16	-
-	Long Term Debtors	18	-
<b>53,673</b>	<b>Long Term Assets</b>		<b>53,390</b>
16,008	Short Term Investments	17	21,011
527	Assets held for sale	19	550
68	Inventories	20	83
5,649	Short Term Debtors	21	4,947
8,634	Cash and Cash equivalents	22	13,824
<b>30,886</b>	<b>Current Assets</b>		<b>40,415</b>
(-)	Short Term Borrowing	17	(-)
(12,837)	Short Term Creditors	23	(17,456)
(1,620)	Provisions	24	(1,260)
(41)	Provision for Accumulated Absences	27	(53)
<b>(14,498)</b>	<b>Current Liabilities</b>		<b>(18,769)</b>
(3,745)	Long Term Creditors	25	(4,096)
(-)	Long Term Borrowing	17	(-)
(29,865)	Liability related to Defined Benefit Pension Scheme	41	(23,260)
<b>(33,610)</b>	<b>Long Term Liabilities</b>		<b>(27,356)</b>
<b>36,451</b>	<b>NET ASSETS</b>		<b>47,680</b>
23,407	Usable Reserves	26	26,980
13,044	Unusable Reserves	27	20,700
<b>36,451</b>	<b>TOTAL RESERVES</b>		<b>47,680</b>

## CASH FLOW STATEMENT

2020/21 £'000		Notes	2021/22 £'000
1,929	Net Surplus / (Deficit) on the Provision of Services		1,149
5,993	Adjustments for non-cash movements	28	9,275
(2,679)	Adjustment for movements relating to investing and financing activities	28	(7,249)
<b>5,243</b>	<b>Net Cash Flows Generated from Operating Activities</b>		<b>3,175</b>
(4,542)	Investing Activities	29	(568)
(3,473)	Financing Activities	30	2,583
<b>(2,772)</b>	<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>5,190</b>
11,406	Cash and Cash Equivalents at the beginning of the reporting period		8,634
<b>8,634</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	22	<b>13,824</b>

# EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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# EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

## INTRODUCTION

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and the accounting policies set out at Note 1. The notes that follow set out supplementary information to assist readers of the accounts.

## 1 ACCOUNTING POLICIES

### a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31<sup>st</sup> March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and the Service Reporting Code of Practice 2021/22 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

### b) 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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- 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 are accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### c) Acquisitions and Discontinued Operations

Where, and if, appropriate, income and expenditure directly relating to acquisitions or discontinued operations is shown separately on the face of the Comprehensive Income and Expenditure Statement under the appropriate heading.

### d) 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 in no more than three 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 Authority's cash management.

**e) 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 Authority'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.

**f) 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; and
- Amortisation of intangible assets attributable to the service.

The Authority 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 either an amount calculated on a prudent basis determined by the Authority 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.

**g) Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

**Accounting for Council Tax and NDR**

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

**h) Employee Benefits**

**(i) Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday

entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in which the holiday absence occurs.

#### **(ii) Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end.

#### **(iii) 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, 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 scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a real discount rate of 2.8% (2020/21 2.1%), based on the indicative rate of return on an AA corporate bonds.
- The assets of the 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; and
  - 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 employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – 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 in 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 changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

##### *Re-measurements 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 made 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 Authority 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 earned by employees.

### **Discretionary Benefits**

The Authority 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.

#### **i) 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 event 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.

#### **j) Financial Instruments**

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

##### **(i) Financial Liabilities**

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

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

- Trade payables for goods and services received.

##### **(ii) Financial Assets**

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

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts;
  - fixed term deposits with banks;
  - loans to other local authorities; and
  - trade receivables for goods and services provided.
- Fair value through profit and loss (all financial assets) comprising:
  - money market funds.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

#### **k) Foreign Currency Translation**

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **l) 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 Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (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.

#### **m) Heritage Assets**

Heritage assets are defined as assets which have historical, artistic or cultural qualities and that are held and maintained principally for their contribution to knowledge and culture.

The introduction of FRS 30 and subsequently FRS 102 Heritage Assets has resulted in the requirement for this standard to be included within the Council's accounting policies from 2011/12. Prior to 2011/12 the Code did not require heritage assets to be reported separately. These will have previously been reported as part of Community Assets in the balance sheet.

There is no IFRS that deals with tangible heritage assets. Authorities are therefore required to account for tangible heritage assets in accordance with FRS 102.

## **Accounting for Heritage Assets in 2021/22**

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority'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 are presented below.

Heritage assets should normally be included in the balance sheet at their current value. Where it is not practical to obtain a valuation at a reasonable cost heritage assets should be valued at cost.

Where the Council has information on the cost or value of a heritage asset that value has been used in compilation of the 2021/22 balance sheet. Where this information is not available and the historical cost information cannot easily be obtained the asset can be excluded from the balance sheet.

Valuations may be made by any method that is appropriate. There is no requirement for valuations to be carried out or certified by external valuers nor is there any prescribed minimum period between valuations. However where heritage assets are valued at their current value that value has to be reviewed with sufficient frequency to ensure the valuation is up to date.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

The Authority's collections of heritage assets are as follows.

- **Art Collection**
  - The art collection comprises approximately 200 paintings of a wide range of subjects most of which have been donated or bequeathed to the Council and a number of which are by local artists and depict scenes from around the local area. Prominent amongst the collection is a painting by Johann Heinrich Fuseli, R.A. entitled 'Vision of Catherine of Aragon'. This work is of significant merit and is periodically loaned to public galleries in order that it may be widely viewed.
  - The valuation will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.
  - Public access to the collection is afforded by exhibition in a local gallery space and the loan of the more significant components to local, national and international galleries.
  - Donations are recognised at valuation with valuations provided by the external valuers.
- **Memorials & Monuments**
  - The Council owns a range of memorials and monuments situated within the borough including a number of war memorials.
  - The Authority does not consider that reliable cost or valuation information can be obtained for all except one of the items within this category of heritage assets. This is because of the unique nature of the assets held and lack of comparable market values. Consequently the Authority recognises these assets on the balance sheet at a nominal value. The single item for which a value is included in the balance sheet is a memorial sculpture which is valued for insurance purposes in the sum of £80,000, the estimated replacement cost. This insurance valuation will be regularly reviewed and the value updated as necessary.
  - The Authority does not intend to extend the range of this class of assets.
  - Public access is afforded by the location of the items in prominent and accessible locations within the borough.
- **Sculptures / Ivories**
  - The Council owns a range of sculptures including a collection of Japanese ivory figurines all of which have been donated or bequeathed.
  - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.

- Public access to the collection is afforded by exhibition in a local gallery space and loan of the more significant components to local galleries upon request.
- Donations are recognised at valuation with valuations provided by the external valuers.
- **Trophies & Other Items**
  - The Council owns a number of trophies of a sporting heritage and other miscellaneous items of a ceremonial nature.
  - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.
  - Public access to these items is limited to the display of the items at civic events.
- **Civic Regalia**
  - The Council owns a variety of chains, pendants and badges which together with the ceremonial mace comprise the civic regalia.
  - These valuations will be regularly reviewed with a professional revaluation of the collection being obtained at intervals of not more than 5 years. A professional valuation was obtained during 2017/18.
  - Public access to these items is limited to the display of the items at civic events and occasionally as components of an exhibition.

### **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 Authority's general policies on impairment – see accounting policy on page 48.

#### **n) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

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 Authority 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 Authority'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 Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised on a straight line basis 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.

**o) Interests in Companies and Other Entities**

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts.

**p) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

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

**q) Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued every three years according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

**r) Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

**s) 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 elements are considered separately for classification.

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

**The Authority as Lessee**

*Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the

minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability.

#### *Operating Leases*

Rentals paid under operating leases are treated as revenue transactions and 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.

#### **t) Overheads and Support Services**

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

#### **u) Property, Plant and Equipment**

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

##### **(i) Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority; that the cost of the item can be measured reliably; and that the cost exceeds the 'de minimis' threshold of £10,000. 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.

##### **(ii) Measurement**

Non-Current Assets are valued on the basis recommended by CIPFA (Chartered Institute of Public Finance & Accountancy) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the RICS (The Royal Institute of Chartered Surveyors). Non-Current Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

All valuations have been undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards by our in house surveyor. The values have been arrived at by having regard to market evidence and the Surveyor's knowledge and experience of the properties involved.

Definitions of each of the valuation methodologies used are:

**Market Value** - *"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".*

**Depreciated Replacement Cost** - *"The current cost of replacing an asset with its modern equivalent asset less deductions for the physical deterioration and all relevant forms of obsolescence and optimisation."*

**Existing Use Value** - *"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost".*

**Operational properties** have been valued on the basis of Existing Use Value, unless they are Specialised, in which case they have been valued on the basis of Depreciated Replacement Cost. All Depreciated Replacement Cost valuations are subject to the prospect and viability of the continued occupation and use of the properties concerned.

**Non-operational properties** have been valued on the basis of Market Value. In the case of the **Community assets** they have been valued on either Existing Use Value or Market Value.

### **Heritage Assets**

Valuation methodologies in respect of heritage assets are outlined in note m on Heritage Assets above.

Revaluations of Non-Current Assets included in the balance sheet at current value are planned at intervals of not more than five years. Investment properties are reviewed every year to consider that the value of the assets are fairly reflected in the Balance Sheet. In addition material changes in asset values are recorded as they occur.

### **(iii) Impairment**

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

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); and
- Where there is no balance in the Revaluation Reserve or an 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.

### **(iv) Depreciation**

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

### **(v) Componentisation**

The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Council will use the value of an individual asset relative to the overall asset portfolio to assess whether an asset is material. Any building element below 1% of the value of the portfolio is not therefore viewed as material. In terms of significance,

the CIPFA advice is that they are not looking for more than 3 to 4 components in addition to the “host” asset. The Council will therefore adopt a de minimis cost equating to 20% of the asset value.

#### **(vi) Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets Held for Sale, are where the:

- Asset is immediately available for sale;
- Sale is highly probable;
- Asset is actively marketed; and
- Sale is expected to be completed within 12 months.

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 previous losses recognised in the Surplus or Deficit on 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority’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.

#### **v) Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Authority 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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 authority settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority.

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.

### **w) Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. 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 appropriated back into the General Fund Balance 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, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

The Council operates a number of different reserves, the purpose of each is laid out in note 8 on pages 62 to 63.

### **x) Revenue Expenditure Funded by Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 Authority 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.

### **y) Value Added Tax (VAT)**

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

### **z) Fair Value Measurement**

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest). When measuring the fair value of a non-financial asset, the Council takes into

account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.
- Level 2 – inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets,
  - quoted prices for identical or similar assets or liabilities in markets that are not active,
  - inputs other than quoted prices that are observable for the asset or liability, for example,
  - interest rates and yield curves observable at commonly quoted intervals,
  - implied volatilities,
  - credit spreads,
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').
- Level 3 – inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

## 2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Codes of Practice on Local Council Accounting in the United Kingdom for 2021/22 and 2022/23 have introduced several changes in accounting policies which will be required from 1st April 2022. If these had been adopted retrospectively for the financial year 2021/22 there would be no material changes within the financial statements.

The additional disclosures that require consideration for the 2021/22 financial statements in respect of accounting changes that are introduced in the 2022/23 Code relate to:

- a) IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- b) Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard.
  - IFRS 126 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

Not all of the above are relevant to Fylde Council and it is anticipated that the amendments will not have a material impact on the information provided in the financial statements.

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 (pages 42 to 54), the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future event. The critical judgements made in the Statement of Accounts are:

- The Authority continues to face significant financial uncertainty in future years and in turn the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

### 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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.

There are four items in the Authority's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year, namely property valuations, the liability related to the defined benefit Pension Scheme, the future of the Lancashire Business Rates Pool and the provision for NNDR Appeals.

#### **Property Valuations**

Operational land and buildings are revalued at least every five years on a rolling programme, while investment properties are revalued on a three year rolling programme. A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy. 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. Despite a period of relative stability, recently this uncertainty has increased again with the situation in Ukraine. As at the valuation date, it is considered that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 and the situation in the Ukraine means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. Information relating to operational land and buildings (with a carrying value of £14.9m at 31 March 2022) is contained in Note 13, and information on investment properties (with a carrying value of £4.1m at 31 March 2022) is contained in Note 15.

In addition, the Authority recognises £86.4m of pension assets held within the Lancashire County Pension Fund. Within these pension assets are directly and indirectly held property assets, which represent 10.3% of the total Pension Fund's assets. The Fund's valuers have declared a material uncertainty in relation to their valuations of directly and indirectly held property assets in response to the global impact of the Covid-19 pandemic and the situation in the Ukraine. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Information relating to the pension scheme is contained in Note 41.

#### **Liability relating to the defined benefit pension scheme**

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

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £1.738m (2020/21 £1.713m). Also, a one year addition to the members' life expectancy

would result in an increase in the pension liability of £3.311m (2020/21 £3.297m). Further information relating to the pension scheme is contained in Note 41.

### **Future of the Lancashire Business Rates Pool**

The Council joined the Lancashire Business Rate Pool with effect from 1st April 2017 in order to benefit from a higher level of retained Business Rates. As part of the December 2018 Local Government Settlement announcement the bid by Lancashire Councils to be selected as one of the '75% Business Rate Retention Pilot' schemes for 2019/20 was confirmed as being successful. In 2020/21 the Council reverted back to the previous pooling arrangements with business rate income raised in Fylde was first split with 50% going to the government and the rest being shared between Fylde Council (40%), LCC (9%) and Lancashire Fire and Rescue Service (1%). The pool doesn't allow for any safety net or levy, this increases the reward possible from growth of business rate income, but there is also a greater risk of adverse consequences if income declines.

The government had previously announced a reform to the Business Rates system due to be implemented for all authorities in 2020/21. This was first delayed until 2021/22, following the completion of the planned 'Fair Funding' review. However, the pandemic has led to a further delay to that proposed implementation date until 2023/24 at the earliest. Currently the council's financial forecast assumes a reduced level of business rate income from 2023/24 onwards at a level that is closer to the current baseline level. This will be reviewed as part of the next forecast update and future estimates of business rate income may be amended.

### **Provision for NNDR Appeals**

With regards NNDR Appeals, as a consequence of the revised arrangements in respect of business rates, which came into effect from 2013/14, local authorities became liable for a share of the cost of the settlement of appeals in respect of the valuation of properties by Valuation Office Agency (VOA), that being the body which determines business rates liability. For 2021/22 the total value of the Provision for Appeals has been decreased to £3.150m from £4.049m in 2020/21 with Fylde Council's share of this being £1.260m (2020/21 £1.620m). It is anticipated that this revised level of provision is sufficient to meet the full cost of the outstanding appeals currently lodged and any future appeals under the new check challenge and appeal system. If the cost of appeals from 2021/22 onwards is less than the amounts set-aside in the provision for this purpose it may be possible to release further sums from the Provision for Appeals and consequently the Council's business rates income in that year would increase accordingly. This judgement is based upon information held on outstanding appeals and after having taken specialist advice.

## **5 EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31<sup>st</sup> July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no post balance sheet events.

## 6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2021/22:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6a) £'000	(Note 6b) £'000	(Note 6c) £'000	£'000
<b>Programme Committees</b>				
Tourism and Leisure	344	206	5	555
Operational Management	1,628	462	10	2,100
Environment, Health and Housing	23	149	(1)	171
Planning	9	192	(1)	200
Finance and Democracy	78	326	(2)	402
<b>Net Cost of Services</b>	<b>2,082</b>	<b>1,335</b>	<b>11</b>	<b>3,428</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(5,424)</b>	<b>690</b>	<b>619</b>	<b>(4,115)</b>
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 7)</b>	<b>(3,342)</b>	<b>2,025</b>	<b>630</b>	<b>(687)</b>

Comparatives for 2020/21:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6a) £'000	(Note 6b) £'000	(Note 6c) £'000	£'000
<b>Programme Committees</b>				
Tourism and Leisure	374	103	-	477
Operational Management	1,231	220	-	1,451
Environment, Health and Housing	46	90	-	136
Planning	4	94	-	98
Finance and Democracy	261	193	(1)	453
<b>Net Cost of Services</b>	<b>1,916</b>	<b>700</b>	<b>(1)</b>	<b>2,615</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(4,660)</b>	<b>536</b>	<b>6,160</b>	<b>2,036</b>
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 7)</b>	<b>(2,744)</b>	<b>1,236</b>	<b>6,159</b>	<b>4,651</b>

### 6a) Adjustments for Capital Purposes

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 from 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 and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## 6b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition 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 CIES.

## 6c) Other Differences

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

- For *Financing and investment income and expenditure* the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under *Taxation and non-specific grant income and expenditure* represents the difference between what is chargeable under statutory regulations for Council tax and NDR 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.

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

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the 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.

The following sets out a description of the reserves that the adjustments are made against:

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

**Capital Grants Unapplied**

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2021/22	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>1. Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
• Charges for depreciation and impairment of non-current assets.	2,082	-	-	(2,082)
• Movement in market value of Investment Properties.	1,314	-	-	(1,314)
• Amortisation of Intangible Assets.	-	-	-	-
• Capital grants and contributions applied.	(199)	-	-	199
• Movement in Donated Assets Account.	-	-	-	-
• Revenue expenditure funded from capital under statute.	2,314	-	-	(2,314)
• 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.	-	-	-	-
<b>2. Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
• Statutory provision for the financing of capital investment.	(777)	-	-	777
• Capital expenditure charged against the General Fund (Direct Revenue Contributions)	(1,026)	-	-	1,026
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(6,917)	-	6,917	-
Applications of grants and capital financing transferred to the Capital Adjustment Account.	-	-	(3,743)	3,743
<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.	(133)	133	-	-
Use of Capital Receipts Reserve to finance capital expenditure.	-	(196)	-	196
<b>Adjustments primarily involving the Pension Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	3,375	-	-	(3,375)
Employer's pension's contributions and direct payments to the pensioner's payable in the year.	(1,350)	-	-	1,350
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amounts by which Council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements.	619	-	-	(619)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	11	-	-	(11)
<b>Total Adjustments.</b>	<b>(687)</b>	<b>(63)</b>	<b>3,174</b>	<b>(2,424)</b>

Comparatives for 2020/21	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>1. Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
• Charges for depreciation and impairment of non-current assets.	1,916	-	-	(1,916)
• Movement in market value of Investment Properties.	(695)	-	-	695
• Amortisation of Intangible Assets.	-	-	-	-
• Capital grants and contributions applied.	(233)	-	-	233
• Movement in Donated Assets Account.	-	-	-	-
• Revenue expenditure funded from capital under statute.	1,658	-	-	(1,658)
• 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.	-	-	-	-
<b>2. Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
• Statutory provision for the financing of capital investment.	(744)	-	-	744
• Capital expenditure charged against the General Fund (Direct Revenue Contributions)	(2,200)	-	-	2,200
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(2,239)	-	2,239	-
Applications of grants and capital financing transferred to the Capital Adjustment Account.	-	-	(1,975)	1,975
<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.	(207)	207	-	-
Use of Capital Receipts Reserve to finance capital expenditure.	-	(45)	-	45
<b>Adjustments primarily involving the Pension Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	2,505	-	-	(2,505)
Employer's pension's contributions and direct payments to the pensioner's payable in the year.	(1,269)	-	-	1,269
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amounts by which Council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements.	6,160	-	-	(6,160)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1)	-	-	1
<b>Total Adjustments.</b>	<b>4,651</b>	<b>162</b>	<b>264</b>	<b>(5,077)</b>

## 8 MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

Name of Reserve	Balance at 31 <sup>st</sup> March 2020	Transfer In 2020/21	Transfer Out 2020/21	Balance at 31 <sup>st</sup> March 2021	Transfer In 2021/22	Transfer Out 2021/22	Balance at 31 <sup>st</sup> March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
IT Reserve	40	-	-	40	-	-	40
Performance Reward Grant Reserve	27	-	-	27	-	(26)	1
MMI Insurance Reserve	80	-	-	80	-	-	80
Capital Investment Reserve	5,166	1,813	(1,756)	5,223	1,715	(843)	6,095
Community Right to Bid/Challenge Reserve	46	-	-	46	-	-	46
Funding Volatility Reserve	5,241	1,148	(500)	5,889	-	(1,171)	4,718
M55 Link Road Reserve	1,308	-	-	1,308	692	-	2,000
EU Exit Funding Reserve	53	-	-	53	-	-	53
Collection Fund Deficit Reserve	-	5,576	-	5,576	3,408	(4,243)	4,741
Covid-19 Unringfenced Grant Reserve	-	-	-	-	256	-	256
Contain Outbreak Management fund (COMF) Reserve	-	-	-	-	189	-	189
<b>Total Earmarked Reserves</b>	<b>11,961</b>	<b>8,537</b>	<b>(2,256)</b>	<b>18,242</b>	<b>6,260</b>	<b>(6,283)</b>	<b>18,219</b>

### Purpose of Earmarked Reserves

Reserves are those sums set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

The Council operates a number of different earmarked reserves, the purpose of each is summarised below:-

- **IT Reserve (formerly Replacement Systems Reserve)** – This is a voluntary set-aside established for the funding of new IT initiatives and the development of IT systems.
- **Performance Reward Grant Reserve** – Created in 2009/10, this is a voluntary set-aside of performance reward grant (PRG). Although Fylde Council is the Accountable Body for the Fylde PRG, the Fylde Local Strategic Partnership are the appointed decision making body in relation to the allocation of the PRG.
- **MMI Insurance Reserve** – Created in 2011/12, this is a voluntary set-aside to cover the Council's maximum exposure in relation to the potential clawback of previously paid claims under the scheme of arrangement with the Council's previous Insurer, Municipal Mutual Insurance.

- **Capital Investment Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to help finance future capital expenditure.
- **Community Right to Bid/Challenge Reserve** – Created in 2012/13, this is a voluntary set-aside of funds to finance expenditure linked to the award of Community Right to Bid and Community Right to Challenge grant received by the Council during 2012/13, 2013/14 and 2014/15.
- **Funding Volatility Reserve** – Created in 2013/14 from additional Business Rates received under the Business Rate Retention Scheme, this is a voluntary set-aside established to provide a degree of protection to the Council's finances against future volatility in central government funding allocations and to fund investment in activity to stimulate Economic Development in the Borough.
- **M55 Link Road Reserve** – Created in 2016/17, this is a voluntary set-aside of funds to finance a contribution towards the construction of a link road between the M55 and St Annes together with a number of public and private sector partners.
- **EU Exit Funding Reserve** – Created in 2018/19, this is a voluntary set-aside of government grant received to be used to enhance capacity and capability in making preparations for exiting the European Union.
- **Collection Fund Deficit Reserve** Created in 2013/14, this is a voluntary set-aside of funds to meet the Council's share of any collection fund deficit in respect of Business Rates.
- **Covid-19 Unringfenced Grant Reserve** Created in 2021/22, this is a voluntary set aside of unspent Covid-19 Unringfenced grant. This sum was subsequently transferred out of the reserve to be available to spend in 2022/23 as part of the MTFS Outturn Report considered by Finance and Democracy Committee in June 2022.
- **Contain Outbreak Management fund (COMF) Reserve** Created in 2021/22, this is a voluntary set aside of unspent Contain Outbreak Management Fund grant. This sum was subsequently transferred out of the reserve to be available to spend in 2022/23 as part of the MTFS Outturn Report considered by Finance and Democracy Committee in June 2022.

## 9 OTHER OPERATING EXPENDITURE

	2020/21	2021/22
	£'000	£'000
Town and Parish Council Precepts	1,062	1,091
IAS19 Administration Expenses	37	41
Losses/(Gains) on the disposal of non-current assets	(207)	(133)
<b>Total</b>	<b>892</b>	<b>999</b>

## 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21	2021/22
	£'000	£'000
Interest payable and similar charges	1	-
Net interest on the net defined benefit liability / (asset)	499	649
Interest Receivable and similar Income	(67)	(42)
Income and expenditure in relation to investment properties and changes in their fair values (see note 15)	(555)	1,025
<b>Total</b>	<b>(122)</b>	<b>1,632</b>

## 11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	2020/21	2021/22
	£'000	£'000
Council Tax Income	(7,503)	(7,779)
Non-Domestic Rates income and expenditure	2,905	1,164
Non-Ringfenced Government Grants (see Note 36)	(8,148)	(5,662)
Covid-19 Non-Ringfenced Support Grant	(1,151)	(392)
Capital Grants and Contributions	(814)	(4,802)
<b>Total</b>	<b>(14,711)</b>	<b>(17,471)</b>

## 12 EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2020/21	2021/22
	£'000	£'000
<b><u>Expenditure/Income</u></b>		
<b>Expenditure:</b>		
Employee benefits expenses	10,493	12,307
Other services expenses	26,319	26,180
Support service recharges	8,708	9,996
Depreciation, amortisation, impairment	3,575	4,396
Interest payments	1	-
Precepts and levies	1,062	1,092
Loss/(Gain) on the disposal of assets	(207)	(133)
<b>TOTAL EXPENDITURE</b>	<b>49,951</b>	<b>53,838</b>
<b>Income:</b>		
Fees, charges and other service income	(6,366)	(8,647)
Support service recharges	(8,708)	(9,996)
Interest and investment income	(67)	(42)
Income from Council Tax, Non-Domestic Rates etc.	(10,990)	(10,795)
Grants and contributions	(25,749)	(25,507)
<b>TOTAL INCOME</b>	<b>(51,880)</b>	<b>(54,987)</b>
<b>(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES</b>	<b>(1,929)</b>	<b>(1,149)</b>

**13 PROPERTY, PLANT AND EQUIPMENT**
**Movements on Balances**

2021/22	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
at 1 <sup>st</sup> April 2021	15,109	8,138	6,374	22,142	719	52,482
Additions	247	477	328	160	565	1,777
Revaluations to the Revaluation Reserve	251	-	-	-	-	251
Derecognition - disposals	-	-	-	-	-	-
Impairment (losses) / reversals	-	-	-	(334)	-	(334)
Other movements in cost or valuation	-	-	(334)	334	(719)	(719)
<b>At 31<sup>st</sup> March 2022</b>	<b>15,607</b>	<b>8,615</b>	<b>6,368</b>	<b>22,302</b>	<b>565</b>	<b>53,457</b>
<b>Accumulated Depreciation</b>						
at 1 <sup>st</sup> April 2021	(455)	(5,387)	-	(443)	-	(6,285)
Depreciation Charge	(284)	(966)	-	(464)	-	(1,714)
Derecognition - disposals	-	-	-	-	-	-
Revaluation Depreciation	11	-	-	-	-	11
Other movements in cost or valuation	-	-	-	-	-	-
<b>At 31<sup>st</sup> March 2022</b>	<b>(728)</b>	<b>(6,353)</b>	<b>-</b>	<b>(907)</b>	<b>-</b>	<b>(7,988)</b>
<b>Net Book Value of Assets</b>						
At 31 <sup>st</sup> March 2022	14,879	2,262	6,368	21,395	565	45,469
At 31 <sup>st</sup> March 2021	14,654	2,751	6,374	21,699	719	46,197
Comparatives for 2020/21	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
at 1 <sup>st</sup> April 2020	13,895	7,834	5,768	-	21,548	49,045
Additions	919	647	606	608	441	3,221
Revaluations to the Revaluation Reserve	253	-	-	-	-	253
Derecognition - disposals	-	(343)	-	-	-	(343)
Impairment (losses) / reversals	(202)	-	-	-	-	(202)
Other movements in cost or valuation	244	-	-	21,534	(21,270)	508
<b>At 31<sup>st</sup> March 2021</b>	<b>15,109</b>	<b>8,138</b>	<b>6,374</b>	<b>22,142</b>	<b>719</b>	<b>52,482</b>
<b>Accumulated Depreciation</b>						
at 1 <sup>st</sup> April 2020	(168)	(4,782)	-	-	-	(4,950)
Depreciation Charge	(287)	(948)	-	(443)	-	(1,678)
Derecognition - disposals	-	343	-	-	-	343
Revaluation Depreciation	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-
<b>At 31<sup>st</sup> March 2021</b>	<b>(455)</b>	<b>(5,387)</b>	<b>-</b>	<b>(443)</b>	<b>-</b>	<b>(6,285)</b>
<b>Net Book Value of Assets</b>						
At 31 <sup>st</sup> March 2021	14,654	2,751	6,374	21,699	719	46,197
At 31 <sup>st</sup> March 2020	13,727	3,052	5,768	-	21,548	44,095

### **Depreciation Methodologies**

Depreciation is charged on a straight line basis on all fixed and intangible assets with a finite useful life. Newly acquired assets are depreciated fully in the year of acquisition in line with the Code. Asset lives range between 15-50 years for operational buildings and 3-20 years for vehicles, plant and equipment.

Depreciation is not required on heritage assets with indefinite lives. However where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed.

There has been no change during the period in either the estimate of useful lives or the estimate of any residual values.

### **Assets Under Construction**

This relates to the two recent property purchases in Kirkham, which is part of the current Kirkham Futures Capital Schemes.

### **Capital Commitments**

Capital projects often take several years to complete. This means that the Authority is often committed to capital expenditure in later years arising from programmed works at the balance sheet date whereby all or part of the capital work has yet to be undertaken. The estimated value of capital expenditure committed at 31<sup>st</sup> March 2022 to be paid from 2022/23 onwards is £17.940m and relates to numerous schemes within the approved Capital Programme.

### **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. The assets were valued by external valuation experts Jacobs Ltd and were subsequently reviewed by the Council's Estates and Asset Manager who is a registered valuer and has appropriate experience and expertise in this type of valuation work. 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.

As a response to Covid-19 and the situation in the Ukraine, the valuations of operational land and buildings are reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case, refer to Note 4 for further details.

Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost. For assets valued at Depreciated Replacement Cost a review of the build costs is also completed to ensure there is no material change in value. For specialised operational assets the current value in existing use is interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

The following statement shows the progress of the Authority's rolling programme for the revaluation of Property, Plant and Equipment including additions and disposals.

Valuation methodologies in respect of heritage assets are outlined in note m of the Accounting Policies section of these accounts.

	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	-	2,264	6,368	21,396	565	30,593
Valued at fair value as at:						
31 <sup>st</sup> March 2022	1,488	-	-	-	-	1,488
31 <sup>st</sup> March 2021	2,735	-	-	-	-	2,735
31 <sup>st</sup> March 2020	4,903	-	-	-	-	4,903
31 <sup>st</sup> March 2019	5,732	-	-	-	-	5,732
31 <sup>st</sup> March 2018	18	-	-	-	-	18
<b>Total Cost or Valuation</b>	<b>14,876</b>	<b>2,264</b>	<b>6,368</b>	<b>21,396</b>	<b>565</b>	<b>45,469</b>

## 14 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets held by the Authority:

	Art Collection	Memorials & Monuments	Sculptures / Ivories	Trophies & Other Items	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
at 1 <sup>st</sup> April 2020	3,072	80	188	73	375	3,788
Additions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-
<b>Net Book Value of Assets at 31<sup>st</sup> March 2021</b>	<b>3,072</b>	<b>80</b>	<b>188</b>	<b>73</b>	<b>375</b>	<b>3,788</b>
<b>Cost or Valuation</b>						
at 1 <sup>st</sup> April 2021	3,072	80	188	73	375	3,788
Additions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-
<b>Net Book Value of Assets at 31<sup>st</sup> March 2022</b>	<b>3,072</b>	<b>80</b>	<b>188</b>	<b>73</b>	<b>375</b>	<b>3,788</b>

Information on the Council's collection of heritage assets and the accounting policies adopted in respect of heritage assets is shown in note m of the Accounting Policies section of the Statement of Accounts.

## 15 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2020/21	2021/22
	£'000	£'000
Rental Income from Investment Property	(185)	(422)
Direct operating expenses arising from investment	325	133
	140	(289)
Changes in Fair Value of Investment Properties	(695)	1,314
<b>Net (Gain) / Loss</b>	<b>(555)</b>	<b>1,025</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2020/21	2021/22
	£'000	£'000
<b>Balance at start of year</b>	3,501	3,688
Additions	-	1,040
Net gains /(losses) from fair value adjustments	695	(1,314)
Reclassification of Assets	(508)	719
<b>Balance at end of year</b>	<b>3,688</b>	<b>4,133</b>

### Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see pages 53-54 for explanation of fair value levels).

### Transfers between Levels of the Fair Value Hierarchy

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

### Valuation Techniques used to determine Level 3 Fair Values for Investment Properties

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which includes the entity's own data, taking into account all information about market participant assumptions that is reasonably available. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs etc.

### Changes in the Valuation Technique

There has been no change in the valuation techniques used during the year for investment properties.

### Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

### Valuer

The investment property portfolio has been valued at 31st March 2022 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by external valuation experts Jacobs Ltd and were subsequently reviewed by the Council's Estates and Asset Manager who is a registered valuer and has appropriate experience and expertise in this type of valuation work.

## 16 INTANGIBLE ASSETS

Intangible assets comprise the software licences for the main Authority systems, and other new e-government systems. The policy adopted is to depreciate over a 3 to 5 year useful life.

	2020/21	2021/22
	£'000	£'000
<b>Balance at start of year</b>		
• Gross carrying amounts	505	505
• Accumulated amortisation	(505)	(505)
<b>Net carrying amount at 1<sup>st</sup> April</b>	-	-
Disposals:		
• Gross carrying amount	-	-
• Accumulated Amortisation	-	-
<b>Net carrying amount at 31<sup>st</sup> March</b>	-	-
Comprising:		
• Gross carrying amounts	505	505
• Accumulated amortisation	(505)	(505)
	-	-

## 17 FINANCIAL INSTRUMENTS

### (a) Financial Instrument - Balances

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

	Long Term		Current	
	31/03/21	31/03/22	31/03/21	31/03/22
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
<b>Investments</b>				
<b>At amortised cost</b>				
Loans and Receivables - Principal	-	-	16,000	21,000
Loans and Receivables – Accrued Interest	-	-	8	11
<b>Total Investments</b>	-	-	<b>16,008</b>	<b>21,011</b>
<b>Cash and Cash Equivalents</b>				
<b>At amortised cost</b>				
Loans and Receivables – Cash (Including bank accounts)	-	-	8,634	13,821
Accrued Interest	-	-	0	3
<b>Total Cash and Cash Equivalents</b>	-	-	<b>8,634</b>	<b>13,824</b>
<b>Debtors</b>				
<b>At amortised cost</b>	-	-	525	352
<b>Total included in Debtors</b>	-	-	<b>525</b>	<b>352</b>
Debtors that are not financial instruments	-	-	5,124	4,595
<b>Total included in Debtors</b>	-	-	<b>5,649</b>	<b>4,947</b>

	Long Term		Current	
	31/03/21	31/03/22	31/03/21	31/03/22
	£'000	£'000		£'000
<b><u>Financial Liabilities</u></b>				
<b>Borrowing</b>				
Financial Liabilities at amortised cost - Loans (Principal sum borrowed)	-	-	-	-
Financial Liabilities at amortised cost - Loans (Accrued Interest)	-	-	-	-
<b>Total Borrowing</b>	-	-	-	-
<b>Creditors</b>				
Financial liabilities at amortised cost	(3,745)	(4,096)	(3,255)	(2,186)
<b>Total included in Creditors</b>	<b>(3,745)</b>	<b>(4,096)</b>	<b>(3,255)</b>	<b>(2,186)</b>
Creditors that are not financial instruments	-	-	(9,582)	(15,270)
<b>Total Creditors</b>	<b>(3,745)</b>	<b>(4,096)</b>	<b>(12,837)</b>	<b>(17,456)</b>

**(b). Financial Instrument – Fair Values**

Financial Instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the present value of the remaining contractual cash flows at 31<sup>st</sup> March 2022.

Financial instruments classified at amortised cost are carried in the Balance Sheet at fair value. Their values have been estimated by calculating the net present value of the remaining contractual cash flows at the 31<sup>st</sup> March 2022 using the following methods and assumptions.

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair value of investments have been discounted at the market rate for the similar instruments with similar remaining terms to maturity on the 31 March 2022.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including creditors and debtors, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the assets or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Fair Value Level	31/03/21		31/03/22	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000

**Financial Assets held at amortised cost:**

Cash & Cash Equivalents	2	8,634	8,634	13,824	13,824
Short-Term Investments - Loans to Local Authorities	2	16,008	16,008	21,011	21,011
Long-Term Debtors		-	-	-	-
Short-Term Debtors		525	525	352	352
<b>Total Financial Assets</b>		<b>25,167</b>	<b>25,167</b>	<b>35,187</b>	<b>35,187</b>

**Financial Liabilities held at amortised cost:**

Long-term PWLB Loans	2	-	-	-	-
Short-term Creditors		3,255	3,255	2,186	2,186
Long-term Creditors		3,745	3,745	4,096	4,096
Borrowing repayable within 12 months		-	-	-	-
<b>Total Financial Liabilities</b>		<b>7,000</b>	<b>7,000</b>	<b>6,282</b>	<b>6,282</b>

The fair value of short-term liabilities and assets including trade debtors and receivables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date.

**(c). Income, Expense, Gains and Losses**

The gains and losses recognised in the Comprehensive Income and expenditure Statement in relation to Financial Instruments consists of the following:

	2021/22			
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss	Total
	£'000	£'000	£'000	£'000
<b>Income</b>				
Interest income	-	37	-	37
Dividend income	-	-	5	5
<b>Interest and Investment Income</b>	-	<b>37</b>	<b>5</b>	<b>42</b>
<b>Expense</b>				
Interest expense	-	-	-	-
<b>Interest payable and similar charges</b>	-	-	-	-

	Comparatives for 2020/21			Total
	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Interest income	-	63	-	63
Dividend income	-	-	4	4
<b>Interest and Investment Income</b>	-	<b>63</b>	<b>4</b>	<b>67</b>
<b>Expense</b>				
Interest expense	(1)	-	-	(1)
<b>Interest payable and similar charges</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>

## 18 LONG TERM DEBTORS

These relate to amounts owing to the Council which are being repaid over various periods longer than one year.

	2020/21	2021/22
	£'000	£'000
Parish Council Interest Free Loan	-	-

## 19 ASSETS HELD FOR SALE

All assets held for sale are anticipated to be disposed of in a period of less than one year.

	2020/21	2021/22
	£'000	£'000
<b>Balance outstanding at start of year</b>	550	527
Revaluation Gain	-	23
Impairment losses	(23)	-
Assets Sold	-	-
<b>Balance outstanding at year end</b>	<b>527</b>	<b>550</b>

## 20 INVENTORIES

The Council only holds an inventory of consumable materials, no other types of inventories are held.

	2020/21	2021/22
	£'000	£'000
<b>Balance at start of the year</b>	84	68
Purchases	217	271
Recognised as an expense in the year	(230)	(255)
Written (off)/on balances	(3)	(1)
<b>Balance outstanding at year end</b>	<b>68</b>	<b>83</b>

## 21 SHORT-TERM DEBTORS

	2020/21	2021/22
	£'000	£'000
Central Government Bodies	742	376
Other Local Authorities	2,814	2,826
NHS Bodies	-	-
Other entities and individuals	2,093	1,745
<b>Total</b>	<b>5,649</b>	<b>4,947</b>

The main reasons for the decrease in the value of Short-Term Debtors are:

- Within Central Government Bodies – In 2020/21 there were two debtors for the previous year only, Historic England £0.193m for a contribution to the Kirkham Heritage Action Zone capital scheme and a Covid-19 New Burdens Grant £0.167m, which have resulted in a decrease in debtors for 2021/22.
- Business Ratepayers - Within Other Local Authorities the impact of Covid-19 had resulted in a large increase in the Council's share of Business Rates debtors £1.462m in 2020/21, this has now reduced to £1.096m in 2021/22.

## 22 CASH AND CASH EQUIVALENTS

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

	2020/21	2021/22
	£'000	£'000
Cash held by the Authority	1	3
Bank Current Accounts	8,633	13,821
Term Deposits	-	-
<b>Total</b>	<b>8,634</b>	<b>13,824</b>

## 23 SHORT-TERM CREDITORS

	2020/21	2021/22
	£'000	£'000
Central Government Bodies	7,389	8,938
Other Local Authorities	630	664
Public Corporations and Trading Funds	-	-
Other entities and individuals	4,818	7,854
<b>Total</b>	<b>12,837</b>	<b>17,456</b>

The main reasons for the overall increase in the value of Short-Term Creditors are:

- Within Central Government Bodies - Due to changes in rateable values, in 2021/22 a Transitional Protection Payment £1.763m is owed to Department of Levelling Up, Housing and Communities, no such payment was owed in 2020/21.
- Other Entities – Within Other Entities is a £4.502m Receipt in Advance for the Energy Rebate Scheme, this was received at the end of 2021/22. This grant will be allocated to Council Tax payers in the financial year 2022/23.

## 24 PROVISIONS

	2020/21	2021/22
	£'000	£'000
<b><u>NDR Appeals</u></b>		
Balance at 1 <sup>st</sup> April	1,455	1,620
(Reduction)/Additional in provisions made in year	165	(360)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,620</b>	<b>1,260</b>

### **NDR Appeals Provision**

Due to the localisation of Business Rates, which became effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability along with the Ministry of Housing, Communities & Local Government (50%), Lancashire County Council (9%) and the Lancashire Fire Authority (1%). As at 31<sup>st</sup> March 2022, the total value of the Provision for Appeals was reduced to £3.150m from £4.049m in 2021/22 with Fylde Council's share of this being £1.260m (2020/21 £1.620m).

## 25 LONG-TERM CREDITORS

	2020/21	2021/22
	£'000	£'000
Section 106 Agreements	3,745	4,096
<b>Total</b>	<b>3,745</b>	<b>4,096</b>

Section 106 Agreements are for the fulfilment of obligations under certain Planning Application Approvals. The amounts held under Long-Term Creditors represents cash received to fund expenditure commitments that are expected to be incurred against these Agreements after more than 12 months from the Balance Sheet date.

## 26 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 34.

	2020/21	2021/22
	£'000	£'000
General Fund Balance	4,571	5,056
Earmarked General Fund Reserves	18,242	18,219
Capital Receipts Reserve	162	99
Capital Grants Unapplied	432	3,606
<b>Total Usable Reserves</b>	<b>23,407</b>	<b>26,980</b>

## 27 UNUSABLE RESERVES

	2020/21	2021/22
	£'000	£'000
Revaluation Reserve	11,239	11,385
Capital Adjustment Account	37,928	38,298
Pensions Reserve	(32,195)	(24,425)
Collection Fund Adjustment Account	(3,887)	(4,506)
Accumulated Absences Account	(41)	(52)
<b>Total Unusable Reserves</b>	<b>13,044</b>	<b>20,700</b>

Further details of each of these reserves and accounts are set out on the following pages:

### **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>11,213</b>	<b>11,239</b>
Upward Revaluation of assets	388	285
Downward Revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(135)	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services	253	285
Difference between fair value depreciation and historic cost depreciation	(128)	(139)
Revaluation adjustments transferred to the Capital Adjustment Account	(99)	-
Accumulated gains on assets sold or scrapped	-	-
Amounts written off to the Capital Adjustment Account	(227)	(139)
<b>Balance as at 31<sup>st</sup> March</b>	<b>11,239</b>	<b>11,385</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 Authority. 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>35,383</b>	<b>37,928</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
• Charges for depreciation and impairment of non-current assets	(1,903)	(2,048)
• Revaluation losses on Property, Plant and Equipment	-	-
• Amortisation of Intangible Assets	-	-
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss in disposal to the Comprehensive Income and Expenditure Statement	-	-
• Revenue expenditure funded from capital under statute	(1,658)	(2,314)
• De-minimis Capital Expenditure	(13)	(34)
	(3,574)	(4,396)
Adjusting amounts written out of the Revaluation Reserve	227	139
Net written out amount of the cost of non-current assets consumed in the year	(3,347)	(4,257)
<b>Capital Financing applied in the year</b>		
• Use of the Capital Receipts Reserve to finance new capital expenditure	45	196
• De-minimis Capital Receipts	-	-
• Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	233	199
• Application of grants to capital financing from the Capital Grants Unapplied Account	1,975	3,743
• Statutory provision for the financing of capital investment charged against the General Fund	744	777
• Capital expenditure charged against the General Fund	2,200	1,026
	5,197	5,941
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	695	(1,314)
<b>Balance as at 31<sup>st</sup> March</b>	<b>37,928</b>	<b>38,298</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 Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	(24,277)	(32,195)
Re-measurements of the net defined benefit (liability)/asset	(6,682)	9,795
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	(1,236)	(2,025)
<b>Balance as at 31<sup>st</sup> March</b>	<b>(32,195)</b>	<b>(24,425)</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	2,273	(3,887)
Amount by which Council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(6,160)	(619)
<b>Balance as at 31<sup>st</sup> March</b>	<b>(3,887)</b>	<b>(4,506)</b>

### Accumulated Absences Account

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

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>(42)</b>	<b>(41)</b>
Settlement or cancellation of accrual made at the end of the preceding year	42	41
Amounts accrued at the end of the current year	(41)	(52)
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	1	(11)
<b>Balance as at 31<sup>st</sup> March</b>	<b>(41)</b>	<b>(52)</b>

## 28 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

	2020/21	2021/22
	£'000	£'000
Interest Received	(67)	(42)
Interest Paid	1	-
<b>Total</b>	<b>(66)</b>	<b>(42)</b>

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

	2020/21	2021/22
	£'000	£'000
Depreciation	1,679	1,714
Impairment	224	334
Increase/(Decrease) in Creditors	5,211	2,222
(Increase)/Decrease in Debtors	488	864
(Increase)/Decrease in Inventories	16	(15)
(Decrease)/Increase in Provision for Appeals and Accumulated Absences	164	(348)
Movement in Pension Liability	(1,094)	3,190
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised and Fair Value movements on investment properties	(695)	1,314
<b>Total</b>	<b>5,993</b>	<b>9,275</b>

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

	2020/21	2021/22
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(207)	(133)
Capital Grants included in the net surplus/deficit on the provision of services	(2,472)	(7,116)
<b>Total</b>	<b>(2,679)</b>	<b>(7,249)</b>

## 29 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2020/21	2021/22
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(3,221)	(2,817)
Purchase of Short Term Investments	(4,000)	(5,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	207	133
Other receipts from investing activities	2,472	7,116
<b>Net cash flows from investing activities</b>	<b>(4,542)</b>	<b>(568)</b>

## 30 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2020/21	2021/22
	£'000	£'000
Other receipts from financing activities	(3,473)	2,583
Repayments of short-term and long-term borrowing	-	-
<b>Net cash flows from financing activities</b>	<b>(3,473)</b>	<b>2,583</b>

## 31 TRADING OPERATIONS

The Council operates one trading activity which is for Grounds Maintenance, providing services to external clients within and outside of the borough. The financial results are as follows:

	2020/21	2021/22
	£'000	£'000
Turnover	(687)	(683)
Expenditure	618	681
<b>Net (Surplus) / Deficit on trading operations for the year</b>	<b>(69)</b>	<b>(2)</b>

The Grounds Maintenance trading operations are incorporated into the Comprehensive Income and Expenditure Statement. In 2021/22, the Grounds Maintenance operations generated a surplus of £1,875 compared with a surplus of £68,770 in 2020/21. The net surplus is lower than in previous year's, largely as a result of increased agency labour costs and upward pressure on prices for supplies and services. In addition to the surpluses shown above, these activities also benefit the Council by providing a positive contribution to corporate support service and service management costs.

## 32 AGENCY SERVICES

The Council acts as agent for Lancashire County Council in respect of Highways work in the urban core and also street lighting, gully cleansing and special maintenance.

A summary of the Off-Street Civil Parking Enforcement Parking Accounts, as required by Section 55 of the Road Traffic Regulation Act 1984, is shown below:

	2020/21	2021/22
	£'000	£'000
Income (Penalty Charge Notice only)	(29)	(53)
Covid-19 Grant Income	(7)	-
Expenditure	78	80
<b>(Surplus) Deficit</b>	<b>42</b>	<b>27</b>

### 33 MEMBERS ALLOWANCES

The Authority paid the following amounts to members of the Council during the year:

	2020/21	2021/22
	£'000	£'000
Allowances	259	259
Expenses	-	1
<b>Total</b>	<b>259</b>	<b>260</b>

### 34 OFFICERS REMUNERATION AND TERMINATION BENEFITS

The following table sets out the remuneration of Senior Officers whose salary was £50,000 or more (excluding employer's pension contributions):

Title of Post		Remuneration	Expense Allowances	Compensation for Loss of office (Redundancy Payment)	Total Remuneration excl. pension contributions	Pension contributions (Incl. strain/ Augmented costs)	Total Remuneration incl. pension contributions
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	2021/22	106	1	-	107	19	126
	2020/21	104	-	-	104	19	123
Director – Resources	2021/22	87	-	-	87	15	102
	2020/21	73	-	-	73	13	86
Director – Development Services	2021/22	51*	-	-	51	9	60
	2020/21	73	-	-	73	13	86
Chief Financial Officer	2021/22	76	-	-	76	14	90
	2020/21	71	-	-	71	13	84

The remuneration shown in the table above includes payments for services performed in relation to the Police and Crime Commissioner and Lancashire County Council elections held during 2021/22.

\*The Director – Development Services retired in November 2021.

In addition to the above Senior Officers, other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

Remuneration Bands		2020/21	2021/22
		No.	No.
<b>Main Bands:</b>			
	£50,000 - £54,999	2	4
	£55,000 - £59,999	1	-
	£60,000 - £64,999	-	1
	<b>Total</b>	<b>3</b>	<b>5</b>

## Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below:

Exit Package Cost band (incl. special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages by each band	
	2020/21 No.	2021/22 No.	2020/21 No.	2021/22 No.	2020/21 No.	2021/22 No.	2020/21 £'000	2021/22 £'000
£0 – £20,000	-	1	1	3	1	4	4	29
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
	-	1	1	3	1	4		
<b>Total cost included in the Comprehensive Income and Expenditure Statement</b>							<b>4</b>	<b>29</b>

In 2021/22 the authority terminated the contracts of 4 employee, incurring costs of £29,471 (£4,158 in 2020/21).

## 35 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to external audit and inspection:

	2020/21 £'000	2021/22 £'000
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year	37	37
Rebate received from Public Sector Audit Appointments (PSAA)	-	(7)
Redmond Review – Local Audit Fees Grant	-	(19)
Fees payable to external auditor for the certification of grant claims and returns for the year	10	23
Fees payable to the Cabinet Office in respect of the National Fraud Initiative	3	-
<b>Total</b>	<b>50</b>	<b>34</b>

## 36 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

	2020/21	2021/22
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant (net of LCTS adjustment)	-	-
New Homes Bonus (net of payment to Town and Parish Council's)	(1,747)	(1,103)
Section 31 Business Rate Relief Grant	(6,392)	(4,180)
Lower Tier Services Grant	-	(379)
Covid-19 Grants		
Local Authority Support Grant	(1,151)	(392)
Local Authority Discretionary Grant	(1,011)	-
Additional Restrictions Grant	(1,679)	(724)
Local Restrictions Support Grant (Open)	(393)	-
Other	(10)	-
Disabled Facility Grant, Town Centre Redevelopment and Economic Regeneration	(1,580)	(2,268)
Capital Grants and Contributions	(892)	(4,849)
<b>Total</b>	<b>(14,855)</b>	<b>(13,895)</b>
<b>Credited to Services</b>		
Housing & Council Tax Benefits	(14,620)	(13,345)
Department of Levelling Up Housing and Communities	(111)	(241)
Covid-19 Grants		
Sales, Fees and Charges	(710)	(36)
Council Tax Hardship Fund	(586)	-
Contain Outbreak Management Fund	(210)	(780)
New Burden Funding	(393)	(143)
Clinically Extremely Vulnerable	(237)	-
Support Grant Extremely Vulnerable	(74)	-
National Leisure Recovery Fund	(151)	-
Next Steps Accommodation Funding	(55)	-
Compliance and Enforcement	(35)	-
Welcome Back Fund	-	(185)
Community Testing	-	(164)
Other Covid-19 Grants	(24)	(40)
Other	(65)	(54)
	(17,271)	(14,988)
<b>Total</b>	<b>(32,126)</b>	<b>(28,883)</b>

## 37 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Related parties include:

### (a) Central Government

The UK 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.

### (b) Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Each Councillor has agreed to be bound by a code of conduct, requiring them to disclose certain personal

interests on a register, which is available for public inspection at the Town Hall, Lytham St Annes. These declarations are also accessible on the Council website.

There are no transactions to disclose in relation to 2021/22.

Declarations of 'Disclosable Pecuniary Interest' that any Member holds are accessible on the Council website.

The Council makes a number of Member appointments to outside bodies each year. In relation to the 2021/22 financial year these are detailed in the Council report of 19th April 2021 which is available on the Council's website.

The Council made a financial contribution to numerous partner organisations during 2021/22, most notably:

- Fylde Citizens Advice Bureau;
- Age UK Lancashire; and
- Lancashire Domestic Violence Fund.

**(c) Senior Council Officers**

Members of the Council's Management Team may exert influence control over the Council's financial and operating policies. In the furtherance of transparency each member of the Management Team has submitted information regarding outside bodies with which they have an association. Any such associations are shown below:

- Chief Executive: Trustee of the Ashley Foundation which is a homeless action charity (since April 2021) based in Blackpool.
- Deputy Chief Executive: Peer Officer for the Local Government Association since July 2015 which involves either delivering training and/or corporate support to other Councils.

**(d) Partnership working**

During 2021/22 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operations were as follows:

Lancashire County Council	<ul style="list-style-type: none"> <li>• Flood Prevention</li> <li>• Fylde Coast Duty to Co-operate (Planning)</li> <li>• Highways and Education (Planning)</li> <li>• Planning applications and Archaeology matters</li> </ul>
Blackpool Council	<ul style="list-style-type: none"> <li>• Payroll services</li> <li>• Human Resources</li> <li>• Health &amp; Safety</li> <li>• Recruitment and Selection</li> <li>• Organisational Development</li> <li>• Occupational Health</li> <li>• Legal support for Blackpool Council Planning Committee and Specialist Property Advice</li> <li>• Revenues &amp; Benefits Services</li> <li>• Deputy Monitoring Officer</li> <li>• Coastal Programme Board</li> <li>• Economic Prosperity Board</li> <li>• Grounds Maintenance - Blackpool Coastal Housing</li> <li>• CCTV System Maintenance</li> <li>• Bathing Water Quality management</li> <li>• Property surveying/maintenance</li> <li>• Fylde Coast Duty to Co-operate Forum (Planning)</li> <li>• Fylde Sand Dunes Project</li> <li>• Covid Track and Tracing Service</li> </ul>
Lancaster City Council	<ul style="list-style-type: none"> <li>• Rough Sleeper Initiative – Rapid Rehousing</li> </ul>
Wyre Council	<ul style="list-style-type: none"> <li>• Coastal Programme Board</li> <li>• Economic Prosperity Board</li> </ul>

	<ul style="list-style-type: none"> <li>• CCTV Monitoring Service</li> <li>• Bathing Water Quality management</li> <li>• Rough Sleeper Initiative – Rapid Rehousing</li> <li>• Fylde Coast Duty to Co-operate Forum (Planning)</li> </ul>
Preston City Council	<ul style="list-style-type: none"> <li>• Financial and Treasury Management Support</li> <li>• Corporate Fraud Service</li> <li>• Parliamentary Elections - Electoral Registration Officer</li> <li>• Fylde Coast Duty to Co-operate (Planning)</li> </ul>
Tameside Metropolitan Borough Council	<ul style="list-style-type: none"> <li>• Planning advice</li> </ul>
Blackburn with Darwen Borough Council	<ul style="list-style-type: none"> <li>• Heritage advice (Planning)</li> </ul>

**(e) Other Public Bodies**

Precepts were raised for Lancashire County Council, Lancashire Police and Crime Commissioner, Lancashire Combined Fire Authority, and local Town and Parish Councils within the Fylde area. Details of these are contained within the Collection Fund statements.

**(f) Mersey Internal Audit Agency (MIAA)**

The Council has engaged Mersey Internal Audit Agency (MIAA) to carry out its Internal Audit and Assurance service.

**(g) Associated Companies and Joint Venture Partners**

Fylde Council has no associated companies or joint venture partners.

**(h) Lowther Trust**

A Trust board was formed in 2009/10 consisting of 7 Trustees, one being an elected member of Fylde Council. The remaining Trustees were appointed from interested members of the public following an open application process. Prior to this the Council was the sole Trustee and provided all management and administration resources. From April 2012 a new arrangement between the Council and the Trust saw the transfer of responsibility for all day-to-day management to the Trust with the Council meeting an agreed level of deficit funding over the subsequent five-year period.

**(i) Lytham Institute**

The Lytham Institute building had been included within the Council's inventory of assets for many years and had until recently been part-occupied under a user agreement by Lancashire County Council for the provision of a library service. The library service ceased to be operated from the building in recent years, and ultimately moved elsewhere. During 2019/20 Lancashire County Council gave notice under the user agreement.

Following legal advice in 2019 that the property was held by the Council as a charitable trustee, the Council registered the Lytham Institute as a charitable trust. The Council's intention is to work with the local community to discuss how best to shape the governance and future management of the trust to fulfil its charitable objectives. This work commenced during 2019/20 but progress was affected by the Covid-19 outbreak. Therefore, for the 2021/22 Statement of Accounts the property has remained within the inventory of assets of Fylde Council, at a nominal valuation due to the restrictions for its use that the charitable trust status imposes.

**38 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

The CFR is analysed in the second part of this note.

Capital Financing Requirement	2020/21	2021/22
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	5,353	5,049
<b>Capital Investment</b>		
Property, Plant and Equipment	3,235	2,850
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	1,658	2,314
<b>Sources of Finance</b>		
Capital Receipts	(45)	(196)
Government Grants and Other Contributions	(2,208)	(3,942)
Sums set aside from Revenue	-	-
Direct Revenue Contributions	(2,200)	(1,026)
MRP/Loans Fund Principal	(744)	(777)
<b>Closing Capital Financing Requirement</b>	<b>5,049</b>	<b>4,272</b>
<b>Explanation of Movements in Year</b>		
Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(304)	(777)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(304)</b>	<b>(777)</b>

## 39 LEASES

### Authority as Lessor

#### Operating Leases

The Council acts as lessor in respect of land and property owned by it and leased to tenants. The value of the income from rents associated with these agreements, and included within the Council's Income and Expenditure account, is as follows:

	2020/21	2021/22
	£'000	£'000
<b>Land and Property Leases</b>	185	422

The capital value held within the balance sheet at 31<sup>st</sup> March 2021 in respect of land and property generating leasehold income is £4.133m (2020/21 £3.688m). The accumulated depreciation charge applicable to these assets reflected in the 2021/22 financial statements is nil.

The future lease payments receivable under non-cancellable leases in future years are:

	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2022
	£'000	£'000
Not Later than one year	326	347
Later than one year but not later than 5 years	862	995
Later than 5 years	6,227	6,653
	<b>7,415</b>	<b>7,995</b>

## 40 IMPAIRMENT LOSSES

An impairment review during the course of the year identified reductions in the value of the following Council's Non-Current Assets. A summary of these impairments is shown below:

	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2022
	£'000	£'000
Public Conveniences	38	-
Public Offices	22	-
Fairhaven Cottage	164	-
Coast Protection	-	334
	<b>224</b>	<b>334</b>

## 41 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Lancashire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

### Transactions relating to Post-employment Benefits

The cost of retirement benefits are recognised 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 required against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. 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:

Local Government Pension Scheme	2020/21	2021/22
	£'000	£'000
<b><u>Comprehensive Income and Expenditure Statement</u></b>		
<b>Cost of Services:</b>		
<b>Service Cost, comprising:</b>		
- Current Service Cost	1,969	2,685
- Past Service Cost	-	-
<b>Other Operating Expenditure</b>		
- Administration expenses	37	41
<b>Financing and Investment Income and Expenditure</b>		
- Net interest expense	499	649
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,505</b>	<b>3,375</b>
<b>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- Return on plan assets (excluding the amount included in the net interest expense)	(6,096)	(9,245)
- Actuarial (gains) / losses arising on changes in financial assumptions	12,778	(550)
<b>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>6,682</b>	<b>(9,795)</b>
<b><u>Movement in Reserves Statement</u></b>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(1,236)	(2,025)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- Employers' contributions payable to scheme	1,269	1,350

#### **Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

	2020/21	2021/22
	£'000	£'000
Present Value of the defined benefit obligation	(108,094)	(109,677)
Fair Value of plan assets	78,229	86,417
<b>Net liability arising from defined benefit obligation</b>	<b>(29,865)</b>	<b>(23,260)</b>

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

	2020/21	2021/22
	£'000	£'000
Opening fair value of scheme assets	69,321	78,229
Interest income	1,719	1,591
Re-measurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	6,096	9,245
Administration expenses	(37)	(41)
Contribution from employer	1,269	1,350
Contributions from employees into the scheme	405	437
Benefits paid	(2,874)	(3,229)
Lump sum pre-payment	2,330	(1,165)
<b>Closing fair value of scheme assets</b>	<b>78,229</b>	<b>86,417</b>

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

	2020/21	2021/22
	£'000	£'000
Opening Balance at 1 <sup>st</sup> April	93,598	108,094
Current service cost	1,969	2,685
Past service cost	-	-
Interest cost	2,218	2,240
Contributions from scheme participants	405	437
Re-measurement gain/(loss):		
- Actuarial Experience (gains) and losses	(1,957)	281
- Actuarial (gains) and losses arising on changes in financial assumptions	14,735	-
- Actuarial (gains) and losses arising on changes in demographic assumptions	-	(831)
Benefits paid	(2,874)	(3,229)
<b>Closing Balance at 31<sup>st</sup> March</b>	<b>108,094</b>	<b>109,677</b>

### Scheme History

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(87,683)	(94,850)	(93,598)	(108,094)	(109,677)
Fair Value of plan assets	64,456	69,601	69,321	78,229	86,417
<b>Surplus/(Deficit) in the Scheme</b>	<b>(23,227)</b>	<b>(25,249)</b>	<b>(24,277)</b>	<b>(29,865)</b>	<b>(23,260)</b>

During 2020/21 the Council made a £2.330m lump sum pre-payment of employer pension contributions in respect of 2021/22 and 2022/23, as detailed in the Narrative Report. The net liability on the pension fund as shown above has therefore been reduced by £1.165m to £23.260m to reflect that element of the pre-payment relating to 2022/23. This is the figure shown on the balance sheet.

**Local Government Pension Scheme assets comprised:**

Fair value of scheme assets	2020/21	2021/22
	£'000	£'000
Cash:		
• Cash and Cash Equivalents	-	-
• Cash Accounts	1,932	2,396
• Net current assets	(204)	(223)
<b>Sub-total cash</b>	<b>1,728</b>	<b>2,173</b>
Equity instruments:		
By industry type		
• Financials	-	102
• Consumer	-	-
• Manufacturing	-	-
• Energy and utilities	-	-
• Financial institutions	-	-
• Health and Care	-	-
• Information Technology	-	-
• Miscellaneous/Unclassified Total	-	-
<b>Sub-total equity</b>	<b>-</b>	<b>102</b>
Bonds:		
• Corporate	-	355
• Government	-	-
• Overseas	-	319
<b>Sub-total bonds</b>	<b>-</b>	<b>674</b>
Property:		
• Retail	77	76
• Commercial	1,263	1,305
• Residential	-	-
<b>Sub-total property</b>	<b>1,340</b>	<b>1,381</b>
Private Equity:		
• UK	-	1,912
• Overseas	6,276	5,210
<b>Sub-total private equity</b>	<b>6,276</b>	<b>7,122</b>
Other Investment Funds:		
• Infrastructure	9,381	9,845
• Credit Funds	10,457	11,566
• Pooled Fixed Income	2,608	3,758
• Emerging Markets ETF	-	-
• Indirect Property Funds	9,801	7,536
• UK Pooled Equity Funds	800	814
• Overseas Pooled Equity Funds	35,838	41,446
<b>Sub-total other investment funds</b>	<b>68,885</b>	<b>74,965</b>
<b>Total Assets</b>	<b>78,229</b>	<b>86,417</b>

## **Basis for Estimating Assets and Liabilities**

The Fund's valuers have declared a material uncertainty in relation to their valuations of directly and indirectly held property assets in response to the global impact of the Covid-19 pandemic. Despite a period of relative stability, recently this uncertainty has increased again with the situation in Ukraine. In the above note, these assets comprise the sums disclosed under Property and elements disclosed under Other Investment Funds. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities has been assessed by Mercers Ltd, an independent firm of actuaries, estimates for the pension fund being based on the last valuation of the Scheme as at 31<sup>st</sup> March 2019. The significant assumptions used by the actuary have been:

	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>
	£'000	£'000
<b><i>Mortality assumptions:</i></b>		
Longevity at 65 for current pensioners:		
- Men	22.4 years	22.3 years
- Women	25.1 years	25.0 years
Longevity at 65 for future pensioners (aged 65 in 20 years' time) :		
- Men	23.9 years	23.7 years
- Women	26.9 years	26.8 years
Rate of CPI inflation	2.7	3.4
Rate of increase in salaries	4.2	4.9
Rate of increase in pensions	2.8	3.5
Rate for discounting scheme liabilities	2.1	2.8

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	<b>Approximate increase (decrease) in Employee Liabilities</b>
	£'000
<b><i>Changes in assumptions at 31<sup>st</sup> March 2022</i></b>	
0.1%p.a. increase in discount rate	(1,738)
0.1%p.a. increase in inflation	1,766
0.1%p.a. increase in pay growth	173
1 year increase in life expectancy	3,311

## **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. The maximum deficit recovery period for the Fund has been set at 13 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31<sup>st</sup> March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31<sup>st</sup> March 2014 (or service after 31<sup>st</sup> March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Actuary anticipates that the Authority will pay £1.467m contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2021/22 (16 years, 2020/21).

## 42 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### Contingent Liabilities:

- **Insurance Claims** – As at 31st March 2022, the Council has outstanding insurance claims against it with a reserve amount of £180,441 (20/21, £108,377). However, the Council's liability is limited to the excess on the insurance policy, with the maximum amount payable by the Council on these claims being £35,750 (20/21, £4,750) for revenue items. No adjustments have been made within the Accounts for these revenue items as, at the balance sheet date, it was not known if the claims were or will be successful.
- **Section 106 (s106) Agreements** - S106 of the Town and Country Planning Act 1990 allows a local planning authority to enter in to a legally binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a S106 Agreement and S106 monies received by the Council are used to support the provision of services and infrastructure such as highways, recreational facilities, education, health and affordable housing, which is necessary as part of the development or to mitigate its impact. Such agreements or obligations may lay down conditions that monies must be spent by a specified date and on specified items. If these conditions are not met the monies may have to be returned to the developer and in some cases interest may also be payable. The Council has a number of S106 agreements. The balance of monies held as long-term creditors in respect of those agreements (i.e. those that have more than 12 months to run) is £4.096m, as detailed in Note 25 to this Statement of Accounts. These accounts have been prepared on the basis that no monies are returnable at the balance sheet date as it is the Council's intention to spend the money as required under the agreements rather than repaying it to developers.
- **Accountable Body Status** - The Authority has been appointed Accountable Body status for a number of schemes and projects that are either wholly or partly funded by central government and related agencies. Accountable Bodies have to operate within prescribed regulations giving potential rights for grant to be clawed back if specific output targets are not met by the partner organisations. The total value of the uncompleted projects for which the Council was acting as accountable body as at 31st March 2022 is below £100k. These accounts have been prepared on the basis that none of the grants involved will either be clawed back or withheld as it is the Council's intention to spend the money as required to deliver the projects.
- **Business Rates (National Non-Domestic Rates-NNDR) Appeals** - The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts. The total value of the Provision for Appeals has been reduced to £3.150m from £4.049m in 2021/22 with Fylde Council's share of this being £1.260m (2020/21 £1.620m). It is anticipated that this level of provision is sufficient to meet the full cost of outstanding appeals.

### Contingent Assets:

- **Housing Stock Transfer - Right to Buy (RTB) Sharing Arrangements** - Following the transfer of housing stock from the Council, New Fylde Housing (now Progress Housing Group) has agreed to share RTB receipts, calculated according to the formula as set out in the transfer agreement of 2nd October 2000. This arrangement will terminate at the end of the financial year 2029/30, on 31st

March 2030. The amount the Council receives in any given year is dependent on prevailing market conditions. During 2021/22 the Council received capital receipts in respect of RTB sales in the sum of £133k (2020/21, £137k). Receipts of this nature in future years are expected to be at an average of £25k per annum but will vary from year-to-year.

## 43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### (i) Key Risks

The Council complies with the CIPFA Code of Practice on the Treasury Management and Prudential Code for Capital Finance in Local Authorities, revised in December 2021.

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

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

The main risks covered are:

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

### (ii) Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. The full investment strategy for 2021/22 was approved by Council on the 4 March 2021 and is available on the Council's website.

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

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

### Amounts Arising from Expected Credit Losses

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

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

Credit Rating	Long Term	Short Term	Long Term	Short Term
	31/03/22	31/03/22	31/03/21	31/03/21
	£'000	£'000	£'000	£'000
A+	-	-	-	-
Aa3 – Rated Local Authorities	-	-	-	-
Unrated Local Authorities	-	21,011	-	16,008
<b>Total Investments</b>	-	<b>21,011</b>	-	<b>16,008</b>

At 31 March 2022, there were no loss allowances related to treasury investments.

### Credit Risk Debtors

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

	As at 31 <sup>st</sup> March 2022	Historical experience of default	Adjustment for market conditions at 31/03/22	Estimated maximum exposure to default	Estimated maximum exposure At 31/03/22
	£'000	%	%	£'000	£'000
	a	b	c	a * c	
Debtors	416	13.55%	13.55%	57	95

The Council does not generally allow credit for its trade debtors. Of the £0.416m (£0.588m 2020/21) outstanding for debtors, £0.372m (£0.327m 2020/21) is overdue. The overdue but not impaired amount (impaired amount £0.064m 2021/22) can be analysed by age as follows:

	2020/21	2021/22
	£'000	£'000
Less than three months	231	272
Three months to one year	14	21
More than one year	19	15
	<b>264</b>	<b>308</b>

### (iii) Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow requirements, and access to the Public Works Loan Board and money markets for longer term funds. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

The maturity analysis of financial liabilities is as follows:

	2020/21	2021/22
	£'000	£'000
Less than one year	3,255	2,186
Between one and two years	224	440
Between two and five years	505	378
Between five and ten years	581	788
More than ten years	2,435	2,490
	7,000	6,282

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

The maturity analysis of financial assets is as follows:

	2020/21	2021/22
	£'000	£'000
Less than one year	25,167	35,187
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
	25,167	35,187

#### (iv) Market risk

**(a) Interest rate risk** – The Council has limited exposure to interest rate movements on its borrowings and 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 Comprehensive Income & Expenditure Statement. However, changes in interest receivable on investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

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

	2020/21	2021/22
	£'000	£'000
Increase in interest receivable on investments	262	359
Impact on Comprehensive Income and Expenditure Account	262	359
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	-	-

The Council's short-term borrowing is at fixed rates.

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

**(b) Price risk** – The Council, excluding the pension fund, does not generally invest in instruments with this type of risk, e.g. equity shares or marketable bonds.

**(c) 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.

## 44 LANCASHIRE BUSINESS RATES POOLING ARRANGEMENTS

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

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

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

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

A business rates income allocations in 2020/21 and 2021/22 are shown in the table below:

Lancashire Business Rates Pool - Income Allocations for 2020/21 and 2021/22	
District Authorities	40%
Lancashire County Council	9%
Lancashire Combined Fire Authority	1%
	<b>50%</b>
Central Government	50%
<b>Total</b>	<b>100%</b>

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

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

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

Lancashire Business Rates Pool Members 2021/22	Authority Type	Tariffs and Top-Ups in Respect of 2021/22 £	Retained Levy on Growth 2021/22 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2021/22 £
Burnley Borough Council	Tariff	6,043,499	-1,274,399	127,440	-1,146,959
Chorley Borough Council	Tariff	6,503,220	-958,378	95,838	-862,540
Fylde Borough Council	Tariff	8,101,273	-285,737	28,574	-257,163
Hyndburn Borough Council	Tariff	3,969,106	-1,216,541	121,654	-1,094,887
Pendle Borough Council	Tariff	3,388,618	-569,005	56,901	-512,104
Ribble Valley Borough Council	Tariff	4,311,424	-839,130	83,913	-755,217
Rossendale Borough Council	Tariff	2,713,519	-576,607	57,661	-518,946
South Ribble Borough Council	Tariff	10,327,203	-1,587,163	158,716	-1,428,447
West Lancashire Borough Council	Tariff	8,698,358	-688,578	68,858	-619,720
Wyre Borough Council	Tariff	6,837,509	-693,833	69,383	-624,450
Lancashire County Council	Top-Up	-158,098,681		-868,938	-868,938
Central Government	-	97,204,952		0	0
<b>Total</b>		<b>0</b>	<b>-8,689,371</b>	<b>0</b>	<b>-8,689,371</b>

Lancashire Business Rates Pool Members 2020/21	Authority Type	Tariffs and Top-Ups in Respect of 2020/21 £	Retained Levy on Growth 2020/21 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2020/21 £
Burnley Borough Council	Tariff	6,043,499	-1,402,433	140,243	-1,262,190
Chorley Borough Council	Tariff	6,503,220	-931,716	93,172	-838,544
Fylde Borough Council	Tariff	8,101,273	-483,263	48,326	-434,937
Hyndburn Borough Council	Tariff	3,969,106	-600,284	60,028	-540,256
Pendle Borough Council	Tariff	3,388,618	-272,822	27,282	-245,540
Ribble Valley Borough Council	Tariff	4,311,424	-575,916	57,592	-518,324
Rossendale Borough Council	Tariff	2,713,519	-102,546	10,255	-92,291
South Ribble Borough Council	Tariff	10,327,203	-1,281,013	128,101	-1,152,912
West Lancashire Borough Council	Tariff	8,698,358	-653,963	65,396	-588,567
Wyre Borough Council	Tariff	6,837,509	-893,050	89,305	-803,745
Lancashire County Council	Top-Up	-158,098,681		-719,700	-719,700
Central Government	-	97,204,952		0	0
<b>Total</b>		<b>0</b>	<b>-7,197,006</b>	<b>0</b>	<b>-7,197,006</b>

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

## COLLECTION FUND

2020/21			Notes	2021/22		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000	£'000	£'000	£'000	
<b><u>INCOME:-</u></b>						
(59,181)	-	(59,181)	Council Tax Receivable	(63,211)	-	(63,211)
-	(13,138)	(13,138)	Business Rates Receivable	-	(17,665)	(17,665)
-	-	-	Transitional Protection Payments receivable	-	-	-
(637)	-	(637)	Council Tax Hardship Fund Reliefs (Discretionary Relief)	(124)	-	(124)
<b>(59,818)</b>	<b>(13,138)</b>	<b>(72,956)</b>		<b>(63,335)</b>	<b>(17,665)</b>	<b>(81,000)</b>
<b><u>EXPENDITURE:-</u></b>						
<b>Apportionment of Previous Years Surplus/(Deficit)</b>						
-	172	172	Central Government	-	(5,606)	(5,606)
611	44	655	Lancashire County Council	(3)	(558)	(561)
91	-	91	Police and Crime Commissioner for Lancashire	-	-	-
32	4	36	Lancashire Combined Fire Authority	-	(77)	(77)
109	175	284	Fylde Council	(1)	(3,234)	(3,235)
<b>Precepts, Demands and Shares</b>						
-	12,630	12,630	Central Government	-	13,144	13,144
7,518	10,104	17,622	Fylde Council	7,748	10,515	18,263
42,904	2,273	45,177	Lancashire County Council	45,105	2,366	47,471
6,479	-	6,479	Police and Crime Commissioner for Lancashire	7,014	-	7,014
2,171	253	2,424	Lancashire Combined Fire Authority	2,239	263	2,502
<b>Charges to Collection Fund</b>						
224	89	313	Write offs of uncollectable amounts	1,060	505	1,565
659	742	1,401	Increase/(Decrease) in Bad Debt Provision	(71)	(562)	(633)
-	1,451	1,451	Increase/(Decrease) in Appeals Provision	-	(899)	(899)
-	111	111	Cost of Collection	-	111	111
-	32	32	Transitional Protection Payments payable	-	1,763	1,763
<b>Disregarded Amounts</b>						
-	26	26	Shale Gas	-	26	26
-	57	57	Renewable Energy	-	61	61
<b>60,798</b>	<b>28,163</b>	<b>88,961</b>		<b>63,091</b>	<b>17,818</b>	<b>80,909</b>
<b>980</b>	<b>15,025</b>	<b>16,005</b>	<b>(Surplus)/Deficit arising during the Year</b>	<b>(244)</b>	<b>153</b>	<b>(91)</b>
<b>(861)</b>	<b>(3,869)</b>	<b>(4,730)</b>	<b>(Surplus)/Deficit brought forward at 1<sup>st</sup> April</b>	<b>119</b>	<b>11,156</b>	<b>11,275</b>
<b>119</b>	<b>11,156</b>	<b>11,275</b>	<b>(Surplus)/Deficit carried forward at 31<sup>st</sup> March</b>	<b>(125)</b>	<b>11,309</b>	<b>11,184</b>

**NOTES TO THE COLLECTION FUND**

**1) ALLOCATION OF COLLECTION FUND BALANCES**

2020/21		2021/22		
		Council Tax	Business Rates	Total
£'000		£'000	£'000	£'000
	<b>Allocation of Collection Fund Balances</b>			
3,922	Fylde Council	(16)	4,524	4,508
6,446	Central Government	-	5,654	5,654
796	Lancashire County Council	(91)	1,018	927
13	Police and Crime Commissioner for Lancashire	(14)	-	(14)
98	Lancashire Combined Fire Authority	(4)	113	109
<b>11,275</b>		<b>(125)</b>	<b>11,309</b>	<b>11,184</b>

**2) COUNCIL TAX BASE**

The Council Tax base for 2021/22 was calculated as follows:-

Property Band	Chargeable Dwellings	Band Multiplier	Relevant Amount
Additional Band (Disabled)	13	5/9	7
Band A	4,149	6/9	2,766
Band B	4,722	7/9	3,673
Band C	7,458	8/9	6,629
Band D	6,248	9/9	6,248
Band E	4,587	11/9	5,607
Band F	2,473	13/9	3,573
Band G	1,489	15/9	2,481
Band H	113	18/9	225
Other Adjustments	168	-	168
<b>Total Relevant Amount</b>			<b>31,377</b>
Multiplied by: Estimated Collection Rate			<b>98.25%</b>
			<b>30,828</b>
Add: Other Adjustments			<b>147</b>
<b>Council Tax Base</b>			<b>30,975</b>

A Band D Council Tax was set at £1,923.74, split £1,456.19 for Lancashire County Council, £168.83 for Fylde Council, £226.45 for the Police and Crime Commissioner for Lancashire and £72.27 for Lancashire Combined Fire Authority. Council Tax-payers in St Annes and Lytham also paid a Special Expenses charge at Band D of £79.21 whilst Parish and Town Councils agreed additional Council Tax charges of between £20.63 and £94.69 at Band D level.

### 3) TOWN AND PARISH PRECEPTS

	2020/21	2021/22
	£	£
Bryning-with-Warton	126,605	131,024
Elswick	29,380	29,281
Freckleton	104,755	105,602
Greenhalgh-with-Thistleton	5,845	6,800
Kirkham	221,051	227,170
Little Eccleston-with-Larbreck	13,404	14,100
Medlar-with-Wesham	66,123	66,924
Newton-with-Clifton	69,108	70,880
Ribby-with-Wrea	59,443	62,315
Singleton	21,765	22,281
Staining	65,906	69,194
St.Annes	231,834	233,962
Treales, Roseacre and Wharles	11,061	11,458
Weeton-with-Preese	20,000	24,018
Westby-with-Plumpton	16,050	16,648
	<u>1,062,330</u>	<u>1,091,657</u>

### 4) NON-DOMESTIC RATE (NDR)

	2020/21	2021/22
NDR Rateable Value as at 31 <sup>st</sup> March	£66,331,456	£64,751,070
NDR Multiplier	0.512	0.512
NDR Multiplier (Small Business)	0.499	0.499

## Executive Summary

Based on the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. 2021/22 was another untypical year with the pandemic continuing to impact the council's operations and beginning to even out towards the end of the year. During the coming year we will look to strengthen governance arrangements post pandemic. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation throughout the year.

## Signed on behalf of Fylde Borough Council

**Councillor K Buckley**  
**Leader of the Council**

**Allan Oldfield**  
**Chief Executive**

## **Governance Issues**

As a result of the assessment of the effectiveness of governance within the council, the Corporate Governance Group has identified that a sound system of governance and risk management exists within the Authority. Commentary on internal control is captured within the Statement.

Following the assessment of the effectiveness of governance, during 2021/22, the Corporate Governance Group recommends that governance work should focus on the following:

<b>Area Requiring Action</b>	<b>Senior Responsible Officer</b>	<b>Commentary</b>	<b>Status</b>	<b>Completion Date</b>
Revise the council's Constitution in light of change the number of councillors and intended change in committee arrangements post 2023 elections	Tracy Manning (Director of Resources)	Following a review by the Local Government Boundary Commission for England ('LGBCE'), the number of councillors will reduce from 51 to 37. In tandem, committee arrangements will change to reduce the number of programme committees to one, and introduce two new scrutiny committees. A cross-party Working Group has been established to advise on constitution changes and meetings are underway.	In-progress	31 March 2023
Revised Warding Arrangements and Community Governance Review	Ian Curtis (Head of Governance)	The LGBCE review puts in place a new warding pattern across the borough. Additionally, a community governance review has recommended the establishment of new parish councils in Ansdell and Lytham. Electoral and other administrative arrangements will need to be made to support the new warding pattern and the establishment of any new parish councils, including provisions for interim councillors and anticipated precepts.	In-progress	31 March 2023
UK GDPR – awareness raising to assist managers in meeting their compliance obligations	Ian Curtis (DPO) and Ben McCabe (Deputy DPO)	Support and awareness raising is ongoing. This is a continuing commitment to maintain awareness levels.	In-progress	
As a result of a recommendation by PAS consider a targeted Planning Peer Review by the Planning Advisory Service	Mark Evans, (Chief Planning Officer)	Action carried over from the 2021/22 plan.  Scoping document agreed with the Planning Advisory Service and Planning Committee approval given for the peer review. Preparation underway with a view to PAS being on-site in late September/early October to complete its work.	On-going	31 March 2022

Core Competencies Review 'Fylde 2024' initiative	Alex Scrivens (Corporate Services)	Action carried over from the 2021/22 plan.  Core competencies to be reviewed and presented to the corporate management team for approval.	On-going	31 March 2022
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## **Scope of responsibility**

Fylde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The council also has a duty under the Local Government Act 1999 to decide to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

In 2007, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published best practice guidance, 'Delivering Corporate Governance in Local Government Framework' to assist authorities in reviewing their governance arrangements. This council subsequently approved and adopted a code of corporate governance, which was consistent with these principles. This guidance was subsequently updated in 2016 to define seven new core principles which should underpin the governance arrangements for all public bodies.

The seven core principles are:



Each local authority is required to conduct a review at least once a year on the effectiveness of the system of internal control and include a statement on such a review within its published Statement of Accounts. This annual governance statement is the culmination of this work and provides commentary on the 2021/22 financial year.

## **The purpose of the governance framework**

This statement is an acknowledgment on the part of the council that is incumbent on all the stakeholders who play a part regarding the organisation of the council to ensure that there is a sound governance framework underpinning the work of the organisation.

The governance framework comprises systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with, and leads the community.

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 and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control comprises several processes which together seek to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework as outlined has been in place at the Fylde Borough Council for the municipal year ended 31 March 2022.

# **The governance environment**

## **Principles**

The council's corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor, and control the various activities of the Authority in its pursuit of its vision and objectives. The following describes the key elements:

## **Constitution**

The council's constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. The constitution also identifies some of the principal obligations and functions of the council.

The constitution and its appendices clearly explain how the different elements of the council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols.

The constitution builds on model constitutions and guidance produced by the government several years ago.

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. She has delegated authority to make consequential changes to the constitution made necessary by, for example, changes in legislation. Substantive changes to the constitution must be agreed by councillors at a full council meeting, normally following a recommendation by the Audit and Standards Committee. The involvement of the Audit and Standards Committee and the Monitoring Officer as the guardians of the constitution ensures that the constitution receives appropriate councillor oversight and remains fit for purpose.

## **Political structure**

The council operates a committee system, following a referendum held in May 2014, which resulted in a vote in favour of the council moving from an executive form of governance to a committee system. Councillors are divided into political groups, with the Conservative group having an overall majority of councillors. The political groups nominate councillors to committees in accordance with the statutory rules of political balance. A small number of councillors are not members of any political group.

The council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it.

Other decision-making powers are delegated to the council's committees or to officers. All such delegated powers, except for ad-hoc short-term delegations, are set out in the constitution. There is a mechanism in place for decisions which would otherwise be taken by programme committees to be referred instead to the council. This can be activated by any ten councillors.

The council's programme committees comprise Finance and Democracy, Tourism and Leisure, Environment Health and Housing and Operational Management. The council's regulatory committees are Planning, Licensing, Public Protection and a combined Audit and Standards Committee. There is also a joint committee established with Blackpool and Wyre Councils to discharge economic development functions, within the context of the council's overall policy framework. The cross-party Member Development Steering Group considers and recommends personal development and training opportunities for councillors, as well as their general wellbeing. This includes a strong focus on putting in place an induction process for new and returning councillors following the May 2023 elections.

The council is engaged in other partnerships and these arrangements are subject to review on an on-going basis, for example, the Community Safety Partnership. The Partnership appointed a new Chairman elect during the year.

The council operates on a presumption of openness, with nearly all items of business being considered in public at council and committee meetings. Public attendance is only excluded where legislation allows exempt or confidential matters to be discussed in private.

Public platform allows members of the public to make a point or raise a question during Programme Committee meetings, together with the Planning Committee. Members of the public also have the facility to ask a question at council meetings by pre-registering to do so. Any councillor can ask questions at committee meetings, even if they are not a member of the committee. This helps ensure robust accountability of decisions.

The council has no scrutiny committee/committees in place at present; however, the change in committee arrangements in 2023/24 has allowed for a return to scrutiny.

All the council's work is aligned to its corporate priorities through its committee system. All reports identify how they align to one of the four priorities: economy; environment; efficiency and tourism.

The council's Audit and Standards Committee deals with conduct, ethics, propriety, and declarations of interest. It also oversees and determines complaints made against members under the Code of Conduct. There were no investigations with respect to standards issues during the year.

The monitoring and performance of the council's assurance and governance framework is also led by the council's Audit and Standards Committee. The committee has the responsibility to ensure that the monitoring and probity of the council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

### **Officer structure**

As well as the council and committees, the authority implements its priorities, objectives and decisions through officers, partnerships, and other bodies. Officers can also make some decisions on behalf of the authority under the Scheme of Delegation.

The council's statutory officers have specific legal responsibilities for ensuring probity and good governance in the way the council manages its affairs. The statutory officers are the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer.

The Chief Executive is designated as the council's **Head of Paid Service**. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the Authority. He is responsible for establishing a framework for management direction, style, and standards and for monitoring the performance of the organisation.

The council's **Monitoring Officer** during 2021/22 held the substantive post of Director of Resources. The Monitoring Officer must ensure compliance with established policies, procedures, laws, and regulations. She must report to the full council if she considers that any proposal, decision, or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such reports have arisen during the 2021/22 financial year. Blackpool Council's Monitoring Officer acts as a Deputy Monitoring Officer for the council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these council's Monitoring Officers. The Head of Governance also supports ethical framework arrangements as a deputy monitoring officer.

The council has designated the **Chief Financial Officer** as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2015. Regular reports have been made to the council's Finance and Democracy, and other Committees as appropriate, throughout the course of the year.

Both the Monitoring Officer and Chief Financial Officer have unfettered access to information, to the Chief Executive and to councillors so 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 accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. A protocol supports the statutory role of the Monitoring Officer.

Each of the three statutory officers has been in post for several years, bringing stability, experience, and corporate knowledge to their key governance functions.

In addition to the three statutory officers, the Management Team collectively and individually is responsible for managing the council and securing the economic, effective, and efficient use of resources as required by the duty of best value. Powers delegated to each member of Management Team, together with other officers, are documented in the constitution.

During 2021/22, the Management Team consisted of the three statutory officers, together with one other director and six heads of service. Following the retirement of the other director a management review has resulted in the re-designation of the Director of Resources to Deputy Chief Executive, and the deletion of the other director post.

Management capacity was increased by increasing the number of service heads from six (including the Chief Financial Officer) to eight.

## **Governance framework**

### **External Audit**

The Council's external auditors are appointed and managed by Public Sector Audit Appointments Ltd via the appointing person route under the Local Audit and Accountability Act 2014. The council's external auditors for 2021/22 were Deloitte. They have been the council's external auditors since 2019/20, and continue for 2022/23. Deloitte is one of the leading international and national audit practices and as such, the council can be satisfied that its external audit arrangements continue to provide robust assurance.

### **Internal Audit**

The council does not maintain an in-house Internal Audit Service, but instead buys in internal audit from Mersey Internal Audit Agency ('MIAA'). MIAA is an agency of the NHS, which provides internal audit services for a range of health and local government bodies. MIAA complies with the Public Sector Internal Audit Standards (PSIAS) and all other relevant regulatory and practice standards. Internal audit services provided through MIAA are of at least the same professional standard as those previously provided in-house, while ensuring an additional level of resilience.

### **Corporate Governance Group**

The Corporate Governance Group (CGG), on behalf of the Management Team, co-ordinates corporate governance workstreams, including the receipt and actioning of reports from the various sources of audit and inspection, maintaining and monitoring the Annual Governance Statement. CGG consists of the Monitoring Officer, Chief Financial Officer, Head of Governance and the MIAA audit lead for Fylde. It meets frequently, and also receives regular reports from the corporate fraud service.

### **Strategic Risk Management Group**

The council has adopted a Strategic Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Strategic Risk Register is in place and is monitored and reviewed, combined with action planning for risks identified. A Strategic Risk Management Group ('SRMG') has been established to assist with the management of strategic risks.

The Authority's Risk Management Policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, service managers have identified their respective operational risks and have recorded these on GRACE.

## **Governance in 2021/22**

The Corporate Plan establishes Fylde Council's corporate priorities and reflects the council's principal statutory obligations. Performance against the plan is supported by a performance management system and performance information is reviewed by the various committees of the council during the year.

The financial management of the Authority is conducted in accordance with the Financial Procedure Rules set out in Appendix 4 of the Constitution. The council has in place a Medium-Term Financial Strategy, updated at least twice per annum, to support the aims of the Corporate Plan.

Annual budgets are set by the council in the context of the Medium-Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Procedure Rules.

A robust process of financial monitoring is in place. Budgets are regularly reviewed; the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the council is reported on a regular basis to the Management Team, to the council's Committees, and to full council. Closer monitoring and appropriate action are taken where there is an indication of a likely variance against budget.

In December 2019, CIPFA introduced a Financial Management Code (the Code). A key objective of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The Code was implemented in local government bodies effective from 2021/22. The Council has reviewed its practices against the Code and agreed actions to ensure continuing compliance in order to maintain and enhance standards of financial management across the council.

2021/22 was the first full year of the present Internal Audit arrangements through MIAA. An internal audit plan was developed, and delivered against, and twelve audits have been successfully completed.

Of the twelve completed audits, one resulted in a high assurance opinion, two in substantial assurance opinion, four in a moderate assurance opinion and two in an opinion of limited assurance. The Head of Internal Audit Opinion on the overall adequacy and effectiveness of the organisation's framework of governance is that there is Moderate Assurance, in that there is an adequate system of internal control, but that, in some areas, weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.

The moderate assurance opinion is perhaps unsurprising in the light of 2021/22 being another year in which the council's energies had to be directed to the immediate challenges of working with the local community through the pandemic, including the delivery of government grant schemes and other support, and enforcement of restrictions. There is cause for optimism that 2022/23 will give scope for dealing with some of the weaknesses which, if addressed, would allow the council to return to substantial assurance.

Five of the six heads of service that were in post during 2021/22 completed questionnaires about compliance with corporate policies and other governance matters within their service areas. The questionnaire responses indicate that all five of the service areas were in substantial compliance with corporate policies and the principles of good governance during the year.

### **Other governance matters**

During the year, the council's interaction with government agencies has continued to be significant, as the government has delegated several initiatives aimed at responding to the pandemic to local government. The council's relationship with government has continued to be objective and professional.

Council services are delivered by trained and experienced people. Posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme. In addition, the council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control. The authority also has a set of core competencies which outline the expected behaviours of employees. Clearly the year has been another challenging year in terms of business interruption and new responsibilities balanced against delivering core services. This has been challenging for the council as a small district, and in turn, for its employees.

The Authority has a zero-tolerance policy towards fraud and corruption. The council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially. The council has a shared Corporate Fraud Team with Preston City Council and regular reporting was instigated during the year on the service reporting on the outcomes of its work to elected members. The Corporate Fraud Team also joined meetings of the Corporate Governance Group during the year, and has delivered a fraud awareness training refresh for managers.

The council is committed to openness and transparency. It published a suite of transparency resources on its website, including collections of material required to be published by government regulation and guidance. Additionally, the council maintains a comprehensive and fully searchable index of agendas and decision records from for committee meetings from 2005 onwards. During the year 2021/22, the council received 418 information requests (made under either the Freedom of Information Act 2000 or the Environmental Information Regulations 2004) and responded to approximately 93% of them within the statutory deadline.

The council takes its data protection responsibilities seriously. Its data protection officer has complete operational independence in data protection matters and is one of the council's most senior officers. There is a standing item on the corporate management team regarding information governance.

During the year, seven personal data breaches were reported to the data protection officer. Of these, six were judged to not involve a risk to the rights and freedoms of data subjects. The Authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

### **Review of effectiveness**

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group has been given the responsibility to annually review the corporate governance framework and to report to Audit and Standards Committee on the adequacy and effectiveness of the Code and the extent of compliance with it and its work is referenced within this statement.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the Authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. This is evaluated each year by each Head of Service completing a self-assessment against these procedures. The Corporate Governance Group reviews these statements made by the respective Service Heads taken together with external assurance sources such as the external auditor's Annual Audit Letter and its ISA 260 report to those charged with governance...

During 2021/22, the Audit and Standards Committee kept under review how issues identified in the previous annual governance statement had been resolved. Any outstanding actions have translated into this year's action plan although delivery has been good on governance improvements despite resources being diverted elsewhere to respond to the pandemic.

The review of effectiveness is also informed by the Head of Internal Audit's opinion, and by comments made by the external auditors and other review agencies and inspectorates.

The Strategic Risk Management Group has continued to meet during the year to review achievement of control measures in relation to strategic risks identified. The Audit and Standards Committee has also been kept abreast of strategic risk issues and their management.

We have considered the implications of the result of the review of the effectiveness of the governance framework and system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is set out in the priorities on page 3 of this statement.



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Date: July / 2022

Review Date: July / 2023

## GLOSSARY OF ACCOUNTING TERMS

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

- **Accounting Policies**  
These specify how transactions and other events should be reflected in financial statements.
- **Accruals**  
The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.
- **Actuary**  
An actuary is an expert on pension scheme assets and liabilities.
- **Actuarial Gains and Losses**  
Changes in the actuarial deficits or surpluses over time arising from either or both of i) differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation (known as experience gains and losses), and ii) changes in the actuarial assumptions.
- **Amortisation**  
An annual charge to the revenue account that spreads the cost of an asset over a period of time.
- **Appropriation**  
A contribution to or from a financial reserve.
- **Balances (Or Reserves)**  
These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are for technical purposes, it is not possible to utilise these to provide services.
- **Budget**  
A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.
- **Capital Expenditure**  
Expenditure on the acquisition and/or improvement of an existing Non-Current Asset which adds to, and not merely maintains, its value. Expenditure that does not fall within the definition must be charged to a revenue account.
- **Capital Receipts**  
Proceeds from the sale of capital assets which can only be used to repay the original loan or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as 'capital receipts unapplied'.
- **CIPFA (Chartered Institute of Public Finance and Accounting)**  
CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.
- **Collection Fund**  
The Collection Fund is a separate statutory fund which billing authorities have to maintain. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund.
- **Community Assets**  
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

- **Consistency**  
This is a concept that the accounting treatment of like items, within an accounting period and from one period to the next, is the same.
- **Contingency**  
This is a condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent assets and contingent liabilities should not be recognised in the accounting statements but be disclosed by way of notes.
- **Corporate and Democratic Core**  
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.
- **Council Tax**  
This is a banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1<sup>st</sup> April 1991. The level of tax is set annually by each local authority for the properties in its area.
- **Creditors**  
Amounts owed by the Council for work done, services rendered or goods received for which payment has not been made by the balance sheet date.
- **Current Assets**  
Current assets are items that can be readily converted into cash.
- **Current Liabilities**  
Amounts which will become payable or could be called in within the next accounting period.
- **Current Service Cost (Pensions)**  
The increase in the pension liabilities as a result of years of service earned this year.
- **Curtailement**  
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected and termination of, or amendment to the terms of, a defined benefits scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
- **Debtors**  
Amounts owed to the Council for work carried out, services rendered or goods provided by the Council for which income has not been received by the balance sheet date.
- **Debt Redemption**  
This is where a debt is repaid early.
- **Deferred Credits**  
These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed.
- **Defined Benefit Scheme**  
A pension or other retirement benefits scheme other than a defined contribution scheme, where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.
- **Depreciation**  
This is the measure of the cost or revalued amount of the benefits of the Non-Current Asset that have been consumed during the period.
- **Direct Revenue Financing**  
Resources provided from an authority's revenue budget to finance the cost of capital projects.

- **Discontinued Operations**  
An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination has a material effect on the nature and focus of the authority's operations and represents a material reduction in its provision of services.
- **Emoluments**  
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
- **Estimation Techniques**  
The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.
- **Events after the Balance Sheet Date**  
These are events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.
- **Exceptional Items**  
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
- **Expected Rate of Return on Pensions Assets**  
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
- **Fair Value**  
Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
- **Financial Instruments**  
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives.
- **Finance Lease**  
This is a lease that transfers substantially all of the risks and rewards of ownership of a Non-Current Asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
- **Financial Reporting Standards (FRSs)**  
FRSs are statements which deal with accounting issues of fundamental importance and general application. They are applicable to all published accounts and compliance is mandatory. The Code of Practice on Local Authority Accounting in UK applies FRSs to Councils accounts as appropriate.
- **Financial Year**  
The Council's financial year runs from the 1<sup>st</sup> April to 31<sup>st</sup> March.
- **General Fund**  
This is the main revenue account of the Council covering day to day spending on services other than the provision of housing. Credited to the fund are charges made by the authority, specific Government and other grants and receipts from the Collection Fund.
- **Going Concern**  
The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

- **Government Grants**  
Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
- **Heritage Assets**  
Heritage assets are defined as assets which have historical, artistic or cultural qualities and that are held and maintained principally for their contribution to knowledge and culture.
- **Historic Cost**  
The cost of an asset at the time it was bought.
- **Housing Revenue Account (HRA)**  
The HRA is an account which includes the expenditure and income arising from the direct provision of housing by the Council.
- **Impairment**  
This is a reduction in the value of a Non-Current Asset below its carrying amount on the balance sheet.
- **Infrastructure Assets**  
Non-Current Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
- **Intangible Assets**  
These are non-financial Non-Current Assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. Examples are purchased software licences.
- **Inventories**  
The amount of unused or unconsumed stocks bought but not used at the end of the accounting period, held in expectation of future use. E.g. goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long term contract balances and finished goods.
- **Investments - Non Pension Fund**  
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.
- **Investment Properties**  
This represents an interest in land and/or buildings in respect of which construction work and development have been completed, and which is held for its investment potential, with any rental income being negotiated at arm's length.
- **Leasing**  
Leasing is a method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.
- **Liquid Resources**  
Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.
- **Local Public Service Agreement (LPSA)**  
Government initiative whereby demanding performance targets are set to deliver improvements for local people through partnerships with district Councils and other organisations.
- **Materiality**  
The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by the reader.

- **Minimum Revenue Provision (MRP)**  
The minimum amount (as laid down in Statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.
- **Non Domestic Rates (NDR)**  
NDR is a tax levied on business properties and sometimes known as Business Rates. This tax is set nationally by the Government. Sums based on rateable values are collected by billing authorities and shared between major preceptors, central government, the Police and Crime Commissioner and the billing authority.
- **Net Book Value**  
The amount at which Non-Current Assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.
- **Net Current Replacement Cost**  
This is the cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
- **Net Debt**  
The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.
- **Net Realisable Value**  
The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
- **Non-cash Adjustments**  
Changes in debtors' and creditors' balances over the year
- **Non-Current Assets**  
Assets that yield benefits to the Council and the services it provides for a period of more than one year.
- **Non-distributable Costs**  
These are costs that cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.
- **Non-Operational Assets**  
Non-Current Assets held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
- **Operating Leases**  
An operating lease is a lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own an asset. A third party purchases the asset on behalf of the Council, who then pay the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.
- **Operational Assets**  
Non-Current Assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Examples include Council dwellings, other land and buildings, vehicles, plant, equipment, infrastructure assets and community assets.
- **Past Service Cost**  
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.
- **Post Balance Sheet Events**  
These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

- **Precept**  
This is a charge levied by one Council which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.
- **Principal**  
The amount of money borrowed, not including interest charges.
- **Principal Repayment of Debt**  
Repayment of a loan, not including interest charges.
- **Prior Year Adjustments**  
Prior year adjustments are material adjustments, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
- **Projected Unit Method**  
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:
  - the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases;
  - the accrued benefits for members in service on the valuation date; and
  - The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.
- **Provision**  
These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.
- **Prudence**  
The concept that revenue is not anticipated but is recognised only when realisation in cash is reasonably certain. Conversely, provisions should be made for all known liabilities.
- **Prudential Code for Capital Finance**  
This Code was introduced from 1<sup>st</sup> April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.
- **Public Works Loan Board (PWLB)**  
A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.
- **Related Parties**  
Two or more parties are related parties when at any time during the financial period:
  - one party has direct or indirect control of the other party; or
  - the parties are subject to common control from the same source; or
  - one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or
  - the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests
- **Related Party Transactions**  
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.
- **Reserves**  
Amounts set aside in one year's accounts which can be spent in later years. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

- **Residual Amount**  
The amount an asset can be sold for, less the cost of selling it.
- **Retirement Benefits**  
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by the employee.
- **Revenue Expenditure**  
This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.
- **Revenue Expenditure Funded from Capital Under Statute**  
A new term introduced in 2008/09 accounts. Expenditure that is not capital in accordance with UK GAAP is allowed by statute to be funded from capital resources and hence such expenditure would have no impact on Council tax in the year that it was incurred.
- **Revenue Support Grant (RSG)**  
This is a general grant received from Central Government to contribute towards the cost of providing services. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.
- **Scheme Liabilities**  
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method, reflect the benefits that the employer is committed to provide for service up to the valuation date.
- **Service Reporting Code of Practice (SeRCOP)**  
A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.
- **Settlement**  
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:
  - a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
  - the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
  - the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
- **Specific Grants**  
Government grants for a particular service.
- **Statement of Recommended Practice – (SORP)**  
This is the Code of Practice on Local Authority Accounting in the United Kingdom.
- **Tangible Non-Current Assets**  
Assets which have a physical form e.g. buildings, equipment.
- **The 'Code'**  
The 'Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

- **Total Cost**  
The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned.
- **Total Net Worth**  
The total net value of resources available to or owned by the Council.
- **Unapportionable Central Overheads**  
Overheads for which no user now benefits and that are not apportioned to services.
- **Useful Life**  
The period over which the local authority will derive benefits from the use of a Non-Current Asset.